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July 12, 2007

By E-Filing

The Honorable William B. Chandler, III
Chancellor
Court of Chancery
of the State of Delaware
34 The Circle
Georgetown, DE 19947

Re: *Minneapolis Firefighters' Relief Assoc. v. Ceridian Corp.*, C.A. No. 2996-CC;
Minneapolis Firefighters' Relief Assoc. v. Ceridian Corp., C.A. No. 3012-CC

Dear Chancellor Chandler:

We, along with Bernstein Litowitz Berger & Grossmann LLP, are co-counsel to Plaintiff in the above-captioned actions (the "Actions"). We are writing with the consent of counsel for defendants to advise the Court that the parties have reached a settlement in major part of the Actions. The terms of the proposed settlement are set forth in an agreed Term Sheet and will be embodied in a definitive agreement that will be presented to the Court. We also enclose a form of Order in action No. 3012-CC, effectuating certain terms as they relate to the election of directors and the shareholder vote on the proposed merger (the "Proposed Order") (Ex. A).

As explained below, the settlement provides substantial immediate relief on the claims brought by Plaintiff. Assuming the terms of this proposal are acceptable to the Court, the trial and preliminary injunction hearing scheduled for August 1 – 3 need not take place and the current discovery and briefing schedule will be cancelled.

Background

On May 31, 2007, defendant Ceridian Corp. ("Ceridian") announced a proposed cash-out merger in which Thomas H. Lee Partners, L.P. and Fidelity National Financial, Inc. (together, the "Buyers") would acquire each outstanding Ceridian share for \$36 per share (the "THL/Fidelity Buyout").

On June 4, 2007, Plaintiff filed a Verified Class Action Complaint challenging, among other things, (a) a provision in the Merger Agreement that gave Buyers the option to terminate the Merger Agreement in the event Ceridian shareholders elected a new Board; (b) the definition of "Superior Proposal" in the Merger Agreement, (c) other deal protections; and (d) whether the sale process conformed with *Revlon* and its progeny.

Plaintiff subsequently filed a motion for preliminary injunction and moved for expedited proceedings. On June 11, Plaintiff filed a Verified Petition seeking the setting of Ceridian's annual meeting pursuant to 8 Del. C. § 211. The Court set an August 1-2 trial on the Section 211 claims and on the provision permitting Buyers to terminate the Merger Agreement in the event a new Board was elected. Intensive document discovery thereafter commenced.

On June 26, Plaintiff filed a First Amended Verified Class Action Complaint, expanding on the existing allegations, adding disclosure claims based on Ceridian's Preliminary Proxy Materials (filed June 15), and challenging the provision of the confidentiality/standstill agreements entered into by Ceridian and potential bidders that precluded potential bidders from requesting a waiver from the standstill restrictions contained therein.

On June 27, Ceridian announced its intent to hold its annual meeting and a shareholder vote on the THL / Fidelity Buyout on September 12, 2007. Thereafter, Plaintiff sent a letter to the Court requesting the scheduling of a hearing on its now amended Motion for Preliminary Injunction. The Court scheduled the preliminary injunction argument to take place concurrent with the trial, which was expanded to August 1-3.

The Proposed Settlement

While discovery was proceeding, settlement discussions were initiated and intensive negotiations have taken place. Today, the parties reached a proposed settlement subject to Court approval. The principal terms provide substantial relief on Plaintiff's claims, and include the following:

- Ceridian's Annual Meeting will be held on September 12, subject to defendants' ability to delay it for no more than twenty calendar days; Plaintiff has agreed not to seek bifurcation of the director and deal votes so that stockholders will have the opportunity to vote both on the election of directors and on the proposed transaction on September 12;
- Defendants have agreed to amend the Merger Agreement to eliminate the provision permitting Buyers to terminate the Merger Agreement upon the election of a new Board;
- The confidentiality/standstill agreements shall be modified to eliminate the provision which prohibited the signatories from seeking a waiver of the standstill restrictions in the agreement, and the signatories will be notified immediately of such change;

- The Merger Agreement will be amended to change the definition of “Superior Proposal,” decreasing the trigger from 66 2/3% to 40% of Ceridian’s assets or stock;
- Plaintiff shall conduct agreed upon confirmatory discovery, and the parties will work in good faith to agree on appropriate modifications or additions to the disclosures in Ceridian’s proxy statement;
- Defendants shall notify Plaintiff’s counsel if and when any Alternative Proposal (as defined in the Merger Agreement) is received;
- Plaintiff agrees to provide a class wide release of claims for acts or omissions up through July 11, 2007, except Plaintiff reserves the right to assert claims concerning (a) any disclosure issues the parties do not resolve in good faith, and (b) certain aspects of the termination fee provisions. Any claims arising out of post-July 11 conduct also are preserved; and
- Upon final approval of the settlement, the pending actions will be dismissed with prejudice as set forth in the Term Sheet.

The parties are presenting the settlement terms to the Court at this time, in order to seek leave to begin immediately implementing the settlement terms. *See SS&C Technologies, Inc., Shareholders Litig.*, 911 A.2d 816 (Del. Ch. 2006). The parties propose to present definitive settlement papers to the Court for final approval after Ceridian’s annual meeting.

* * * * *

We request a telephone conference (with a court reporter) with the Court at its earliest convenience to present the proposed settlement terms and answer any questions the Court may have. At that time, we will request entry of the Proposed Order.

Respectfully,



David J. Margules (Bar No. 2254)

cc: Register in Chancery (by e- filing)
David McBride, Esquire (by e-mail)
Kevin Abrams, Esquire (by e-mail)
Jerry Silk, Esquire (by e-mail)
Mark Lebovitch, Esquire (by e-mail)

**IN THE COURT OF THE CHANCERY OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY**

MINNEAPOLIS FIREFIGHTERS' RELIEF
ASSOCIATION,

Petitioner,

v.

CERIDIAN CORPORATION,

Respondent.

C.A. No. 3012-CC

(PROPOSED) ORDER

WHEREAS, on June 11, 2007, Petitioner brought this action alleging that Respondent Ceridian Corporation ("Ceridian") had not held an annual meeting for the election of directors for thirteen months; and

WHEREAS, Respondent has scheduled an annual meeting for the election of directors to be held on September 12, 2007, at which time stockholders would also vote on a proposed merger transaction with an affiliate of Thomas H. Lee Partners, LP, and Fidelity National Financial, Inc. (the "Proposed Transaction"); and

WHEREAS, as part of a broader proposed settlement of various disputes relating to the Proposed Transaction, the parties have resolved the matters raised by the petition in this Action;

IT IS HEREBY ORDERED THIS ___ DAY OF JULY, 2007, AS FOLLOWS:

1. The annual meeting of Ceridian stockholders will be held on September 12, 2007 at which meeting stockholders will be permitted to vote with respect to the election of directors and the Proposed Transaction. Absent further Order of this Court, the September 12 date for the annual meeting may be adjourned, modified or delayed

only upon agreement of the parties, or by the Company if necessary to have the vote on the Proposed Transaction on the same day as the election of directors, in each case, only so long as the election of directors is held within 20 calendar days of September 12, 2007.

2. The quorum requirement for the vote on the Proposed Transaction and for the vote on the election of directors shall be as set forth in Ceridian's bylaws as amended, as of March 30, 2001, and the applicable stockholder voting requirement of 8 Del. C. § 251(c) shall apply to the Proposed Transaction.

3. Nothing in this Order shall limit the rights of the parties to seek appropriate relief consistent with the agreement of the parties resolving certain of the claims asserted in C.A. No. 2996-CC.

4. This Court shall retain jurisdiction in this matter pending the completion of the annual meeting.

Chancellor William B. Chandler, III