IN THE COURT OF THE CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

MINNEAPOLIS FIREFIGHTERS' RELIEF ASSOCIATION, on behalf of itself and all other similarly situated shareholders of Ceridian Corporation, Plaintiff, v. CERIDIAN CORPORATION, KATHRYN V. MARINELLO, NICHOLAS D. CHABRAJA, RONALD T. LEMAY, GEORGE R. LEWIS, L. WHITE MATTHEWS, III, RICHARD SZAFRANSKI, WILLIAM L. TRUBECK, ALAN F. WHITE, THOMAS H. LEE PARTNERS LP, FIDELITY NATIONAL FINANCIAL, INC., FOUNDATION HOLDINGS, INC. AND FOUNDATION MERGER SUB, INC., Defendants.	C.A. No. 2996-CC

VERIFIED FIRST AMENDED CLASS ACTION COMPLAINT

Plaintiff Minneapolis Firefighters' Relief Association ("Minneapolis Firefighters"), by its undersigned counsel, on behalf of itself and all other similarly situated public shareholders (the "Class") of Ceridian Corporation (hereafter, "Ceridian" or the "Company"), brings the following Verified First Amended Class Action Complaint against Ceridian, the members of its Board of Directors, and Ceridian's proposed merger partners. The allegations of this Complaint are based on the personal knowledge of Plaintiff as to itself and on information and belief (including the investigation of counsel and review of publicly available information) as to all other matters.

SUMMARY OF THE ACTION

1. With Ceridian's largest shareholder having launched a proxy fight to effect a change in leadership, the Company's management and Board initiated a search for strategic

alternatives leading to a sale of the Company. From the start, however, the Company followed and implemented a tainted strategy designed to favor the Company's incumbent management over the interests of shareholders and to tie the hands of anyone who might favor an alternative transaction.

2. In January 2007, just a few months after Defendant Kathryn V. Marinello left her job as President of General Electric Fleet Services to become the President and CEO of Ceridian Corporation, the Company's largest shareholder proposed a spin-off of Ceridian's highly valuable Comdata division.

3. When Ceridian management rejected the spin-off plan, the shareholder announced that it would nominate a slate to challenge the incumbent directors at Ceridian's next annual meeting. In response, Ceridian's Board of Directors (the "Board") announced it was considering "strategic alternatives" to the proposed spin-off. In the end, that search produced exactly the outcome that benefited incumbent management most – a sale of the entire company to financial buyers who would enrich Marinello and her team in a going private transaction under which Ceridian's management and Board would receive almost $49 million in change of control payments and negotiate rich new employment agreements. In other words, instead of using "golden parachutes" to cushion the blow to management for losing their jobs in a takeover, the private equity funds gain management's loyalty at the expense of shareholders by paying them off while also bestowing upon them continued employment and equity; such an arrangement has been more aptly described as "golden bungee jump."

4. On May 31, 2007, Ceridian announced it had entered into a definitive merger agreement (the "Merger Agreement"), under which it would be acquired by Thomas H. Lee

Partners, LP ("THL"), and Fidelity National Financial, Inc. ("Fidelity") in a deal valuing Ceridian at $36 per share, or approximately $5.3 billion (the "THL/Fidelity Buyout").

5. The Board's search was hardly full or even-handed. Critical parts of the process were placed in the hands of Marinello and her management team, despite their obvious conflicts of interest. Management was given the responsibility for interacting with potential bidders, and Marinello participated fully in the Board's deliberations.

6. During the process, disfavored deal structures were rejected. There appears to have been no serious interest in pursuing offers to sell the Company in pieces, even though strategic buyers would likely be interested in only one, but not both, of Ceridian's distinct divisions. A proposal for a leveraged recapitalization was allowed to die on the vine, even though it offered shareholders a dollar more per share than the management-favored deal.

7. In addition, the Board allowed the use of several devices that tie the hands of anyone who might support an alternative transaction to the THL/Fidelity Buyout. These including the following:

a. First, each potential bidder was required to sign a standstill agreement that not only prohibits the bidder from topping the Board-approved transaction, ***it even precludes the bidder from asking to be released from the standstill*** (the "Don't Ask Don't Waive" standstill). As a result, anyone who participated in the bidding process is forever barred from providing shareholders with maximum value;

b. Second, although Ceridian's annual meeting to elect directors should have been held no later than June 11, the Board is delaying the election so that it will be held at the same meeting as the vote on the THL/Fidelity Buyout. As a result, Ceridan shareholders are being deprived of the opportunity to elect a Board that would more carefully scrutinize the available alternatives;

c. Third, the merger agreement contains a novel "Election Walkaway" provision giving the potential buyers the right to terminate the THL/Fidelity Buyout if a majority of the Board is replaced. Stockholders are thus coerced to vote for the incumbent directors who approved the THL/Fidelity Buyout, so as not lose the downside protection of that

transaction in the event of any change in circumstances that make it the best available alternative; and

d. Fourth, the Merger Agreement contains an illusory "fiduciary out" provision that requires the Board to find ***both*** that a failure to explore an alternative bid would constitute a breach of fiduciary duty ***and*** that such alternative fits the narrow contractual definition of a "Superior Proposal," which includes only transactions involving the sale of "more than 66 2/3%" of Ceridian's stock or asserts. As a result, the Board is precluded from considering transactions like the proposed spin-off, the proposed recapitalization or the sale of the Company in pieces, irrespective of how much value those alternatives can deliver.

8. The Defendants have violated the most bedrock principles of Delaware law by, among other things: entrusting a fundamental corporate transaction to conflicted managers and directors; unreasonably interfering with the stockholder franchise to protect management's self-interested transaction; failing to seek the highest value for Ceridian once a sale became inevitable; adopting unreasonable deal protections; and contracting away their fiduciary obligation to act in the shareholders' best interests. These breaches, and others, are preventing shareholders from receiving the highest value for their interests and, unless enjoined, will continue to do so. Additionally, the Defendants have attempted to cover up and prevent appropriate review of all this conduct through the dissemination of a materially incomplete and misleading proxy statement.

9. In sum, the Board's use of the Don't Ask Don't Waive standstills, the favoritism shown to management and their favored deal structure, the delay of the annual meeting coupled with the grant of the Election Walkway, and the 66 2/3% Superior Proposal definition constitute breaches of the Board's obligation under the teachings of *Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc.*, 506 A.2d 173 (Del. 1986), and its progeny, of providing shareholders with the highest value reasonably attainable.

10. All of this strongly indicates that at the very moment when the Board's focus should have been solely on the immediate maximization of shareholder value, the Directors cared more about avoiding imminent defeat in an election and allowed management to garner their preferred deal. Mixed priorities like this lead almost inevitably to breaches of fiduciary duty, and undoubtedly require the close judicial scrutiny set forth in *Blasius Industries, Inc. v. Atlas Corp.*, 564 A.2d 651 (Del. Ch. 1998), and applied in the takeover context in *Chesapeake Corp. v. Shore* 771 A.2d 293 (Del. Ch. 2000).

PARTIES

11. Plaintiff Minneapolis Firefighters' Relief Association ("Minneapolis Firefighters") is a public pension system that operates for the benefit of current and former firefighters and their beneficiaries. Minneapolis Firefighters has been a stockholder of Ceridian at all relevant times and will remain a stockholder through the pendency of this action.

12. Defendant Ceridian Corporation ("Ceridian") is incorporated under the laws of the State of Delaware and has its global headquarters in Minneapolis, Minnesota. Ceridian consists of two primary operating divisions: HR Solutions, which provides human resource solutions to over 110,000 customers with more than 25 million employees worldwide; and Comdata, a major payment processor and issuer of credit cards, debit cards and stored value cards primarily to the trucking and retail industries. While Comdata has grown rapidly, HR Solutions has reported only tepid growth in recent periods. Comdata's revenues represented 30% of Ceridian's total revenues for 2006, having grown to represent an increasing share of the Company's revenues each year since 2003. As of December 31, 2006, Comdata represented 40.7% of the Company's asset value.

13. Kathryn V. Marinello has been a member of Ceridian's Board of Directors since October 2006, and serves as the Company's President and Chief Executive Officer.

14. Nicholas D. Chabraja is the Chairman of Ceridian's Board of Directors and has been a member of Ceridian's Board of Directors since March 2001 and served as director of Ceridian's predecessor from July 1998 to March 2001.

15. Ronald T. LeMay has been a member of Ceridian's Board of Directors since March 2001 and served as director of Ceridian's predecessor from January 1997 to March 2001.

16. George R. Lewis has been a member of Ceridian's Board of Directors since March 2001 and served as director of Ceridian's predecessor from November 1994 to March 2001.

17. L. White Matthews, III has been a member of Ceridian's Board of Directors since July 2005.

18. Richard Szafranski has been a member of Ceridian's Board of Directors since October 2006.

19. William L. Trubeck has been a member of Ceridian's Board of Directors since July 2006.

20. Alan F. White has been a member of Ceridian's Board of Directors since May 2003.

21. The individual defendants named above are referred to herein as the "Ceridian Board" or "Ceridian Directors." Each of the Ceridian Directors was a member of the Board of Directors at all pertinent times and participated in the decisions challenged herein. By reason of their positions, the Ceridian Directors owe fiduciary duties to Ceridian and its shareholders, including the obligations of loyalty, good faith, fair dealing, and due care.

22. Thomas H. Lee Partners LP ("THL"), a Delaware limited partnership, is a private investment firm founded in 1974 that has invested $12 billion in more than 100 businesses. The firm manages now manages about $20 billion.

23. Fidelity National Financial, Inc. ("Fidelity"), a Delaware corporation, is a leading provider of title insurance, specialty insurance and claims management services.

24. Foundation Holdings, Inc. and Foundation Merger Sub, Inc. (together, "Foundation") are Delaware corporations created by THL and Fidelity to serve as the acquiring corporation pursuant to the Merger Agreement.

25. Defendants THL, Fidelity and Foundation, referred to collectively herein as "THL/Fidelity" or the "Private Equity Buyers," are parties to the Merger Agreement.

Marinello Takes Control of Ceridian

26. In July 2006, Ceridian received an unsolicited preliminary indication of interest from two financial buyers offering to acquire Ceridian at $30 per share. According to the Proxy Statement, "[t]he board considered the indication of interest with its financial advisor, ***but decided that the indication was not sufficiently economically attractive to pursue***. The board also determined not to pursue any additional discussions or strategic alternatives prior to hiring a new chief executive officer." In July of 2006, Ceridian's stock publicly traded between a closing price low of $21.95 and a closing price of $24.54. Accordingly, the $30 per share offer made in July 2006, would have provided Ceridian shareholders with premiums of between 20 and 40%, yet the Board did not believe such premiums fairly compensated shareholders such as to warrant taking the company private.

27. The Ceridian Board hired that new chief executive officer effective October 20, 2006, when Ceridian's long time CEO and President Ronald Turner retired and the Company hired Marinello away from her job at General Electric Company ("GE") to replace Turner.

28. Upon joining Ceridian in October 2006, Ms. Marinello moved quickly to eliminate long-standing senior managers of the Company and replace them with loyalists hand-picked through her connections to her former employer, GE:

a. On January, 22, 2007, Marinello named Michael Shea executive vice president of quality and service operations, reporting directly to Marinello. Shea, a 16 year GE veteran, held a number of senior management positions, including senior vice president of operations for GE Commercial Finance Fleet Services;

b. On March 12, 2007, Marinello replaced CFO Douglas C. Neve, with Gregory MacFarlane. MacFarlane, with GE for over 13 years, most recently served as executive vice president and chief financial officer for GE-WMC Mortgage, a $36 billion mortgage originator owned by GE. Marinello disclosed that she had worked "closely" with MacFarlane while both were at GE;

c. On May 2, 2007, Vincent Mottola was named Ceridian's senior vice president of Small Business. Mottola had previously served as senior vice president of development for GE's Partnership Marketing Group.

29. While these and other management changes assured Marinello had the loyalty of Ceridian's management team, it also saddled her with potential embarrassment when those executives found their new positions threatened within a matter of months.

Major Shareholders Challenge Marinello Over a Comdata Spin Off Plan

30. Immediately after the Company hired Marinello, Pershing Square Capital Management LP ("Pershing") disclosed it had purchased enough shares to become the Company's largest shareholder. In its most recent public disclosure, Pershing revealed that it holds 14.3% of Ceridian's outstanding shares. Initially, Pershing described its investment as passive, saying it had no plans to seek control over the Company.

31. In January 2007, Pershing began urging the Company to pursue a spin-off of the Company's profitable Comdata division. On January 12, 2007, Pershing representatives met with Ceridian management to discuss, among other things, the future of Comdata and the potential spin-off of that division. Marinello and her team rejected the proposal.

32. In a January 18, 2007 letter to the Ceridian Directors, Pershing recounted being advised that Marinello was unwilling to pursue the spin-off because Comdata's cash flow would enable Ceridian to raise financing for an aggressive acquisition strategy. Nevertheless, Marinello pledged to make a deliberate study of the issue. As related in the Pershing letter, Marinello represented "that she had not yet made a final decision in that regard and that **such a decision could take upwards of 18 months to explore**." (Emphasis added.)

33. On January 23, 2007, Pershing notified Ceridian that it would nominate its own slate of directors for election at the Company's next annual meeting (the "Proxy Challenge"). It subsequently named a slate of eight proposed directors (the "Competing Directors"), including: Pershing's founder, William A. Ackman; a prominent business school professor who has been a consultant to Pershing; and six other individuals with no evident ties or loyalties to Pershing.

34. The Proxy Challenge was publicly supported by Ceridian's sixth-largest shareholder, Relational Investors LLC, which held about 4.8% of the Company. In a February 5, 2007 letter to Defendant Matthews, the Chairman of the Board, Relational Investors stated it "unequivocally support[s] each of the points made in" Pershing Square's January 18 letter. The market reacted favorably to the Pershing proposal. As *The Wall Street Journal* reported on February 6, 2007, "After [Pershing] disclosed [its] intentions for the company in January, the company's shares have climbed about 13%. The shares rose higher after the company said it would consider a possible spin-off of a unit, called Comdata, that [Pershing] has argued would be more valuable as a stand-alone company."

35. Apparently concerned about dissention in the ranks, Marinello moved against two senior executives in whom she perceived disloyalty. Since Marinello took Ceridian's helm, two senior executives purportedly wrote to the Company's Board, expressing criticism of her

management. One, CFO Douglas M. Neve, resigned on March 13, 2007. The other, Comdata President Gary Krow, was fired on May 14, 2007, for allegedly disclosing confidential information to Pershing. The U.S. Securities and Exchange Commission has reportedly commenced an investigation of the Company's conduct regarding whistleblowers such as Mr. Krow.

Ceridian Reacts, Producing the THL/Fidelity Buyout

36. On February 13, 2007, with management and the Board facing a proxy fight backed by almost 20% of the outstanding shares, Ceridian issued a press release announcing that the Company was considering "strategic alternatives" and had retained financial and legal advisors to provide guidance. The release stated:

> Our Board is committed to taking all appropriate and necessary action to enhance value for all Ceridian stockholders. As the Board reviews the broad range of alternatives available, we have a solid management team whose attention remains firmly rooted on driving execution within the business. The Company and the Board are open-minded about strategic alternatives, and we intend to evaluate all the options carefully and thoughtfully.

37. In the face of the announced review of strategic alternatives, Marinello and the Board moved quickly to ensure that neither Pershing nor any other frustrated shareholders could challenge management's authority over the process. The last annual meeting for the election of Ceridian Directors was held on May 11, 2006. During a May 11, 2007, conference call with analysts, Marinello indicated that the next meeting would be held no later than June 11, 2007. Asked to state "the latest date that you could hold a shareholder meeting," Marinello responded "I believe there is about a 13 month – or time frame that you need to announce, and we'll make that time frame from the last shareholder meeting."

38. Marinello must have been aware on May 11 that for an annual meeting to be held by June 11, Proxy Statements would have to be mailed within days. As detailed below, however,

the annual meeting was not held on or before June 11, and has yet to be held. Rather, Ceridian's Board has announced its intent to delay the meeting until as late as September 21, 2007, and has adopted various strategies designed to coerce shareholders to vote for the incumbent board and effectively moot the outcome of the election.

39. Despite having told Pershing that Ceridian would take "upwards of 18 months" to evaluate whether a Comdata spin-off made sense, the Company took only 15 weeks to complete the search for alternatives. As further discussed below, by May 12, 2007, as a result of Marinello's control over the types of bids that could be presented to the Board, Ceridian faced two realistic alternatives for a deal: (1) a recap proposal valued at $37 per share (the "Recapitalization"); and (2) a going private transaction with THL and Fidelity, who had indicated the possibility that they might offer $36 per share, but had not formally taken any action. On May 14, 2007, management allowed the Recapitalization to lapse by its own terms.

40. On May 31, 2007, Ceridian announced that THL and Fidelity, had reached an agreement to acquire the Company in a $36 a share merger. As disclosed in a press release that day:

> Ceridian Corporation (NYSE: CEN), Thomas H. Lee Partners, L.P. ("THL Partners") and Fidelity National Financial, Inc. (NYSE: FNF) today announced that they have entered into a definitive merger agreement under which Ceridian will be jointly acquired by THL Partners and FNF in an all cash transaction valued at approximately $5.3 billion.
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> Under the terms of the agreement, Ceridian shareholders will receive $36.00 per share in cash for each share of common stock they hold. This represents a premium of approximately 17% over Ceridian's closing share price on February 12, 2007, the last trading day prior to the public announcement that Ceridian had commenced the exploration of strategic alternatives, and a premium of approximately 56% over Ceridian's closing share price on October 6, 2006, the last trading day prior to the announcement of Kathryn V. Marinello's appointment as President and Chief Executive Officer of Ceridian.

41. The THL/Fidelity Buyout reflects a paltry premium over the trading price of the stock. The supposed 17% premium over the February 12 closing price ignores the fact that the stock surged 28.3% on the basis of Pershing's proxy challenge and drive to spin-off Comdata. Moreover, the proposed acquisition price reflects less than a 6% premium over the closing price immediately prior to the announcement of the offer, and just 11% over the closing price 90 days prior.

The THL/Fidelity Buyout Provides Management With a Golden Bungee Jump

42. In a May 31 communication to Ceridian employees concerning the THL/Fidelity Buyout, Marinello confirmed she would continue as President and CEO. A "FAQ" (Frequently Asked Questions) memo distributed to employees that day stated "While we will change ownership, we expect that management will remain in place. THL Partners and FNF have said they have been extremely impressed with our management team."

43. Indeed, the prospect of management remaining in place was spelled out long before the Private Equity Buyers made their final $36 bid on May 26, 2007. On May 18, 2007, prior to THL/Fidelity making a formal offer to purchase the Company, incumbent management of Ceridian engaged counsel and entered into negotiations with THL/Fidelity for new employment agreements (on top of any change in control payments) in the event THL/Fidelity concluded a deal to buy the Company.

44. Regardless of whether the THL/Fidelity Buyout is good for shareholders, it is great for senior management. The THL/Fidelity Buyout constitutes a "change in control" under Marinello's employment contract, entitling her to receive $19.9 million in cash severance and for the repurchase of her stock options, restricted stock units, deferred stock units and restricted stock. This payout is quite the windfall for an executive who has been with the Company for

about nine months, and spent much of that time negotiating to sell it. Two other senior officers – Messrs. MacFarland (whose Ceridian tenure is even shorter than Marinello's) and Nelson (the General Counsel) – will be entitled to receive an aggregate of $11.5 million. An additional $16.4 million will be spread among other directors and officers. ***The total planned payout to all directors and officers is about $49 million.***

45. The private equity buyers were skillful in gaining the loyalty of Ceridian's management in order to limit the amount they had to pay to Ceridian's shareholders. THL and Fidelity agreed to pay Marinello and her loyalists the massive payouts originally justified as a means to soften the blow of executives' loss of employment upon a corporate takeover, but then promised to bring them right back to the Company, unburdened by pesky shareholders.

46. When private equity funds exploit the ability to pay management for a change of control transaction while also lavishing upon them continued employment and equity opportunity, they are able to shortchange investors by giving managers a "golden bungee jump." A New York Times article, dated June 24, 2007, discussed the pending Bausch & Lomb sale in terms that fit the Ceridian deal exactly:

> [T]he company's impending sale — as well as its chief executive's good fortune — isn't just another example of mediocre managers being overpaid. It also symbolizes how shareholders pay the price as two major trends in corporate America converge: the rise of deep-pocketed private equity buyers bidding for public companies and the proliferation of chief executives whose ironclad contracts guarantee windfall paydays if their companies are sold.
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> Patrick McGurn, the executive vice president of Institutional Shareholder Services, the corporate governance adviser, says ***chief executives … have taken gilded exit packages known as golden parachutes and refashioned them into a new breed of payout: the "golden bungee jump."*** Like its more familiar predecessor, Mr. McGurn explains, the bungee bestows handsome payouts on chief executives when a deal initially goes down, then, as executives spring back toward the public trough at a later date, offers an even more generous reward on the return trip.

47. Before negotiating the highest price available for shareholders, the Defendants were clearly pre-occupied with taking care of their own. Nelson's windfall is partially the result of a grant of 6,890 restricted stock units and a stock option to purchase 45,697 shares of our common stock with an exercise price of $33.02 per share made on May 26, 2007, the same day on which the Private Equity Buyers formally offered $36 a share. In other words, Ceridian's Board gave the general counsel the equivalent of about 52,000 shares of "spring loaded" Ceridian options and shares.

48. The Ceridian Board also used the pending THL/Fidelity Deal to line their own pockets. According to Ceridian's pre-existing director compensation policies, directors are entitled to receive 8,000 shares of the Company's stock ***upon their re-election***. Obviously recognizing that their re-election was in doubt (because the Election Walkaway discussed below was not yet official), the Board decided to take immediate cash that was not dependent on re-election. As the Proxy discloses: "on May 26, 2007, the Board of Directors approved a monthly cash payment in lieu of the 2007 annual option grant in the amount of $6,720 per director, per month, commencing in May, 2007."

49. Perhaps the biggest winner on the Board is director Matthews, who has served as its Chairman since January 2007, but also took a lead role – alongside Marinello – in negotiating the deal on Ceridian's behalf. As disclosed in the Proxy, on April 27, 2007, while the bidding for Ceridian was coming to a head, the Board approved "a program to further compensate the non-executive chairman of the board." That program includes (a) a $130,000 "annual board chair retainer" paid half in cash and half in restricted stock, and (b) an additional one-time restricted stock award valued at $100,000.

The THL/Fidelity Buyout Emerged From a Manipulated Process

50. Despite management's obvious incentive to favor a transaction with private equity bidders which would trigger "change of control" payments while also ensuring management's continued services with the Company, Ceridian's Board put critical aspects of the search for alternatives into their conflicted hands. The Company not only failed to appoint a special committee to evaluate the alternatives search, the Proxy indicates that management, including Marinello herself, participated fully in the Board's deliberations and votes.

51. As could have been anticipated, Marinello's team used its control over the process to favor the kind of transaction that would benefit them the most. The Proxy Statement asserts that the universe of parties that approached Ceridian included strategic buyers, whose interest would likely be limited to one of Ceridian's divisions or another, but not both and who would have less need for the services of incumbent management. Nevertheless, the bidding quickly came down to a small group of financial buyers willing to bid on the company as a whole.

52. The point was not lost on the financial press. According to a June 13 article on TheDeal.com, the Company limited its review of strategic alternatives to offers to purchase the entire Company at the expense of maximizing shareholder value. The article stated:

> ***Ceridian did not entertain offers for parts of the company during its sale process***, one source said. ***A number of parties are interested in its Comdata business, which provides fund and data processing for the trucking industry***, the source said.
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> Automatic Data Processing Inc. has an interest in acquiring Ceridian's human resources services operation, a source said. The HR business has been troubled and has margins of only 9% or so. Leveraged with ADP's platform, it could arguably generate 50% margins, the source said. But ADP decided to not enter a confidentiality agreement with Ceridian, the source said.
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> ADP's interest highlights that, ***by limiting bids to the entire company, Ceridian limited the universe of potential strategic buyer***, the source said. Even if a breakup of the company would trigger some tax liabilities, it could yield more than the $36 per share from TH Lee and Fidelity National, the source contends.

> Warburg Pincus pitched a leveraged recapitalization of Ceridian during the auction and remains interested in some transaction with the company, the source said.
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> Having participated in the auction, Warburg Pincus would be bound by a standstill agreement, but if it is still interested, that would corroborate the suggestion that ***Ceridian favored a sale of the entire company over other options that might produce more value for shareholders***, albeit at additional risk.

(Emphasis added.)

53. A subsequent article on TheDeal.com, dated June 15, cited provisions of the Proxy Statement filed earlier that day, and concluded that "The preliminary proxy for Ceridian Corp.'s $5.2 billion buyout by Thomas H. Lee Partners LP and Fidelity National Financial Inc. seems to support Pershing Square Capital Management LP's contention that Ceridian was not widely shopped." That article noted that the Proxy failed to disclose whether the Company sought bids from potential strategic buyers, and questioned why the Proxy did not reference any offers to acquire units of Ceridian, such as Comdata.

54. The only deal structure given any attention by management, other than a sale of the whole to a financial buyer, was a recapitalization proposed by a bidder who is unidentified in the Proxy Statement. The Proxy states that:

> Ceridian also conducted due diligence with the third party that had expressed interest in an equity investment in and recapitalization of Ceridian. This party submitted an indicative term sheet contemplating the purchase of $800 million of a new series of Ceridian convertible preferred stock, with a conversion price equal to the lower of $35 per share or a 20% premium to the five-day average trading price of the Ceridian common stock at the time of the investment. The term sheet also contemplated a 6% pay-in-kind dividend compounding quarterly, increasing to an 8% cash dividend after five years. The term sheet contemplated that the proceeds from the issuance, as well as debt raised by the Company in connection with the recapitalization, would be used to repurchase outstanding shares of Ceridian common stock in a self-tender offer.

By May 12, however, with THL/Fidelity as the only other bidder remaining, the party behind the Recapitalization improved its offer "to permit a repurchase of slightly more

than half of Ceridian's outstanding common stock at a fixed price of $37 per share." The written proposal set a May 14 deadline for acceptance.

55. At that time, THL and Fidelity were not yet prepared to present their final terms and requested additional time to conduct due diligence. The Proxy states that the bidders:

> indicated that they would be willing to proceed with a target for a final proposal of May 28, 2007, but only if Ceridian agreed to provide them with $5 million in expense reimbursement if they delivered a binding offer at a price at least equal to $36 per share and the board rejected the offer. On May 9, 2007, Ceridian entered into a letter agreement with THL Partners and FNF providing for reimbursement of expenses under such circumstances.

56. Because the Company had already entered into an agreement with THL and Fidelity that provided a $5 million incentive for those buyers to make a firm offer of at least $36, the Board faced little risk in entering into an agreement concerning the Recpitalization, thus locking in the only "bird-in-hand" offer as of early May, so long as that agreement included deal protections that would not preclude THL and Fidelity from making a topping bid after announcement of the Recapitalization.

57. On May 12, 2007, Ceridian Directors were informed that the proposed equity transaction would provide a valuation of Ceridian shares at $37 through an immediate buyback of the majority of those shares, and, according to the Proxy Statement, "might ultimately result in values for Ceridian in excess of $36 per share." The only concern of the Board regarding the Recapitalization that is disclosed is the possibility that the equity value " might be less than $30 per share in the near term."

58. Evidently still interested in the Recapitalization – and as one would expect in order to maintain some semblance of competitive bidding – the Board "authorized continued discussions with THL Partners and FNF, with the goal of reaching a final agreement on an acquisition at a price no less than $36 per share by May 28, 2007. ***The board also authorized***

continued discussions with the potential equity investor" presenting the $37 per share Recapitalization proposal.

59. The Recapitalization threatened management's personal economic interests. Depending on the specific terms and structure, the Recapitalization would not necessarily trigger any or all of the $49 million in change of control benefits payable on consummation of the THL/Fidelity Buyout (some $20 million of which would go to Marinello). However, the Recapitalization would have offered shareholders who believed $37 to be an attractive price the opportunity to sell at that price, while shareholders who believed the Company has even greater value could stay invested.

60. The Proxy suggests that the Board never formally decided to pursue the THL/Fidelity Buyout instead of the Recapitalization. In apparent derogation of the Board's May 12 instruction to pursue "continued discussions," Ceridian's lead negotiators – who answered to Marinello – allowed the Recapitalization to lapse on the investor's deadline of June 14, 2007. Thus, management was able to leave its favored deal – a going private deal offering the "golden bungee jump" – as the only game in town. The Board was left with only one remaining option, a $36 per share offer and a Merger Agreement that (as described below) all but precludes the possibility of any topping bids.

The "Don't Ask Don't Waive" Standstill

61. In addition to running the auction so as to favor a structure that would enrich corporate insiders, the Board also acted to ensure that rejected financial bidders would never again darken Ceridian's doors. As an entry fee to participation in the management-driven "search of strategic alternatives," bidders were required by the Company to execute standstill agreements that not only precluded them from offering increased bids following the Board's

announcement of an accepted offer, but even ***prohibited those bidders from requesting that the Company release them from the standstill agreement*** so that they could offer such a bid. The use of that provision corrupted the auction process from the outset.

62. The standstill agreements provide, among other things, that bidders participating in the sale process agree, for an 18 month period, not do the following, directly or indirectly: (a) acquire securities of the Company or any of its affiliates; (b) acquire any assets of the Company or any of its affiliates; (c) commence any tender or exchange offer for any securities of the Company of any of its affiliates; (d) participate in any "solicitation" of "proxies" (as such terms are used in the proxy rules of the U.S. Securities and Exchange Commission) with respect to any voting securities of the Company or any of its affiliates; (e) make any public announcement with respect to any proposal for or offer of any extraordinary transaction involving the Company or any of its securities or assets (or those of its affiliates); (f) take any other action to seek control or influence the management, Board of Directors or policies of the Company or any of its affiliates; (g) form, join or in any way participate in a "group" (as defined under the U.S. Securities Exchange Act of 1934, as amended) with respect to the Company; or (h) take any action which could reasonably be expected to require the Company to make a public announcement as to any of the foregoing.

63. In order to ensure that rejected bidders would disappear forever, the standstills also provide that:

> ***The Potential Acquirer further agrees during such 18-month period not to (i) request, directly or indirectly, that the Company (1) amend or waive any provision of this paragraph (including this sentence), or (2) otherwise consent to any action inconsistent with any provision of this paragraph(including this sentence)***; or (ii) take any initiative with respect to the Company or any of its affiliates or securities which would reasonably be expected to require the Company or any such affiliate to make a public announcement regarding (1) such

> initiative, (2) any of the activities referred to in this paragraph, or (3) the possibility of a transaction involving the Potential Acquirer or its affiliates.

(Emphasis added.)

64. Thus, the "Don't Ask Don't Waive" standstill eliminates any possibility of competition from the most motivated class of potential bidders – those that engaged in due diligence and participated in the Board-directed auction. This provision is a pre-emptive preclusion on the most obvious situation in which boards are forced to consider alternatives to their chosen deal, and is patently improper.

65. A standstill may serve a purpose in allowing an orderly bidding process. However, once a deal is selected by a board for submission to shareholders for approval, the utility of a standstill is less evident. Bidders rejected by a company may want to present their offers directly to shareholders. Further, changed circumstances after the announcement of a deal but before its closing may not only make the deal far more attractive for the board-approved buyer, they may also allow the rejected bidders to significantly enhance their own offers. Accordingly, once a bidder asks a board for a release from a standstill, fiduciary duties may require the board to grant that release, since doing so will better inform shareholders about their options when considering the sale of the company, and will allow shareholders to receive and potentially accept offers providing greater value-maximization than the sale transaction endorsed by the board. Accordingly, Delaware law has made clear that standstills cannot be used to suppress shareholders' ability to control when, at what price and to whom they sell their shares in a sale of control transaction.

66. The "Don't Ask Don't Waive" standstill precludes the Board from being able to entertain any future better offer from the bidders who participated in the management-led search for alternatives, and represents an abdication of the Directors' fiduciary obligations.

The Illusory Fiduciary Out

67. The Merger Agreement precludes the Board's ability to consider a wide range of alternative value-maximizing proposals, even if one emerges. Especially when considered in tandem with the "Don't Ask Don't Waive" standstills, the result is an illusory "fiduciary out."

68. Specifically, the Merger Agreement provides:

> Section 5.3 No Solicitation.
>
> (a) The Company shall and shall cause its Subsidiaries to, and shall use its reasonable best efforts to cause its and their respective Representatives to, (x) ***immediately cease and cause to be terminated any discussions or negotiations with any person conducted heretofore with respect to an Alternative Proposal or potential Alternative Proposal*** and (y) promptly (and in any event within two (2) business days after the date hereof) request the prompt return from all such persons, or the destruction by such persons, of all copies of confidential information previously provided to such persons by the Company, its Subsidiaries or their respective Representatives and shall deny access to any virtual data room containing any such information to any person (other than Parent and its Representatives). ***The Company agrees that neither it nor any Subsidiary of the Company shall***, and that it shall use its reasonable best efforts to cause its and their respective Representatives not to, directly or indirectly, (i) solicit, initiate, cause or knowingly encourage directly or indirectly (including by way of furnishing information) any inquiry with respect to, or the making, submission or announcement of, any Alternative Proposal (as hereinafter defined), (ii) subject to the provisions of Section 5.3(b) set forth below, ***participate in any negotiations regarding an Alternative Proposal with, or furnish any information regarding the Company or any Alternative Proposal to, any person that has made or, to the Company's knowledge, is considering making an Alternative Proposal***, or (iii) subject to the provisions of Section 5.3(b) set forth below, engage in discussions regarding an Alternative Proposal with any person that has made or, to the Company's knowledge, is considering making an Alternative Proposal, except to notify such person as to the existence of the provisions of this Section 5.3. Without limiting the foregoing, it is understood that any action taken by Representatives of the Company or any of its Subsidiaries that would be a violation of the restrictions set forth in Section 5.3 if taken by the Company shall be deemed to be a breach of Section 5.3 by the Company.

(Emphasis added.)

69. Section 5.3(b) of the Merger Agreement does provide a limited "fiduciary out," under which the Ceridian Directors may consider an unsolicited bid or seek information from an

unsolicited bidder, but ***only*** after the Ceridian Board has formally determined that the alternative bidder's proposal constitutes a "Superior Proposal" ***and*** that the failure to talk with the bidder would likely be a breach of fiduciary duty. Section 5.3(b) states as follows:

> Notwithstanding the limitations set forth in this Section 5.3, prior to obtaining the Company Shareholder Approval (but in no event after obtaining the Company Shareholder Approval), if (A) the Company receives a bona fide written Alternative Proposal made after the date hereof which the Board of Directors of the Company determines in good faith, by resolution duly adopted ***(i) constitutes a Superior Proposal or (ii) is reasonably likely to result in a Superior Proposal, and (B) the Board of Directors of the Company determines in good faith, after consultation with its outside counsel, that the failure to do so would be reasonably likely to be inconsistent with the directors' fiduciary duties under applicable Law***, the Company may take the following actions (only after providing Parent concurrent notice of its intention to take such actions and after receiving from the third party an executed agreement containing confidentiality provisions that are no less favorable to the Company than those contained in the Confidentiality Agreement): (x) furnish information to the person (including such person's Representatives) making such Alternative Proposal, and (y) engage in discussions or negotiations with such person (including such person's Representatives) with respect to the Alternative Proposal.

(Emphasis added.)

Thus, even if the Board believes that working with a bidder may produce a transaction that is better for stockholders than the THL/Fidelity Buyout, it may not talk to the bidder unless the particular transaction would fall within the Merger Agreement's definition of a "Superior Proposal." This renders the supposed fiduciary out improper because the "out" is drafted in the conjunctive, and the failure of an alternative bid to either constitute a "Superior Proposal" or be likely to lead to a "Superior Proposal," for whatever reason, precludes action by the Board irrespective of the directors' good faith belief of what their fiduciary obligations require. Put another way, in order to salvage a "no-talk" provision, the fiduciary out should be triggered on a good faith belief that talking is required, with no further contingencies or contractual hurdles.

70. In light of the definition of "Superior Proposal," however, the supposed fiduciary out is illusory. In order to qualify, a proposal must contemplate the acquisition of "more than 66

2/3% of the equity securities of the Company or of the fair market value of the assets of the Company and its Subsidiaries on a consolidated basis."

71. The Proxy discloses that the Recap Proposal anticipated the buyback of just slightly more than half the Company's shares – a number that, while not quantified, appears to be closer to 50% than 66%. Thus, neither it nor the Comdata spin-off fits the definition of a "Superior Proposal," and neither could be considered by the Board ***even if – as a result of changed circumstances, new information or an altered perspective – the potential investor referenced in the Proxy Statement materially increased the price and value of the Recapitalization and the Board concluded, in good faith, that either the Recapitalization or a spinoff was more favorable than the THL/Fidelity Buyout.***

The Election Walkaway

72. Having eliminated the most likely bidders and the most likely alternative structures from the range of competing bids that might have to be considered, Defendants also adopted provisions calculated to pressure any stockholders who might be inclined to elect new directors who would critically examine all available options during the pendency of the THL/Fidelity Buyout.

73. The Merger Agreement effectively transfers voting control from Ceridian's stockholders to THL and Fidelity, by granting THL and Fidelity the free option to walk away from the THL/Fidelity Buyout if Ceridian's stockholders vote for the Pershing nominees. This grant of an "Election Walkaway" forces shareholders to abandon Ceridian's contractual rights to hold THL and Fidelity to the terms of the THL/Fidelity Buyout as an impermissible price for exercising their essential right to remove the incumbent directors. Specifically, Section 7.1(j) of the Merger Agreement provides:

> Section 7.1 Termination or Abandonment.
>
> Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated and abandoned at any time prior to the Effective Time, ***whether before or after any approval of the matters presented in connection with the Merger by the shareholders of the Company***:
>
> (j) By [THL/Fidelity] if (i) ***following the date of this Agreement there is an election of the Board of Directors of the Company (at one or more stockholders meetings) resulting in a majority of the Board of Directors of the Company being comprised of persons who were not nominated by the Board of Directors of the Company in office immediately prior to such election***, or (ii) any Rights (as defined in the Rights Agreement) shall have been exercised to purchase Series A Junior Participating Preferred Stock of the Company or Company Common Stock.

(Emphasis added.)

74. The time period between the signing of a merger agreement and its closing – especially when the deal represents the proverbial "end of the road" for public shareholders who are being cashed out of their investments – is a critical one in the life of a corporation. The announcement of a merger agreement can serve as an invitation to alternative bidders, whose entreaties a properly functioning board must be able to consider in accordance with their fiduciary duties. The counterparty's performance of its own obligations under the merger agreement may come into question, and a board must be able to consider the appropriate response on behalf of the shareholders to any potential violation or breach. Of course, a board must always retain freedom to change its recommendation to shareholders, and a new board may well have a different view of the appropriate recommendation, necessitating freedom to change it as appropriate.

75. This Election Walkaway is a transparent attempt to dissuade shareholders from exercising their right to elect the slate of directors nominated by Pershing (or any other insurgent) and to entrench the Board at least until the THL/Fidelity Buyout can close. Shareholders wishing to install directors more likely to take a fresh and unbiased look at

THL/Fidelity Buyout and any available alternatives (or shareholders who simply want to replace the current Board due to dissatisfaction with their performance) face the risk that by doing so they will lose the THL/Fidelity Buyout.

76. The Election Walkaway is coercive of the director election vote because shareholders are told that a replacement board will be disabled from taking any action vis-à-vis the Private Equity Buyers, since the Merger Agreement will be the equivalent of a unilateral contract. The instant a replacement slate of directors seeks to keep THL/Fidelity to the terms of the Merger Agreement or to exercise a Ceridian right that does not benefit the buyers, THL and Fidelity can abandon the deal. Thus, any replacement board's hand may not be dead, but it would be mangled beyond recognition.

77. On top of putting the existing deal at risk, the Election Walkaway also threatens Ceridian shareholders with an onerous monetary penalty if they replace the current Directors. Section 7.2 requires Ceridian to pay a $165 million cash termination fee to the buyers if the Merger Agreement is terminated and within 12 months a "Qualifying Transaction" is consummated, or a definitive agreement providing for a "Qualifying Transaction" is approved.

78. The definition of "Qualifying Transaction" is much broader than that of a "Superior Transaction," resting on the contractual definition of "Alternative Proposal," set forth in Section 5.3(f) of the Merger Agreement. Pursuant to Section 5.3(f):

> "Alternative Proposal" shall mean any bona fide inquiry, proposal or offer made by any person or "group" (as defined in Section 13(d) of the Exchange Act) prior to the receipt of the Company Shareholder Approval (other than a proposal or offer by Parent or any of its Subsidiaries) regarding (i) a merger, ***reorganization, share exchange***, consolidation, business combination, ***recapitalization***, dissolution, liquidation ***or similar transaction involving the Company***, (ii) the acquisition by any person or group of fifteen percent (15%) or more of the fair market value of the assets of the Company and its Subsidiaries, taken as a

> whole, or (iii) the acquisition by any person or group of fifteen percent (15%) or more of the outstanding shares of Company Common Stock.

(Emphasis added.)

79. Critically, unlike traditional termination fees, which would likely only be paid by successful interlopers and do not threaten the shareholders based on a simple "no vote," the Termination Fee in this case violates both of these principles.

80. The Merger Agreement does not define the phrases reorganization, share exchange or recapitalization, which appear in the definition of "Alternative Proposal" above. Should Ceridian's shareholders vote against the THL/Fidelity Buyout, the Private Equity Buyers may well assert that a seemingly routine debt issuance or similar "reorganization" or "recapitalization" could trigger the fee. Thus, there is a very real risk that the Private Equity Buyers will be able to strip the Company of $165 million of its cash when the Company and its Board simply attempt to operate the business in the normal course.

81. Payment by Ceridian of the Termination Fee would have severe negative consequences. As Ceridian disclosed in its most recent Form 10-Q, it had about $377 million in cash on its balance sheet as of March 31, 2007, while its net earnings for the first quarter of 2007 were only $40 million. Because this $165 million Termination Fee would wipe out roughly half of Ceridian's remaining cash balance, the Termination Fee deters the Ceridian Directors from freely and effectively exercising their fiduciary judgment in the interests of Ceridian shareholders and also discourages other potential bidders from emerging. Section 7.2(e) of the Merger Agreement openly admits that the Termination Fee constitutes a "liquidated damages" provision.

Manipulating the Director Election Date

82. As discussed above, on May 11, 2007, Marinello affirmed that Ceridian would hold its annual meeting for the election of directors no later than June 11. That representation has gone by the boards in the face of the desire to protect the THL/Fidelity Buyout. The Company confirmed in the Proxy Statement that it intends to hold the long-overdue director election contemporaneously with a shareholder vote on the THL/Fidelity Buyout. While the Company has not yet set a date for its Annual Meeting, it represented that both votes would be held at that meeting, which it intends to convene no later than September 21, 2007.

83. Holding the director election at the same time as the vote on the proposed acquisition will moot the results of that election. It is meaningless for shareholders to elect a new slate of directors who will have no opportunity to even provide an informed recommendation to shareholders concerning the vote on the Buyout.

84. The Merger Agreement specifically contemplates the possibility of separate meetings to elect directors and to vote on the deal. One of the principal "benefits" of the THL/Fidelity Merger Agreement that is touted in the Proxy Statement is that, in accordance with Section 7.1(h), a newly elected Board has ten (10) days in which it can change its recommendation to shareholders without triggering any additional termination rights for the buyers. As a result, the delay in the election cannot be defended as a measure demanded by the buyer and obtained through negotiation. It is a unilateral construct imposed by the incumbent Board and conflicted management, seeking to maximize the pressure on Ceridian's shareholders to approve the THL/Fidelity Buyout.

85. The artificiality of holding simultaneous votes for the election of directors and approval of the THL/Fidelity Buyout is especially apparent in light of the conditional nature of

the THL/Fidelity Buyout. Closing of the transaction is conditioned on the buyers marketing and placing permanent debt financing contemplated by their debt financing commitments. The merger agreement affords the buyers a "marketing period" of 30 consecutive business days in length to line up permanent debt financing. That placement of permanent debt financing may not occur until well after the stockholder vote on the THL/Fidelity Buyout. The closing of the transaction would thus remain in doubt while the hands of the directors and the stockholders to consider alternatives would remain tied.

Pershing Remains in the Hunt

86. The narrow approach of the Board to considering bids for the Company has motivated Pershing to become more aggressive. On June 12, 2007, Pershing responded to the THL/Fidelity Buyout in a letter to Ceridian shareholders, indicating that greater value can be achieved and that it had retained investment bankers to help achieve that value. The letter stated, in pertinent part, as follows:

> Dear Fellow Ceridian Owners:
>
> As you know, the incumbent board of Ceridian Corporation has embarked on a path to sell the company to a consortium of buyers at $36 per share. We do not support a sale of the company at this low price. It appears to us that the current deal is an ill-suited response to our proxy contest, and is suboptimal for Ceridian stockholders.
>
> We have retained Lazard Frères & Co. LLC as our financial advisor and are working with Sullivan & Cromwell LLP as our legal advisor. We intend to pursue one or more value-maximizing alternatives. ***Since the announcement of the current deal, we have received expressions of interests from both strategic buyers and financial sponsors who are interested in pursuing a variety of possible transactions***.

> In our view, the value-maximizing course of action is the pursuit of one or a combination of the following alternatives: (1) a sale of the entire company at a higher price, (2) a sale or separation of one or both of the company's main operating units, and/or (3) a recapitalization, dividend or self-tender transaction where significant value can be returned to stockholders, whether in combination with a broader transaction or otherwise.

(Emphasis added.)

87. The fee charged by Pershing's investment banker ("Lazard") reflects an expectation that Pershing can generate a bid significantly higher than what the Board accepted. According to a Schedule 13D filing by Pershing on June 13, 2007, in addition to its retention fee, Lazard is entitled to a bonus of $1.5 million if Pershing's shares are "sold, transferred, exchanged, redeemed or converted in a sale of the Issuer for a per share amount equal to or greater than $38.50," 10% of the per share proceeds between $38.50 and $41.00 per share, and 15% of the per share proceeds for any deal above $41 per share.

The False and Misleading Proxy Materials

88. On June 15, 2007, Ceridian filed a preliminary proxy statement related to the as-yet unscheduled annual meeting and the THL/Fidelity Buyout (the "Proxy"). As set forth below, the Proxy fails to fully and fairly disclose material information that significantly alters the total mix of information made available to shareholders asked to consider the election of directors and the end of Ceridian's existence as a public company.

89. The Ceridian Directors breached their fiduciary duty of candor by failing to fully and fairly disclose the nature and purpose of the "confidentiality agreements" that potential bidders were required to enter into. While the Proxy described these as "customary confidentiality agreements," this representation was utterly misleading given the onerous "Don't Ask Don't Waive" provisions that preclude bidders from even asking the Company to waive the standstill. The concealment of the terms of the standstills creates a highly misleading impression

that the sole impediment to the emergence of a competing bid is the generosity of THL and Fidelity, as opposed to the Board's insistence that non-favored bidders fade away.

90. The "Background of the Merger" discussion in the Proxy leaves many material questions unanswered, and provides misleading information to shareholders. For example, the Proxy states the following:

> In 2004, Ceridian engaged a financial advisor to review strategic alternatives and explore possible combination opportunities. While preliminary discussions were held with strategic and financial parties, no offers or proposals resulted from such discussions. In August 2005, the board directed the financial advisor not to pursue additional discussions, but to be responsive to third parties that sought to initiate such discussions. ***In July 2006, Ceridian received an unsolicited preliminary indication of interest from two financial buyers that contemplated a possible acquisition of Ceridian at $30 per share. The board considered the indication of interest with its financial advisor, but decided that the indication was not sufficiently economically attractive to pursue***.

(Emphasis added.)

91. The Ceridian Directors breached their fiduciary duties by failing to fully disclose information concerning the Company's investigation of strategic alternatives between 2004 and November 2006. Specifically, the Proxy fails to disclose whether the discussions held in connection with that review included alternatives to the sale of 100% of the Company, or the reasons why no offers or proposals resulted from that investigation. Further, considering that the premium available to shareholders in connection with the July 2006 $30 per share offer was significantly higher than the premium offered in the THL/Fidelity Buyout, the Proxy fails to explain the bases for the Board's determination that the $30 per share offer was "sufficiently economically attractive to pursue."

92. In addition, the Proxy failed to disclose the basis for termination of the financial advisor who had represented the Company's interests from 2004 through November 2006, or the basis for the Company's decision to retain Greenhill in 2007 in place of the terminated financial

advisor. In particular, the Company failed to disclose whether the termination of that advisor just one month following the appointment of Defendant Marinello as Ceridian's CEO reflected a divergence of interests concerning strategic alternatives other than a sale of 100% of the Company.

93. The Ceridian Directors breached their fiduciary duties by failing to fully and fairly disclose information regarding the process leading to the announcement of the merger, including in particular the restrictions imposed upon potential bidders. Once the Directors partially disclosed the history leading up to the proposed merger and used vague language, they had an obligation to provide the stockholders with an accurate, full, and fair characterization of those historic events, including any instructions to bidders that the Board would only be presented proposals for all of the company's stock or assets, and that proposals to break up Comdata and HRS or other proposals not involving the outright sale of the Company would not be accepted or presented to the Board.

94. Also, the Proxy discloses the fact that Ceridian met on January 12, 2007 with representatives of Pershing Square, but the Proxy provides no information concerning the subject of that meeting, or the relationship of that meeting with the Company's decision to retain Greenhill almost immediately after that meeting to investigate strategic alternatives.

95. In addition, the Proxy fails to disclose the number of parties Greenhill contacted in its efforts to obtain bids for the Company. The June 15 article on TheDeal.com observed that "The proxy says that Greenhill began contacting potential buyers, but it does not say how many parties were contacted. Typically, when a company seeks to underscore the extent of its auction, it emphasizes the number of parties contacted."

96. In addition, while the Proxy states that the Company conducted "separate discussions" with a party that had proposed a recapitalization of Ceridian, as opposed to an acquisition, the Proxy fails to disclose why the discussion of a potential recapitalization fell outside the scope of Greenhill's investigation of strategic alternatives for the Company.

97. Given the unusual nature of the Election Walkaway provision (coupled with the facts that the Proxy was issued more than 13 months following the last election of Ceridian directors, a Proxy Challenge was pending, and that the provenance of that provision had been called into question by shareholders and market commentators), the negotiation and origin of that provision is material and should have been disclosed. The June 15 article on TheDeal.com stated:

> The discussion in the proxy of the background of the buyout does not explain how the buyout agreement came to include an unusual provision that allows the buyers to walk if the Ceridian board is replaced… ***The termination right is unusual because it would effectively negate a shareholders' right to pick the board that would police the merger agreement while the deal is pending***.

(Emphasis added.)

98. The Board also breached its fiduciary duty of disclosure by misrepresenting that a newly elected slate of directors would have an opportunity to review the THL/Fidelity Buyout and make its own recommendation to shareholders as to whether to vote in favor of that Buyout in advance of the shareholder vote. Specifically, the proxy repeatedly assures shareholders that if they choose a new board, the new board can change its recommendation within ten (10) days and avoid the $165 million Termination Fee that would otherwise be payable solely due to a Change of Recommendation. (E.g., Proxy at Q-1, 17 & 52).

99. In fact, the proxy states that one of the "material factors and benefits" supporting the Board's recommendation of the THL/Fidelity Buyout was:

> the fact that under the terms of the merger agreement, the $165 million termination fee is not payable to Parent [THL/Fidelity] by the Company if the Parent exercises its right to terminate the merger agreement solely because a majority of the incumbent board is voted out of office, unless the Company enters into an alternative transaction within one year thereafter[.] (Proxy at 16-17).

100. This statement is misleading because Ceridian has structured the shareholder meeting to nullify this provision. It does not adequately inform shareholders that, by holding the vote for new directors concurrently with the vote on the proposal, even if a new slate of directors is elected, the new Board could not publicly announce its decision not to support the THL/Fidelity Buyout within ten (10) days of being elected. (Merger Agreement § 7.1(h); cf. § 7.1(j)).

101. Since announcing the THL/Fidelity Buyout, Defendants have touted the absence of any financing contingency as a significant benefit to shareholders of the deal. For example, the May 31, 2007 press release announcing the deal states: "***There is no financing condition to consummate the transaction***. The transaction is expected to close following the satisfaction of all closing conditions and completion of a financing marketing period, which is anticipated to occur in the fourth quarter." (Emphasis added.) This statement is deceptive. Although the Private Equity Buyers' ability to obtain financing is not listed as a formal contingency, it is effectively a condition. Before the deal can close – even if shareholders have approved it – Ceridian and the Private Equity Buyers need to complete a 30 day "marketing period" as set forth in Section 5.11 of the Merger Agreement. Shareholders should weigh the prospect of being left with nothing but a claim against Foundation for $165 million, even if they want the deal to close.

102. Further, although the Proxy discloses certain of Greenhill's conclusions and recommendations it omits material information about the assumptions used to support that

analysis. Among other things, the bases for assumptions that drive the discounted cash flow analysis and the leveraged buyout analysis are not disclosed. The supposed valuation of a Comdata spin-off is not presented with any detail sufficient for shareholders to understand Greenhill's process. The premiums paid analysis does not reflect the timeline used to calculate premiums in other transactions, as compared with timeline applied to calculate the premium offered in the THL/Fidelity Buyout.

103. Further, as referenced above, Greenhill's valuation of the Recap Proposal is markedly missing. In particular, the Proxy implies that the Board rejected the Recap Proposal primarily based on Greenhill's observation that although more than 50% of the shares would be purchased at $37 per share, the remaining equity "might" trade below $30 in the near term. Shareholders are plainly entitled to know the specific range of values that Greenhill applied for the equity remaining after the Recap Proposal would be effectuated, including the high end of the range that the shares "might" trade at, the midpoint, and the most likely price. Shareholders are also entitled to know the potential ranges for the equity "in the long term," since the $30 price referenced in the Proxy only applies for the "near term."

CLASS ACTION ALLEGATIONS

104. Plaintiff brings this action pursuant to Rule 23 of the Rules of the Court of Chancery, individually and on behalf of all other holders of Ceridian common stock (except defendants herein and any persons, firm, trust, corporation or other entity related to or affiliated with them and their successors in interest) who are or will be threatened with injury arising from defendants' wrongful actions, as more fully described herein (the "Class").

105. This action is properly maintainable as a class action.

106. The Class is so numerous that joinder of all members is impracticable. The number of shares of common stock of Ceridian outstanding as of April 30, 2007 was 143,397,176. As of February 1, 2007, the Company reported that there were 10,941 holders of record of Ceridian stock. These include investors spread across the country.

107. There are questions of law and fact which are common to the Class and which predominate over questions affecting any individual class member. The common questions include, *inter alia*, the following:

a. Whether the Directors have acted and are acting with the primary purpose of frustrating the shareholder voting process and in a manner intended to entrench themselves in office;

b. Whether the Defendants have engaged and are continuing to engage in a plan and scheme to benefit themselves at the expense of the members of the Class;

c. Whether the Ceridian Directors have fulfilled, and are capable of fulfilling, their fiduciary duties to Plaintiff and the other members of the Class, including their duties of loyalty, due care, and candor, which include, in this instance, the duty to maximize share value;

d. Whether the Ceridian Directors are engaging in self-dealing in connection with the THL/Fidelity Buyout;

e. Whether the Ceridian Directors are unjustly enriching themselves and other insiders or affiliates of Ceridian;

f. Whether the THL/Fidelity Buyout is entirely fair to the members of the Class;

g. Whether the Defendants have disclosed all material facts in connection with the challenged transaction; and

h. Whether Plaintiff and the other members of the Class would be irreparably damaged if the Defendants are not enjoined from effectuating the conduct described herein.

108. Plaintiff anticipates that there will be no difficulty in the management of this litigation as a class action.

109. The Ceridian Directors have acted on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought

herein with respect to the Class as a whole. To the extent Defendants take further steps to effectuate the THL/Fidelity Buyout, preliminary and final injunctive relief on behalf of the Class as a whole will be entirely appropriate.

110. Plaintiff is committed to prosecuting this action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of the other members of the Class and Plaintiff has the same interests as the other members of the Class. Accordingly, Plaintiff is an adequate representative of the Class and will fairly and adequately protect the interests of the Class.

111. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual members of the Class which would, as a practical matter, be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

FIDUCIARY DUTIES OF THE CERIDIAN DIRECTORS

112. Because the THL/Fidelity Buyout (as further detailed below) will result in the end of Ceridian's existence as a widely held public corporation and Ceridian's current public shareholders will be forced to give up their stakes in the Company going forward, the Ceridian Directors are obligated to explore all alternatives to maximize the value paid to Ceridian's shareholders. To satisfy this obligation, the Ceridian Directors have a fiduciary duty to:

a. fully inform themselves of Ceridian's market value before taking, or agreeing to refrain from taking action;

b. act solely in the interests of the Company's equity owners and not to pursue transactions that favor themselves or Ceridian's senior management at the expense of the shareholders;

c. maximize shareholder value by seeking the highest consideration available to Ceridian's shareholders;

d. obtain the best financial and other terms when the Company's independent existence will be materially altered by the transaction;

e. decline any contractual provisions that will discourage or inhibit alternative offers to purchase control of the corporation or its assets or that will otherwise limit the Ceridian Directors' freedom to solicit or respond to any alternative proposal that may provide greater shareholder value than the offer favored by the Company's management;

f. fully and fairly disclose all material information within the board's control; and

g. act in all other respects in accordance with the fundamental duties of loyalty, care and good faith.

113. Because of their respective positions with the Company, the Ceridian Directors also are required to:

a. act independently to ensure that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer, or controlling shareholder;

b. ensure that if there are conflicts of interest between the Defendants' interest and their fiduciary obligations of loyalty, that they are resolved in the best interest of the Ceridian's public shareholders; and

c. provide the shareholders of Ceridian with their honest and fully informed judgment and recommendation with respect to any transaction brought to a shareholder vote, including the THL/Fidelity Buyout or any alternative opportunity.

114. For the reasons alleged below, the Ceridian Directors have breached, and will continue to breach, their fiduciary duties owed to the public shareholders of Ceridian, including by approving the THL/Fidelity Buyout. In addition, the Merger Agreement contains numerous provisions that serve to inhibit a fair bidding process intended to obtain for the shareholders the maximum price available for their shares.

CLAIMS FOR RELIEF

COUNT I

(Breach of Fiduciary Duty Against the Ceridian Directors)

115. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

116. The Ceridian directors owe the Class the utmost fiduciary duties of due care, good faith, and loyalty. Because at the time of the negotiation of the THL/Fidelity Buyout, Ceridian was "up for sale" and because the THL/Fidelity Buyout represents a "change-in-control" transaction, the Ceridian Directors are required to focus on one primary objective – to secure the transaction offering the best value reasonably available for the Ceridian shareholders – and they are required to exercise their fiduciary duties to further that end. They are required to employ all measures necessary to fully inform themselves about competing offers and other alternatives for the Company and to choose the offer that best maximizes shareholder value.

117. The Ceridian Directors have failed to fulfill their fiduciary duties in the sale of control of Ceridian. They have failed to fully inform themselves about potential competing proposals or to fully explore the possibility of a Comdata spin-off.

118. The Ceridian Directors also breached their fiduciary duty by favoring their own interests over those of the Ceridian shareholders. They caused the Company to enter into the Merger Agreement in order to perpetuate their own personal interests at the direct expense of Ceridian's shareholders. The Ceridian Directors are engaging in self-dealing, are not acting in good faith toward Plaintiff and the other members of the Class, and knowingly or recklessly have breached and are continuing to breach their fiduciary duties to the members of the Class.

119. The Ceridian Directors also agreed to the inclusion of, among other things, a $165 million termination fee that is tied directly to their own re-election, a No-Shop/No-Talk Clause,

and other barriers to the success of unsolicited competing offers for the Company. They did so in order to secure the benefits the THL/Fidelity Buyout provides to them personally.

120. As a result of the Ceridian Directors' breaches of fiduciary duty in erecting these defensive measures, the Class will be harmed by being denied the opportunity to weigh and consider potentially more valuable alternative bids. The defensive measures erected by the Ceridian Directors in the Merger Agreement, however, impose excessive and disproportionate impediments to potential superior alternatives.

121. If the THL/Fidelity Buyout is allowed to proceed without the Ceridian Directors first conducting a full and thorough market check or other form of (or reasonable substitution for) an auction process, and without fully exploring the possibility of a Comdata spin-off, Ceridian shareholders will be denied forever the opportunity to sell their shares to the highest bidder.

122. Plaintiff and the Class have no adequate remedy at law.

COUNT II
(Class Action Claim For Breach Of Fiduciary Duty Of Disclosure Against The Individual Defendants)

123. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

124. The Ceridian Directors are bound by their fiduciary duties to the Class to provide the Class with all information material to the Class members' decision on whether to vote to accept, or reject, the THL/Fidelity Buyout.

125. The Ceridian Directors have breached those fiduciary duties by failing to disclose material information that would have significantly altered the "total mix" of information in the view of a reasonable stockholder, as explained above.

126. Plaintiff and the Class have no adequate remedy at law.

COUNT III

(Aiding and Abetting Breaches of Fiduciary Duties Against THL, Fidelity and Foundation)

127. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

128. The Private Equity Buyers aided and abetted the Ceridian Directors' breaches of fiduciary duty. The Private Equity Buyers actively and knowingly induced the Ceridian Directors to breach their fiduciary duties to Ceridian by plying them with the promises of lucrative employment with the privatized entity.

129. The Private Equity Buyers colluded in or aided and abetted the Individual Defendants' breaches of fiduciary duties, and were active and knowing participants in the Individual Defendants' breaches of fiduciary duties owed to plaintiff and the members of the Class, as evidenced by their complicity in entering a Merger Agreement replete with provisions that impermissibly impede the shareholder franchise and otherwise violate Delaware law.

130. The Private Equity Buyers participated in the breach of the fiduciary duties by the Ceridian Directors for the purpose of advancing their own interests. The Private Equity Buyers will obtain both direct and indirect benefits from colluding in or aiding and abetting the Individual Defendants' breaches. The Private Equity Buyers will benefit, *inter alia*, from the acquisition of the Company at a grossly inadequate and unfair price if the Proposed Buyout is consummated.

131. Plaintiff and the members of the Class will be irreparably injured as a direct and proximate result of the aforementioned acts.

132. Plaintiff and the Class have no adequate remedy at law.

COUNT IV

(Declaration Under 10 Del. C. § 6501 Against All Defendants)

133. Plaintiff repeats and realleges each and every allegation above as if set forth in full herein.

134. There exists a dispute over the validity of the Election Walkaway provision, the No-Shop No-Talk provision, and the Termination Fee. Section 8.9 of the Merger Agreement provides that if any provision or provisions are found to be invalid, the remainder of the Merger Agreement shall remain in full force and effect.

135. In addition, there exists a dispute over the validity of the Don't Ask Don't Waive standstills that the Company imposed on participants in the pre-public announcement bidding process.

136. This controversy is real and pressing, and a declaration of the validity of the challenged provisions of the Merger Agreement will clarify the legal relations between the parties.

RELIEF REQUESTED

WHEREFORE, Plaintiff demands judgment as follows:

(a) Declaring this Action properly maintainable as a class action;

(b) A declaration that the Don't Ask Don't Waive standstill agreements, the Election Walkaway provision, the No-Shop No-Talk provision and the Termination Fee are void and unenforceable;

(b) Preliminarily and permanently enjoining Ceridian and any of the Ceridian Directors and any and all other employees, agents, or representatives of the Company and persons acting in concert with any one or more of any of the foregoing, during the pendency of this action, from taking any action to consummate the THL/Fidelity Buyout until such time as an

election of directors of Ceridian can be held free of the coercive aspects of the Merger Agreement and until the Ceridian Directors have fully complied with their duties to fully and fairly consider all offers for the Company and to maximize shareholder value;

(c) If the THL/Fidelity Buyout is not enjoined as set forth above, awarding the Class compensatory damages, together with pre- and post-judgment interest;

(d) A declaration that the Ceridian Directors have breached their fiduciary duties to the Class;

(e) A declaration that the Private Equity Buyers have aided and abetted the breaches of fiduciary duty by the individual defendants;

(f) Awarding Plaintiff the costs and disbursements of this action, including attorneys', accountants', and experts' fees; and

(g) Awarding such other and further relief as is just and equitable.

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BOUCHARD MARGULES & FRIEDLANDER, P.A.

____/s/ Joel Friedlander__________
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DATED: June 26, 2007