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NEWS

Payroll Associates is sold to N.J. co.

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Richardson-based Payroll Associates Inc. has been sold to the company that makes the software it uses. That company's name: Payroll Associates L.L.C. of Moorestown, N.J.

The move is a key part of an aggregation by the New Jersey software company to build a new national player in the payroll services business.

That project is led by William Scott, the former chief executive of InterPay Inc., once a top-five player in the industry. (InterPay was sold to Fleet Financial Services and later to industry giant Paychex Inc.)

Since selling and departing the business, Scott had been approached several times to return.

"There's only one way I'd do that," he said — by starting with the software company and its PayChoice brand platform, then rolling up its licensees.

Now he's executing on that plan, with the financial backing of Great Hill Partners, Baird Venture Partners in Chicago and North Hill Ventures, the private equity arm of Capital One Financial Corp. Scott said Payroll Associates L.L.C. has about six more similar deals in the pipeline before year-end.

Great Hill led the buyout of the Payroll Associates in New Jersey in December 2004. They haven't disclosed financial details on the deal.

The local Payroll Associates is the fifth acquisition for the growing parent organization. The software company quietly acquired other payroll companies in the Boston area, Elkhart, Ind.; Louisville, Ky., and Moorestown, N.J. in the first half of 2005.

The deal allows the local Payroll Associates and its 26 employees to be part of a larger, perhaps more stable organization. The combined company now employs about 160 and has several thousand client companies.

"It protects our employees — it protects our clients," said Kevin Winters, president and cofounder of Payroll

Associates Inc. "There's something about this opportunity — it's not to sell and walk away, but to join."

Richardson's Payroll Associates Inc. started business in 1994 and switched to the software platform it now uses about five years later.



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There are about 5,000 payroll companies nationally and, after the big players, only a handful have annual revenue higher than \$10 million. The middle tier of payroll service bureaus have been bought up by industry giants

Automatic Data Processing Inc. (also known as ADP) and Paychex, Scott said.

With the Richardson business signed, the aggregated Payroll Associates L.L.C. can count revenue well in excess of \$10 million. Dallas will be a major hub for the new company, along with Boston.

The combined company will target a familiar customer — businesses with up to 500 workers, but with a sweet spot in the 1-100 employee range.

The payroll business itself has proven to be recession-proof. Winters says his business has grown steadily for 12 years, in a time when many North Texas companies experienced rapid booms and busts.

Payroll Associates L.L.C. offers paycheck accounting, processing, automatic deposit systems and related services including 401(k) administration through a subsidiary broker-dealer.

The two companies didn't disclose a sales price for the cash deal.