

Adminstaff 

2000 ANNUAL REPORT



HUMAN CAPITAL STRATEGIES
FOR THE 21ST CENTURY

SMALL BUSINESS IS BIG BUSINESS

Administaff (NYSE: ASF) is the nation's leading Professional Employer Organization (PEO), serving as the outsourced human resources department for thousands of small and medium-sized businesses throughout the United States.

Administaff's revenues in 2000 totaled \$3.7 billion. At year-end 2000, the Company had approximately 4,000 client companies, 68,000 worksite employees and 1,100 corporate employees. Headquartered in Houston, Texas, the Company has three service centers and 33 sales offices in 17 major markets.

Administaff's common stock is listed on the New York Stock Exchange, and the Company is accredited by the Employer Services Assurance Corporation. The Company also is an active member of the National Association of Professional Employer Organizations.

In early 2001, Administaff was named one of "America's Most Admired Companies" by *Fortune* magazine for the third consecutive year. The Company also is included for the second time on the *Forbes* Platinum 400 list of the best big companies in America. In addition, Administaff ranks number 615 on the *Fortune* 1000 list and is included on the *InformationWeek* 500 list of leading information technology innovators.

MISSION: The mission of Administaff is to be the recognized leader in the development, sale and delivery of quality Professional Employer Organization services to our strategically selected market comprised of small and medium-sized businesses. This mission will be accomplished by a highly motivated team of innovative people dedicated to finding, attracting and satisfying clients in a manner that will produce consistent and superior productivity among clients, employees and the Company.

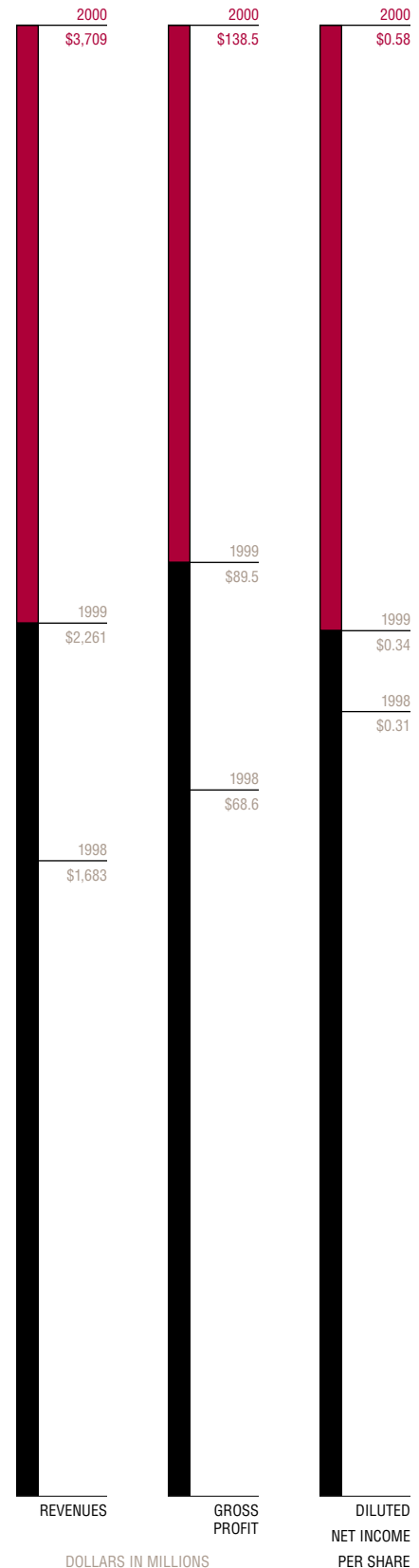


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FINANCIAL HIGHLIGHTS

	2000	1999	1998	% change from 1999
<small>(in thousands, except per share amounts and statistical data)</small>				
INCOME STATEMENT DATA:				
Revenues	\$ 3,708,531	\$ 2,260,743	\$ 1,683,063	64 %
Gross profit	138,534	89,528	68,610	55 %
Operating income	22,234	10,559	11,201	111 %
Net income	16,900	9,358	9,123	81 %
Basic net income per share	\$ 0.62	\$ 0.34	\$ 0.32	82 %
Diluted net income per share	\$ 0.58	\$ 0.34	\$ 0.31	71 %
BALANCE SHEET DATA:				
Working capital	\$ 51,179	\$ 35,792	\$ 52,475	43 %
Total assets	242,817	147,698	142,799	64 %
Total debt	—	—	—	—
Total shareholders' equity	105,510	80,468	86,857	31 %
STATISTICAL DATA:				
Average worksite employees paid per month during period	62,140	42,479	34,819	46 %
Gross payroll per worksite employee per month	\$ 3,830	\$ 3,360	\$ 3,083	14 %

This Annual Report includes forward-looking statements within the meaning of the federal securities laws. You can identify such forward-looking statements by the words "expects," "intends," "plans," "projects," "believes," "estimates," "likely," "goal," "assume" and similar expressions. For information concerning important factors that could cause actual results to differ materially from those in such statements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 22.



PRESIDENT'S MESSAGE

MY CONFIDENCE IN OUR ABILITY TO CONTINUE GROWING THE COMPANY AND STRENGTHENING OUR INDUSTRY-LEADING POSITION IS AT AN ALL-TIME HIGH.

2000 HIGHLIGHTS

- ACHIEVED RECORD REVENUES AND INCOME
- LAUNCHED AN eCOMMERCE PORTAL
- DEVELOPED NEW MARKETING AND STRATEGIC ALLIANCES
- ENHANCED OUR eSERVICE DELIVERY PLATFORM
- REFINED AND EXPANDED OUR CORE SERVICES
- ACCELERATED OUR NATIONAL EXPANSION PROGRAM
- EXPERIENCED SIGNIFICANT GAINS IN SHAREHOLDER VALUE

FELLOW SHAREHOLDERS:

By any measure, 2000 was another remarkable year at Administaff. Not only did we produce excellent financial results, we also achieved significant advances in our technology initiatives, improved our service offering, maintained a healthy balance between growth and profitability, and further enhanced the outlook for our long-term success.

Highlighting our record-setting financial performance in 2000 was a 64 percent increase in revenues to \$3.7 billion. In addition, our net income was up 81 percent to \$16.9 million, and diluted earnings per share rose 71 percent to \$0.58. These results reflect significant pricing strength, operating expense control and better-than-expected unit growth – totaling more than 68,000 worksite employees at year-end. We also remained debt-free in 2000, and our balance sheet is among the strongest in our industry. We finished the year with working capital of \$51.2 million, and our total assets exceeded \$242 million.

While the Company's financial results for 2000 set new records, it was our operational achievements that set the stage for our progress going forward. Major accomplishments in this area included further development of our eBusiness initiatives, an increase in the value of our client

services and a faster rate of growth for our national expansion program.

Leading our list of eBusiness initiatives in 2000 was the launch of bizzport,SM an eCommerce portal designed for exclusive use by client companies, employees and their families. Bizzport aggregates Administaff's clients into a more powerful buying group and takes client support to higher levels in two important areas. First, it gives our clients the opportunity to market their products and services to other Administaff clients and employees through an online networking forum called Best2Best.SM And second, it provides convenient buying opportunities through a growing list of best-of-class providers, including such companies as American Express, AT&T, Bank One, Continental Airlines, Dell, FTD.COM, IBM and Spiegel.

By the time we released the second version of bizzport in early 2001, more than 200 client companies

FIVE-YEAR COMPOUND ANNUAL GROWTH RATES –

- **WORKSITE EMPLOYEES: 29%**
- **REVENUES: 42%**
- **GROSS PROFIT: 38%**
- **OPERATING INCOME: 36%**
- **NET INCOME: 59%**

had listed their products and services on Best2Best. In addition, more than a dozen major companies had joined bizzport's best-of-class providers list, with many more alliances under development.

Our second major eBusiness initiative was the expansion and enhancement of our eService platform, Administaff Assistant.® New features include Web reporting, online forms submission, a centralized personal information file for employees, convenient online password assistance and quicker logins. During 2000, Administaff clients accessed and downloaded thousands of online reports and forms. By automating these routine transactions, we are taking an important step to enhance our service offering and lower operating costs for both Administaff and our client companies.

We also launched eUniversity in 2000. As an extension of Administaff University, this online learning system provides clients with a leading-edge tool for training and developing the workforce. In addition to being able to access dozens of Web-based training courses, employees can plan and track their individual training programs and register online for instructor-led classes.

Administaff's third eBusiness initiative is an eContent platform that will provide a wide range of personnel management information via the Internet. Developed in 2000 and scheduled for launch in 2001, this eContent platform is designed to facilitate the exchange of information with other companies serving our target market. In addition, it is expected to strengthen our position as the premier human resources department for small and medium-sized businesses, further extend the Administaff brand and generate new sales leads.

Rounding out our technology investments in 2000 was the successful deployment of the Administaff

Information Management System (AIMS), our fifth-generation proprietary information and payroll management platform. This new release includes improved processing speed, a new comprehensive payroll tax calculation module, enhanced integration with Administaff Assistant,[®] increased reporting capabilities and a simplified user interface.

Other important developments benefiting our clients in 2000 included:

- The use of our volume purchasing power to help contain the rising cost of health care.
- The expansion of our benefits plan to include voluntary short-term and long-term disability coverage, and upgrading our voluntary life insurance plan from group term to group universal life with an optional savings component.
- The addition of client coverage under our Employment Practices Liability Insurance policy to further protect client companies.
- The creation of payroll teams to provide clients with broader payroll support, more personalized service and quicker response.
- The introduction of LifeWorks,[®] a comprehensive employee assistance program that helps employees and their families balance work and personal issues.

- A new workers' compensation carrier – Lumbermens Mutual Casualty Company, a unit of Kemper Insurance Companies – to underwrite our workers' compensation insurance program in line with the high-quality standards our clients have come to expect.

The Company's growth in 2000 also included an acceleration of our national expansion program. We entered two new markets – Baltimore and New Jersey – and we opened six new sales offices. We also relocated and expanded our Houston service center; and in early 2001, we opened our first on-site child-care facility there to serve employees and others in the local community. In addition, we broke



ground on a new service center in Los Angeles and announced a major expansion of our corporate headquarters.

The success of our organic growth model is punctuated by the increased geographical diversity of our client base. When Administaff became a public company in early 1997, more than 50 percent of our revenues were derived from our initial market, Houston, and less than 20 percent came from outside Texas. At year-end 2000, however, Houston accounted for only 26 percent of our revenues despite continued strong growth in that market, and revenues from outside of Texas totaled more than 50 percent for the first time. Furthermore, the Company's expansion markets – those other than the original markets of Houston, San Antonio, Austin and Orlando – now represent more than 60 percent of total revenues.

Our sales program also benefited from an expansion of our American Express marketing alliance. This agreement provides for increased marketing efforts by American Express, new offerings to Administaff's clients and worksite employees through bizzport, and increased financial incentives for both companies.

Administaff also entered into strategic alliances with two Internet-based service companies – Virtual Growth and eProsper. These alliances include equity investments by Administaff, joint marketing initiatives and the development of future service offerings. Virtual Growth delivers outsourced accounting services for small and medium-sized businesses via the Internet, and eProsper provides emerging growth companies with integrated capitalization and stock option management services.

The financial markets responded favorably to Administaff's progress in 2000, resulting in an 80 percent increase in our stock price. Moreover,

ONE OF OUR PRIMARY GOALS IS TO AGGREGATE THE BEST SMALL AND MEDIUM-SIZED BUSINESSES IN THE COUNTRY AND LEVERAGE THE POWER OF THIS GROUP TO CREATE A SHARED ADVANTAGE.



in the four-plus years from our initial public offering through the date of this letter, Administaff's common stock has appreciated at a compound annual growth rate of 13.3 percent. This compares with gains of 11.7 percent for the Standard & Poor's 500 Index and 10.3 percent for the NASDAQ Composite Index.

The national news media also recognized our continuing success. In January 2001, *Forbes* magazine included Administaff for the second time on its Platinum 400 list of the best big companies in America. In addition, Administaff was again included on the *Fortune* 1000 list, ranking number 615 based on 1999 revenues. *Fortune* also named Administaff as one of "America's Most Admired Companies" for the third consecutive year, and *Bloomberg Personal Finance* ranked Administaff as one of the top 100 hot stocks for 2000.

As we enter the new year, we are seeing the need to temper our near-term growth expectations due to the uncertainties of our nation's economy. At the same time, Administaff has achieved 15 years of uninterrupted growth through all types of economic cycles, and I believe we are in a strong position to continue growing the Company and adding

shareholder value. We expect to build on the accomplishments of 2000 by capitalizing on three important trends – year-over-year unit and revenue growth, pricing strength derived from a continually improving value proposition, and efficiency gains resulting from our technology investments.

I would like to express management's gratitude for the dedication, hard work and outstanding achievements of our corporate employees, and for the valuable guidance provided by our Board of Directors. Appreciation also is extended to our clients, shareholders, alliance companies and suppliers. Together, we are setting the pace for human capital strategies in the 21st century.

Sincerely,

Paul J. Sarvadi
President and Chief Executive Officer
March 9, 2001



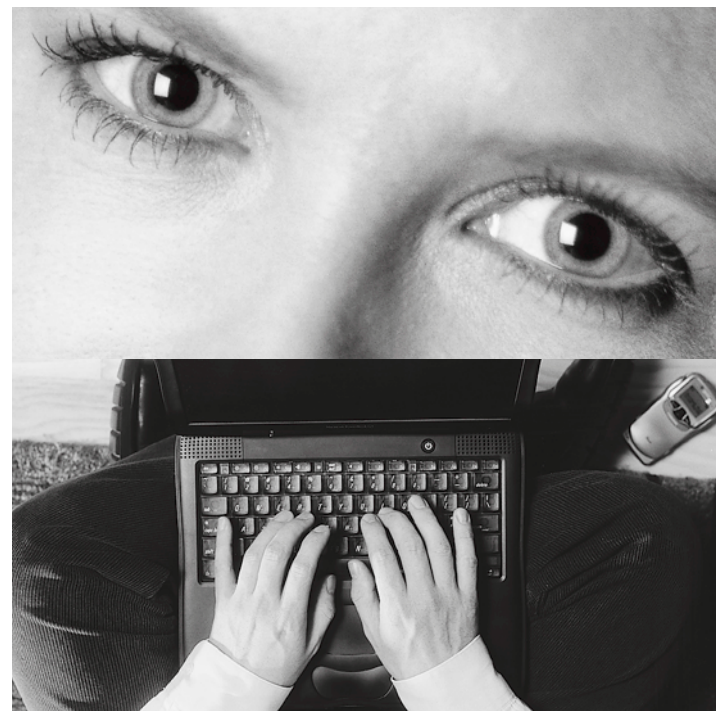
THE LINES BETWEEN OUR WORK LIVES AND OUR PERSONAL LIVES ARE BLURRED LIKE NEVER BEFORE. WHAT HAPPENS AT THE OFFICE CAN AFFECT OUR HOME LIFE, AND WHAT HAPPENS AT HOME CAN IMPACT OUR WORK. ADMINISTAFF'S eBUSINESS INITIATIVES ARE DESIGNED TO HELP CLIENTS AND WORKSITE EMPLOYEES EFFECTIVELY INTEGRATE THEIR WORK LIFE WITH THEIR PERSONAL LIFE. "The ability of our employees to get answers to their human resource questions online gives them independence to search for information anytime they want. Personally, I like the flexibility of being able to check the status of my 401(k) on Saturday afternoon instead of taking time during normal business hours." **Christine Pepin – President, Performance Software Services, Inc.** • "Administaff's online services allow employees access to information 24/7, giving them more flexibility in their busy schedules, and more balance between home and work. There are a number of options made available through the various portals, and our employees use them for activities such as arranging travel plans, changing investments and purchasing home computers." **Jean Rice – President and Chief Executive Officer, Action HealthCare Management** • "Administaff Assistant and bizzport have quickly become the first place our employees look for employment information, investment information, and great discounts on world-class products and services. It is especially helpful to our employees who may work off-site for months at a time to have the same powerful capabilities as people in the office." **Craig Dalton – President and Chief Executive Officer, Kazan Software**

WORKLIFE





BALANCE



**A PEOPLE
STRATEGY**

**A COMPETITIVE
ADVANTAGE**



EXECUTIVES AT LARGE CORPORATIONS HAVE ALWAYS HAD A HUMAN RESOURCES DEPARTMENT TO SUPPORT THEIR PERSONNEL MANAGEMENT NEEDS, but not all companies can justify having a team of experts devoted exclusively to HR issues.

While most companies are systematic and strategic in the financial and operations areas of their business, comparatively few invest in the effective management and development of their human capital – what Administristaff refers to as a “people strategy.” For those that do, however, the results can be impressive. In study after study over the last several years, researchers have found a strong relationship between an effective people strategy and a competitive advantage. Consider these findings:

- A survey by Watson Wyatt Worldwide shows that “a significant improvement in 30 key human resource (HR) practices is associated with a 30 percent increase in market value.”

CREATING ENVIRONMENTS THAT WILL HELP ATTRACT THE BEST PEOPLE AND ENHANCE THEIR PRODUCTIVITY.

- A *Fortune* magazine study of the “100 Best Companies to Work For” found a direct link between higher levels of employee satisfaction and increased shareholder returns.
- A *Fortune*/Hay Group study of 18 of the “World’s Most Admired Companies” shows that companies that take their human resources responsibilities more seriously than their competitors are better able to attract and keep good people.
- The American Society for Training and Development found – for the third consecutive year – a relationship between a company’s investment in training and its performance in the marketplace.

Against this backdrop, there is a strong need to create business environments that will help attract and retain the best people, and enhance their productivity. This is especially true in view of today’s low

unemployment rate and the forecast for our future workforce. According to the Bureau of Labor Statistics, by 2008 the number of jobs in the United States is expected to reach 160.8 million, while the number of available workers will reach only 154.6 million – representing a shortage of 6.2 million people. In addition, an estimated 60 percent of new jobs in the early 21st century will require skills possessed by only 20 percent of today’s workers, according to a Hudson Institute study.

Executives at large corporations have always had a human resources department to support their personnel management needs, but not all companies can justify having a team of experts devoted exclusively to HR issues. In fact, more than half of the nation’s employees – 51 million people – work for small companies that generally do not have a professional HR department.

Administaff addresses this vital need by serving as an outsourced HR department for thousands of small and medium-sized businesses.

Administaff delivers a comprehensive suite of HR services that reflects the crucial components of an effective people strategy in several key areas:

- **RECRUITING AND SELECTION.** The right employees can have a tremendous impact on small and medium-sized businesses. Unfortunately, so can the wrong employees. Recruiting well means lower turnover, higher productivity and increased shareholder value. Administaff has the expertise and resources to help business owners locate, attract and retain top-notch employees who can contribute greatly to a company's success.
- **PERFORMANCE MANAGEMENT.** A great way to improve business performance is to improve employee performance, and research shows that performance improvement hinges on open, candid communication between supervisors and employees at all levels of the organization. Administaff provides training and management tools and techniques that can improve communications and positively impact individual and group performance.

Helping employees realize their full potential is important in helping an organization reach its goals.

- **TRAINING AND DEVELOPMENT.** More than ever, employees want to know they can grow, develop and advance their careers. This means business owners must match the training and knowledge employees want with the core competencies the business needs. Administaff University and its online extension, eUniversity, meet that objective by providing customized training programs that help employees become top performers in achieving company goals. Complementing a

PERSONNEL MANAGEMENT SYSTEM

ADMINISTAFF'S EIGHT-POINT PERSONNEL MANAGEMENT SYSTEM INCLUDES A COMPREHENSIVE RANGE OF HUMAN RESOURCE SERVICES THAT ENABLES BUSINESS OWNERS TO BE MORE SYSTEMATIC AND STRATEGIC ABOUT THE ROLE THAT PEOPLE PLAY

RECRUITING & SELECTION

Find and hire the highest-quality employees possible.

- Job Descriptions
- Resume Review & Interviewing
- Salary Planning & Administration
- Classified Advertising
- Background Checks
- Pre-employment Testing
- Profiling
- Drug Testing
- Outplacement

PERFORMANCE MANAGEMENT

Increase employee productivity by improving individual and group performance.

- Performance Measurement & Review
- Compensation & Incentive Plans
- Employee Relations
- Supervisor Training
- Dispute Resolution
- Job Design

TRAINING & DEVELOPMENT

Help your company become more profitable with a professional development program for employees.

- Needs Analysis to Identify Areas for Performance Improvement
- Curriculum Development for Professional & Personal Growth
- Customization & Delivery of Training Programs
- Certified Provider of Continuing Education Units

BENEFITS MANAGEMENT

Gain the best benefits value in the marketplace for cost stability and employee retention.

- Health Care, Dental & Vision Plans
- Employee Assistance & Work-Life Programs
- 401(k) Plan
- Disability Plan
- Basic & Voluntary Life Insurance
- Basic & Voluntary Personal Accident Insurance
- Adoption Assistance
- Credit Union
- Educational Assistance
- Dependent Care Spending Account

wide range of instructor-led classes, eUniversity adds convenience and flexibility to the training program by making dozens of classes available via the Internet.

- **BENEFITS MANAGEMENT.** Attracting and retaining the best employees requires more than a competitive salary. It also requires a competitive benefits package. With Administaff, small and medium-sized companies have access to Fortune 500-caliber benefits – an important requisite for attracting and retaining Fortune 500-caliber employees.

WE PROVIDE VALUE-ADDED PEOPLE STRATEGIES TO HELP THE BEST BUSINESSES GET BETTER.

In addition to these basic services – which have a direct impact on our clients' ability to recruit, train and keep quality employees – Administaff also provides other important services that indirectly affect a company's people strategy. They include:

- **EMPLOYER LIABILITY MANAGEMENT.** Managing workplace liabilities protects both business owners and employees by safeguarding the very enterprise

that provides jobs for workers and services for customers. With Administaff, clients no longer have to shoulder this responsibility alone.

Our three-point liability management system enables them to transfer many of their liabilities to our side of the ledger, share others with us and better manage those that remain.

- **OWNER SUPPORT.** By providing expert guidance and direction in personnel management issues, Administaff helps business owners and employees focus on their core business. In addition, through Administaff's alliance with American Express Financial Advisors, employees and business owners can

IN THE SUCCESS OF A COMPANY. WITH ADMINISTAFF MANAGING THE “BUSINESS OF EMPLOYMENT,” GROWTH-MINDED BUSINESS OWNERS AND EMPLOYEES ARE FREE TO FOCUS ON THE “BUSINESS OF BUSINESS.”

EMPLOYER LIABILITY MANAGEMENT

Manage employer obligations more effectively with lower risk and reduced liability.

- Workers' Compensation Coverage & Claims Resolution
- Employment Practices Liability Insurance
- Safety Review & Policy Development
- Unemployment Claims
- Conflict Resolution
- Employee Handbooks
- Personnel Guide, Forms & Policies
- Terminations

OWNER SUPPORT

Achieve a more secure future through forward-focused resources that help create value.

- Personnel Consulting
- Employee Communications
- Administaff Assistant eServices
- Administaff's bizzportSM eCommerce Portal
- Through our alliance with American Express Financial Advisors:
- Financial Education & Planning Services
- Executive Benefits
- Business Continuation Planning
- Key Person Coverage
- Tax & Business Services

GOVERNMENT COMPLIANCE

Keep pace with changing government regulations to reduce or eliminate fines and penalties.

- Government Reporting & Agency Interface
- Unemployment Claims Management
- Employment Records Management
- Claims & Audits
- OSHA, EEOC, DOL, ADA, FMLA, ADEA, Title VII, COBRA, HIPAA & other Government Regulations

EMPLOYMENT ADMINISTRATION

Reduce the burden of employee-related paperwork by sharing it with Administaff.

- Payroll & Payroll Tax Filing
- FICA, FUTA, SUTA
- Insurance Procurement
- Garnishments
- Quarterly Reports
- Human Resources Management Reports
- Direct Deposit
- W-2s & W-4s
- Employment Verification

THROUGH BIZZPORT, CLIENT COMPANIES AND EMPLOYEES CAN STREAMLINE THE PURCHASING PROCESS WITH AN ONLINE PROCUREMENT SYSTEM, SAVE ON BUSINESS AND CONSUMER PURCHASES THROUGH INTERNET GROUP BUYING, ACCESS PRODUCTS AND SERVICES FROM INDUSTRY-LEADING COMPANIES, AND RESEARCH BUSINESS RESOURCES WITHIN ADMINISTAFF'S NETWORK OF CLIENT COMPANIES.

benefit from resources such as financial education and planning services, and business continuation planning.

- **GOVERNMENT COMPLIANCE.** Since the 1980s, the number of employment-related laws has doubled. Administaff's specialists help client companies meet their obligations under FLSA, ERISA, COBRA, HIPAA and numerous other state and federal regulations. Improved government compliance helps clients reduce or eliminate fines and penalties, and provides an improved working environment.
- **EMPLOYMENT ADMINISTRATION.** Administaff provides welcome relief from administrative headaches by handling a wide array of employer-related paperwork. This helps free business owners and employees to spend more time focusing on work that contributes directly to their company's bottom line.

Administaff's core services are complemented by an eBusiness strategy that includes Administaff Assistant,[®] an eService platform that provides clients and employees with information and resources to help maximize the benefit of their Administaff services; and bizzport,SM an eCommerce portal that features value-added products and services from best-of-class providers.

By logging on to Administaff Assistant, employees can locate in-network medical providers, manage their 401(k) account, pursue training opportunities, research credit union loan rates, update their personal employment-related information, and more. In addition, client companies can submit and verify payroll online, run reports, complete and submit forms, and review the Administaff Personnel Guide, all on a secure Web site.

Through bizzport, client companies and employees can streamline the purchasing process with an online procurement system, save on business and consumer purchases through Internet group buying, access products and services from industry-leading companies, and research business resources within Administaff's network of client companies.

Whether it is offline or online, in the workplace or at home, Administaff is committed to serving both clients and employees with high-performance human resource practices that can help boost productivity, profitability and shareholder returns. In other words, we provide value-added people strategies to help the best businesses get better.



Co-Employers of Choice

Administaff delivers its personnel management services by entering into a co-employment relationship with a client company's existing employees, including the business owner. Under this arrangement, Administaff assumes or shares most of the responsibilities of being an employer, and the employees gain a wide array of value-added benefits and services not typically available at small businesses.

“AS A BUSINESS OWNER, I MIGHT HAVE TO RESPOND TO CLIENT EMERGENCIES IN THE UNITED KINGDOM OR ASIA WITHIN HOURS. ADMINISTAFF'S eSERVICE CAPABILITIES ALLOW ME TO REVIEW ALL THE EMPLOYEE AND PAYROLL INFORMATION ONLINE, AND TO EFFECTIVELY ADDRESS HUMAN RESOURCE ISSUES AND SATISFY EMPLOYEE REQUESTS NO MATTER WHERE I AM.”

Alison Chung –
President and Founder,
TeamWerks, Inc.

“ADMINISTAFF'S SERVICES HAVE HELPED LEVEL THE PLAYING FIELD FOR US. THE EMPLOYEE BENEFITS PACKAGE IS DEFINITELY BETTER THAN WHAT WE COULD DO ON OUR OWN. WE'VE ALSO BEEN VERY PLEASED WITH ADMINISTAFF'S TRAINING RESOURCES. AND BECAUSE ADMINISTAFF HANDLES ALL OF OUR HUMAN RESOURCES FUNCTIONS, I CAN CONCENTRATE ON HELPING TO GROW OUR COMPANY.”

Kent Bissett – Chief Financial Officer, TSI TelSys

“WITH ADMINISTAFF, WE RECEIVE ACCESS TO PROFESSIONAL SERVICES LIKE TRAINING AND PERFORMANCE MANAGEMENT THAT WE WOULD NOT BE ABLE TO PROVIDE ON OUR OWN. I ALSO HAVE CONFIDENCE THAT PAYROLL, PAYROLL TAXES AND OTHER IMPORTANT ADMINISTRATIVE ACTIVITIES ARE HANDLED ACCURATELY.”

Rex Jobe – President, The Color Place

WORKPLACE SOLUTIONS



“Using Administaff allows us to offer big company benefits and still have that small company feel – and that’s a major recruiting benefit. It also enables me to stay more involved in product development, instead of having to concentrate a lot of my time on administrative tasks.”

Bryan Ware –

Chief Executive Officer, Digital Sandbox

“With Administaff, I now have more time to mentor employees and concentrate on their well-being. This creates greater employee loyalty, and happy employees tend to do a better job and stick around.”

Jim Conway – Co-Founder, Ameritek Painting

STEVEN ALESIO Mr. Alesio was named Senior Vice President of The Dun & Bradstreet Corporation in January 2001. He has responsibility for Global Marketing, Technology, Corporate Communications and Strategy Implementation, and is a member of that company's Global Leadership Team. Before joining D&B, Mr. Alesio was with the American Express Company for 19 years until his resignation in November 2000. He was elected a director of the Company in July 1999.

BOARD OF DIRECTORS

LINDA FAYNE LEVINSON Ms. Levinson has served as a principal of Global Retail Partners, L.P. since 1997. She previously served as President of Fayne Levinson & Associates and has been an executive with several major corporations. Ms. Levinson currently serves as a director for Jacobs Engineering Group Inc., NCR Corporation, Cybersource Corporation, GoTo.com, Inc. and Exactis.com, Inc. She joined Administaff's Board in April 1996.

JACK M. FIELDS, JR. Mr. Fields joined the Company as a director in January 1997 following his retirement from the United States House of Representatives, where he served for 16 years. During 1995 and 1996, he served as Chairman of the House Telecommunications and Finance Subcommittee, which has jurisdiction and oversight of the Federal Communications Commission and the Securities and Exchange Commission. Mr. Fields is Chief Executive Officer of 21st Century Group in Washington, D.C., and serves on the Board of Directors for AIM Mutual Funds.

PAUL J. SARVADI Mr. Sarvadi is President, Chief Executive Officer and a co-founder of Administaff. He has served on Administaff's Board since the Company's inception in March 1986. Mr. Sarvadi has served as President of the National Association of Professional Employer Organizations (NAPEO) and was a member of its Board of Directors for five years. In 1995, he was selected as Houston's Entrepreneur of the Year for service industries.

MICHAEL W. BROWN Mr. Brown is the past Chairman of the NASDAQ Stock Market Board of Directors and is currently a governor of the National Association of Securities Dealers. Mr. Brown joined Microsoft Corporation in 1989 as its Treasurer and became its Chief Financial Officer in 1993. He served in that capacity until his retirement in July 1997. Mr. Brown is also a director of Fat Kat, Inc., a member of the Thomas Weisel Partners Advisory Board, the Financial Executives Institute and the University of Washington School of Business Advisory Board. He joined the Company as a director in November 1997.

RICHARD G. RAWSON Mr. Rawson is Administaff's Executive Vice President of Administration, Chief Financial Officer and Treasurer. He has been a director of the Company since April 1989. Mr. Rawson is the Immediate Past President of the National Association of Professional Employer Organizations (NAPEO) and serves on the Executive Committee of its Board of Directors.

PAUL S. LATTANZIO Mr. Lattanzio is a Managing Director for Toronto Dominion Capital, the private equity arm for Toronto Dominion Bank. He previously served with affiliates of NationsBanc Montgomery Securities and Bankers Trust New York Corporation. Mr. Lattanzio also serves on the Board of Directors of General Communication, Inc. and Medical Logistics, Inc., and on the Advisory Board of MVP America L.P. He has been a director of the Company since 1995.

OFFICERS

Paul J. Sarvadi
President and Chief Executive Officer

Richard G. Rawson
Executive Vice President of Administration,
Chief Financial Officer and Treasurer

A. Steve Arizpe
Executive Vice President of Client Services

Jay E. Mincks
Executive Vice President of Sales and Marketing

Constance Hall Barnaba
Vice President of Human Resource Services

David C. Dickson
Vice President of Technology Solutions and Chief Technology Officer

Gwen Fey
Vice President of Client Services Coordination

Roger L. Gaskamp
Vice President of Business Development

Jeff W. Hutcheon
Vice President of eService Operations

Samuel G. Larson
Vice President of Enterprise Project Management

Randall H. McCollum
Vice President of eCommerce Development

Douglas S. Sharp
Vice President of Finance and Controller

John H. Spurgin, II
Vice President of Legal, General Counsel and Secretary

CORPORATE HEADQUARTERS
19001 Crescent Springs Drive
Kingwood, Texas 77339-3802
Telephone: 281-358-8986

SALES DEPARTMENT
Telephone: 1-800-465-3800

**STOCK TRANSFER AGENT
AND REGISTRAR**
Computershare Investor Services, LLC
Attention: Shareholder Services
2 North LaSalle Street
Chicago, Illinois 60602
Telephone: 312-588-4281
Web site: www.computershare.com

COMMON STOCK
Administaff, Inc.'s common stock
is traded on the New York Stock
Exchange under the
NYSE symbol ASF.

INDEPENDENT AUDITORS
Ernst & Young LLP
1221 McKinney, Suite 2400
Houston, Texas 77010

LEGAL COUNSEL
Baker Botts L.L.P.
One Shell Plaza
910 Louisiana
Houston, Texas 77002-4995

ANNUAL MEETING
Administaff, Inc.'s Annual Meeting
of Shareholders will be held at 10 a.m.
on Tuesday, May 8, 2001, at the
Company's corporate headquarters,
Centre II, located at 29801 Loop 494,
Kingwood, Texas 77339.

INVESTOR RELATIONS
Shareholders are encouraged to
contact the Company with questions
or requests for information. Copies of
the Company's Annual Report on Form
10-K as filed with the Securities and
Exchange Commission are available
without charge upon written request.
Inquiries should be directed to:
Investor Relations Administrator
Administaff, Inc.
19001 Crescent Springs Drive
Kingwood, Texas 77339-3802
Telephone: 281-348-3987

WEB SITE
www.administaff.com

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