CERIDIAN CORP /DE/
Form DEFM14A
July 31, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

CERIDIAN CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies: Common stock of Ceridian Corporation, par value $0.01 per share
	(2)	Aggregate number of securities to which transaction applies: 144,044,777 shares of common stock 6,465,862 options to purchase shares of common stock Restricted stock units with respect to 686,864 shares of common stock Share equivalents with respect to 35,370 shares of common stock
	(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): The maximum aggregate value was determined based upon the sum of (A) 144,044,777 shares of common stock multiplied by $36.00 per share; (B) options to purchase 6,465,862 shares of common stock with exercise prices less than $36.00 multiplied by $13.84 (which is the difference between $36.00 and the weighted average exercise price of such options of $22.16 per share); (C) restricted stock units with respect to 686,864 shares of common stock multiplied by $36.00 per share; and (D) share equivalents with respect to 35,370 shares of common stock multiplied by $36.00. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.00003070 by the sum calculated in the preceding sentence.
	(4)	Proposed maximum aggregate value of transaction: $5,301,099,926
	(5)	Total fee paid: $162,744
x	Fee paid previously with preliminary materials.	
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.	

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

July 30, 2007

Dear Stockholder:

On behalf of Ceridian s board of directors, we are pleased to invite you to attend Ceridian Corporation s 2007 annual meeting of stockholders. The 2007 annual meeting of stockholders of Ceridian Corporation will be held on September 12, 2007 at 9:30 a.m., local time, at our corporate headquarters, which are located at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425.

At the annual meeting, we will ask you to:

1. consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of May 30, 2007, as amended as of July 30, 2007, by and among Ceridian Corporation (Ceridian or the Company), Foundation Holdings, Inc. (Parent) and Foundation Merger Sub, Inc. (Merger Sub), as it may be further amended from time to time (the merger agreement), and approve the merger contemplated by that agreement;

2. elect seven directors to serve on the board of directors of Ceridian until their successors are duly elected and qualified;

3. consider and vote upon a proposal to ratify the Audit Committee s appointment of KPMG LLP as our independent registered public accounting firm;

4. approve the adjournment of the annual meeting, if necessary or appropriate, to solicit additional proxies if (1) there are insufficient votes at the time of the annual meeting to adopt the merger agreement and approve the merger or (2) a quorum is not present at the time of the annual meeting; and

5. transact any other business properly coming before the annual meeting.

The merger agreement provides for the merger of Merger Sub into Ceridian, with Ceridian surviving the merger and becoming a wholly owned subsidiary of Parent (the merger). Parent is owned jointly by private equity funds of Thomas H. Lee Partners, L.P., a leading private equity investment firm, and Fidelity National Financial, Inc., a leading provider of title insurance, specialty insurance and claims and management services. If we complete the merger, you will be entitled to receive $36.00 in cash, without interest, for each share of Ceridian common stock you own.

Our board of directors has unanimously determined that the merger agreement, including the merger and the other transactions contemplated by the merger agreement, is fair to, advisable and in the best interests of the Company and its unaffiliated stockholders. **Accordingly, the board unanimously recommends that you vote FOR adoption of the merger agreement and approval of the merger.** The proxy statement attached to this letter provides you with information about the merger and the other matters to be considered at the annual meeting. We encourage you to read the entire proxy statement carefully.

This year s annual meeting will be particularly significant and your vote is extremely important. In order to complete the merger, a majority of the outstanding shares of Ceridian common stock entitled to vote must adopt the merger agreement and approve the merger. As a result, if you fail to vote on the merger agreement, it will have the same effect as a vote against the merger.

In addition, Pershing Square Capital Management, L.P. and certain affiliated entities (Pershing Square) have filed a preliminary proxy statement stating their intention to nominate an alternative slate of directors at this year s annual meeting and solicit proxies in opposition to the merger. We believe the current board has acted responsibly and in the best interests of stockholders in evaluating strategic alternatives and approving the merger agreement.

For these reasons and the other reasons set forth in the proxy statement, we encourage you to vote in favor of the merger, in favor of your board s nominees and in favor of the other proposals to be considered at the annual meeting as soon as possible either by marking, signing, dating and returning the enclosed WHITE proxy card in the postage-paid envelope or by telephone or by Internet, whether or not you plan to attend the annual meeting. Instructions are on the WHITE proxy card.

This proxy statement is dated July 30, 2007 and is first being mailed to stockholders on or about August 1, 2007.

Sincerely,

L. White Matthews, III
Chairman of the Board of Directors

Kathryn V. Marinello
President and Chief Executive Officer

3311 East Old Shakopee Road
Minneapolis, Minnesota 55425

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS
to be held on September 12, 2007

The 2007 annual meeting of stockholders of Ceridian Corporation will be held on September 12, 2007 at 9:30 a.m., local time, at our corporate headquarters, which are located at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425. The purposes of the annual meeting are to:

1. consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of May 30, 2007, as amended as of July 30, 2007, by and among Ceridian Corporation (Ceridian or the Company), Foundation Holdings, Inc. (Parent) and Foundation Merger Sub, Inc. (Merger Sub), as it may be further amended from time to time (the merger agreement), and approve the merger contemplated by that agreement;

2. elect seven directors to serve on the board of directors of Ceridian until their successors are duly elected and qualified;

3. consider and vote upon a proposal to ratify the Audit Committee s appointment of KPMG LLP as our independent registered public accounting firm;

4. approve the adjournment of the annual meeting, if necessary or appropriate, to solicit additional proxies if (1) there are insufficient votes at the time of the annual meeting to adopt the merger agreement and approve the merger or (2) a quorum is not present at the time of the annual meeting; and

5. transact any other business properly coming before the annual meeting.

The board of directors has fixed the close of business on July 27, 2007 as the record date for the purpose of determining stockholders who are entitled to notice and vote at the annual meeting and any adjournments thereof. Stockholders are entitled to one vote for each share of Ceridian common stock held of record as of the record date. A list of Ceridian stockholders of record as of July 27, 2007 will be available for inspection during ordinary business hours at Ceridian s headquarters located at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425, from September 3, 2007 up to and on the date of the annual meeting.

Please remember that your shares cannot be voted unless you cast your vote by one of the following methods: (1) sign and return a proxy card; (2) call the toll-free number listed on the proxy card; (3) vote by Internet as indicated on the proxy card; or (4) vote in person at the annual meeting.

You should NOT send documents representing Ceridian common stock with the proxy card. Assuming the merger agreement is approved, you will receive instructions on how to surrender your Ceridian common stock from the paying agent after the merger.

Please retain the top of the WHITE proxy card as your admission ticket. One ticket will permit two persons to attend. If your shares are held through a broker, contact your broker and request that the broker provide you with evidence of share ownership. This documentation, when presented at the registration desk at the annual meeting, will enable you to attend the annual meeting.

Even if you plan to attend the annual meeting, please mark, sign, date and return the enclosed WHITE proxy card in the enclosed postage-paid envelope. You may also vote by Internet using the Internet address on the WHITE proxy card or by telephone using the toll-free number on the WHITE proxy card. If you are the record holder of your shares of Company common stock (or, in the case of voting in person at the annual meeting, holding a legal proxy from the record holder), you may revoke a previously given proxy at any time before it is voted in any one of the following ways: (1) by notifying our Corporate Secretary, in writing, at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425, (2) by attending the annual meeting and voting in person (your attendance at the annual meeting will not, by itself, revoke your proxy, you must vote in person at the annual meeting), (3) by submitting a later-dated proxy card, or (4) by voting again by telephone or by Internet. Any notice to our Corporate Secretary or later-dated proxy card must be received by the Corporate Secretary prior to the annual meeting. If your shares are held in street name and you have instructed a broker, bank or other nominee to vote your shares of Company s common stock, you may revoke

those instructions by following the directions received from your broker, bank or other nominee to change those instructions.

July 30, 2007

BY ORDER OF THE BOARD OF DIRECTORS

Gary M. Nelson
Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary

YOUR VOTE IS EXTREMELY IMPORTANT THIS YEAR IN LIGHT OF THE MERGER AND THE PROXY CONTEST THAT IS BEING CONDUCTED BY PERSHING SQUARE.

See the question and answer section for information on how to vote by proxy card, how to revoke a proxy, and how to vote shares in person, by telephone, by Internet or at the annual meeting.

If you have any questions about the merger or the other proposals to be voted on at the annual meeting, please contact our Corporate Secretary s office at (952) 548-8333. If you have any questions about your voting of shares, please contact the Ceridian proxy solicitor, MacKenzie Partners, Inc., toll free at (800) 322-2885 or by e-mail at *proxy@mackenziepartners.com*.

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE 2007 ANNUAL MEETING

The following are some questions that you may have regarding the annual meeting and answers to those questions. We encourage you to read carefully the remainder of this proxy statement because the information in this section does not provide all the information that might be important to you with respect to the annual meeting. Additional important information is also contained in the annexes to, and the documents that we incorporate by reference into, this proxy statement.

Q: When and where is the meeting?

A: We will hold the meeting at 9:30 a.m. local time on September 12, 2007, at our corporate headquarters, which are located at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425.

Q: What will I be voting on?

A: There are four proposals that we expect to ask you to vote on at the annual meeting:

- adoption of the merger agreement and approval of the merger;

- election of seven directors to serve on the board of directors of Ceridian until their successors are duly elected and qualified;

- ratification of the Audit Committee s appointment of KPMG LLP (KPMG) as our independent registered public accounting firm; and

- approval of the adjournment of the meeting, if necessary or appropriate, to solicit additional proxies.

At the date this proxy statement went to press, we were not aware of any additional matters to be raised at the annual meeting.

Q: How does the board of directors recommend that I vote?

A: The board unanimously recommends that you vote **FOR** the merger agreement and the merger, **FOR** each of the board s seven nominees for director, and **FOR** each of the other proposals.

You should read The Merger Reasons for the Merger; Recommendation of the Board of Directors for a discussion of the factors that the board considered in deciding to recommend the adoption of the merger agreement and approval of the merger.

Q: Will there be a proxy contest for the election of directors and the merger at the annual meeting?

A: Pershing Square has filed a preliminary proxy statement stating its intention to nominate an alternative slate of directors at this year s annual meeting and to solicit proxies against the merger. We believe the current board has acted responsibly and in the best interests of stockholders in evaluating strategic alternatives and approving the merger agreement and that the board s nominees should be reelected. The board unanimously recommends that you vote **FOR** the merger agreement and the merger, **FOR** each of the board s seven nominees for director, and **FOR** each of the other proposals.

Q: What will happen if following the election the board s nominees do not form a majority of the elected board of directors?

A: If following the election the board s nominees do not form a majority of the elected board of directors, then:

- the new board will be free to effect a Change in Recommendation as defined in the merger agreement and if it does so within 10 days following its election, Parent will not be entitled to terminate the merger agreement as a result of such Change in Recommendation;

- each unvested option, restricted stock unit, share of restricted stock and other equity award issued under the Company s equity incentive plans will immediately vest, allowing the participants in these plans to immediately recognize the value of these

Q-1

options, share units, shares and other equity awards, as applicable; and

- a change of control under the executive officers employment agreements and the Company s change in control severance policy will be deemed to have occurred so that any subsequent (within two years of the election of the new directors) termination of such employees without cause or, for senior managers, any termination by such employees with good reason will entitle such employees to change in control severance payments.

Q: Who is entitled to vote?

A: You are entitled to vote at the annual meeting if our records on July 27, 2007 (the record date) showed that you owned the Company s common stock (Ceridian common stock or common stock). As of the record date, there were 144,167,384 shares of common stock issued and outstanding.

Q: How many votes is each share entitled to?

A: Each share of common stock has one vote. The enclosed WHITE proxy card shows the number of shares that you are entitled to vote.

Q: How many votes are needed to approve each item?

A: The favorable vote of a majority of the outstanding shares of common stock is required to approve the merger agreement.

The seven director nominees receiving the highest numbers of votes cast will be elected to the board.

The favorable vote of a majority of votes cast at the annual meeting, if a quorum is present, is required to ratify the appointment of KPMG as our independent registered public accounting firm.

The favorable vote of a majority of votes cast at the annual meeting, whether or not a quorum is present, is required to approve the proposal to adjourn the annual meeting, if necessary or appropriate, for the purpose of soliciting additional proxies.

If a quorum is not present at the time of the annual meeting, the vote of a majority of the shares present or represented by proxy is necessary to adjourn the meeting in accordance with our bylaws.

Q: What should I do now?

A: Please vote your shares by completing, signing, dating and returning the enclosed WHITE proxy card or by using the telephone number printed on your proxy card or by using the Internet voting instructions printed on your proxy card. If you have Internet access, we encourage you to record your vote by Internet. DO NOT return any stock certificates with your proxy.

Q: How do proxies work?

A: The board of directors is asking for your proxy. Giving us your proxy means that you authorize us to vote your shares at the annual meeting in the manner you direct.

You may vote for all, some, or none of our director nominees. You may vote for or against the merger agreement or abstain from voting. However, a failure to vote on the merger agreement or an abstention on the merger agreement will have the same effect as a vote against. You may also vote for or against the other items or abstain from voting on them.

If you sign and return the enclosed WHITE proxy card but do not specify how to vote, we will vote your shares **FOR** the proposal to adopt the merger agreement and approve the merger, **FOR** our director nominees, **FOR** the ratification of the selection of KPMG as our independent registered public accounting firm, **FOR** any adjournment proposal, and at the proxy holders discretion as to any other matters properly brought before the annual meeting.

Q: What does it mean if I receive more than one WHITE proxy card?

A: If you hold your shares in multiple registrations, or in both registered and street name, you will receive a WHITE proxy card for each account. Please sign, date and return all WHITE proxy cards you receive. If you choose to vote by phone or by Internet, please vote each proxy card you receive. Only your latest dated proxy for **each** account will be voted.

If Pershing Square proceeds with its previously announced proxy contest, you may also receive an opposition proxy statement and GREEN proxy card from Pershing Square. In this event, to ensure stockholders have our latest proxy information and materials to vote, we will conduct multiple mailings prior to the annual meeting date. We will send you a new WHITE proxy card with each mailing regardless of whether you have previously voted. The latest dated proxy card you submit will be counted.

To vote as the board of directors recommends, stockholders must use the WHITE proxy card. Voting against any Pershing Square nominees on the GREEN proxy card will not be counted as a vote for the board s nominees and can result in the revocation of any previous vote you may have cast on the WHITE proxy card. If you wish to vote pursuant to the recommendation of the board of directors, you should disregard any proxy card you receive other than the WHITE proxy card.

If you have voted using a GREEN proxy card, you have every right to change your vote by executing the WHITE proxy card. Only the latest dated proxy card you submit will be counted.

Q: Will my shares be voted if I do not sign and return my proxy card?

A: They could be on some matters, but not for the merger agreement or the election of directors because they are not routine matters. If your shares are held in street name and you do not instruct your broker or other nominee how to vote your shares, your broker or other nominee would not be able to vote on such matters. If your shares are held in street name, your broker, bank or nominee will include a voting instruction card with this proxy statement. We strongly encourage you to vote your shares by following the instructions provided on the voting instruction card. Please return your WHITE proxy card to your nominee and contact the person responsible for your account to ensure that a WHITE proxy card is voted on your behalf.

Q: Can I change my vote?

A: If you are a stockholder of record (or, in the case of voting in person at the annual meeting, holding a legal proxy from the stockholder of record) you may revoke a previously given proxy at any time before it is voted in any one of the following ways:

- by notifying our Corporate Secretary, in writing, at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425;

- by attending the annual meeting and voting in person (your attendance at the annual meeting will not, by itself, revoke your proxy; you must vote in person at the annual meeting);

- by submitting a later-dated proxy card; or

- by voting again by telephone or by Internet.

If your shares are held in street name and you have instructed a broker, bank or other nominee to vote your shares of the Company s common stock, you may revoke those instructions by following the directions received from your broker, bank or other nominee to change those instructions.

If you have previously signed a GREEN proxy card sent to you by Pershing Square, you may change your vote by marking, signing, dating, and returning the enclosed WHITE proxy card in the accompanying postage-paid envelope.

Q-3

Q: What is a quorum?

A: A quorum is the number of shares that must be present, in person or by proxy, in order for business to be transacted at the annual meeting. At least a majority of the outstanding shares eligible to vote must be represented at the annual meeting, either in person or by proxy, in order to transact business.

Q: Who will tabulate the votes?

A: A representative from Ellen Phillip Associates, Inc. will tabulate the votes and a representative of IVS Associates Inc. will act as inspector of election.

Votes cast by proxy or in person at the annual meeting will be tabulated by the inspector of election. The inspector will also determine whether a quorum is present at the annual meeting.

Q: How will shares in the Company s employee benefit plans be voted?

A: Shares held in our benefit plans that are entitled to vote will be voted by the plan trustees pursuant to your instructions. Shares held in any employee benefit plan that you are entitled to vote, but do not vote, will be voted by the plan trustees in proportion to the voting instructions received for other shares. You must instruct the plan trustees to vote your shares by utilizing one of the voting methods described above.

Q: How do the Company s directors and executive officers plan to vote?

A: To the best of our knowledge, all of our directors and executive officers intend to vote all of their shares in favor of the proposal to adopt the merger agreement and approve the merger, our director nominees, the ratification of the selection of KPMG, and the adjournment proposal. As of the record date, our directors and executive officers held less than 1% in the aggregate of the shares of Company common stock entitled to vote at the annual meeting.

Q: Who pays the solicitation expenses for this proxy statement and related Company materials?

A: The Company does. In addition to sending you these materials, some of our directors and officers as well as management and non-management employees may contact you by telephone, mail, e-mail or in person. You may also be solicited by means of press releases issued by Ceridian, postings on our website, *www.ceridian.com*, and advertisements in periodicals. None of our officers or employees will receive any extra compensation for soliciting you. We have retained MacKenzie Partners, Inc. to assist us in soliciting your proxy for an estimated fee of $350,000 plus reasonable out-of-pocket expenses.

MacKenzie Partners expects that approximately 30 of its employees will assist in the solicitation. MacKenzie Partners will ask brokerage houses and other custodians and nominees whether other persons are beneficial owners of Ceridian common stock. If so, we will reimburse banks, nominees, fiduciaries, brokers and other custodians for their costs of sending the proxy materials to the beneficial owners of Ceridian common stock.

Our expenses related to the solicitation in excess of those normally spent for an annual meeting as a result of the potential proxy contest and excluding salaries and wages of our regular employees and officers are expected to be approximately $3 million, of which approximately $1.5 million has been spent to date. Annex C sets forth information relating to Ceridian s director nominees as well as certain directors, officers and employees of Ceridian, Parent, THL Partners and FNF who may be considered participants in our solicitation under the rules of the SEC by reason of their position as directors or director nominees of Ceridian or because they may be soliciting proxies on our behalf.

Q-4

Q: How do abstentions and broker non-votes count for voting purposes?

A: Only votes for or against a proposal count. Abstentions and broker non-votes count for quorum purposes but not for voting purposes and are not considered to be votes cast. Because approval of the merger agreement requires the favorable vote of a majority of the outstanding shares, an abstention or failure to vote on the merger agreement will have the same effect as a vote against.

Q: How do I nominate a director or bring other business before the 2008 annual meeting?

A: If we complete the merger, we do not expect to hold an annual meeting in 2008.

If we hold an annual meeting in 2008, our bylaws prescribe the procedures stockholders must follow to nominate directors or to bring other business before the meeting. To nominate a candidate for director at the 2008 annual meeting, if held, your notice of the nomination must be received by us between May 3, 2008 and June 2, 2008 unless we hold an annual meeting in 2008 more than 30 days before or after September 12, in which case notice must be given no more than 10 days after the date of the meeting is announced. The notice must describe various matters regarding the nominee as prescribed by our bylaws, including name, address, occupation and shares held. To bring other matters before the 2008 meeting, if held, notice of your proposal must also be received by us within the time limits described above and must meet our bylaw requirements. In addition, to include a proposal in the Company s proxy statement and proxy for that meeting, your notice and proposal must also comply with the requirements of Rule 14a-8 of the Exchange Act. Copies of our bylaws may be obtained free of charge from the Corporate Secretary.

Q: How do I obtain a copy of the Company s materials related to corporate governance?

A: Our Corporate Governance Policies and Guidelines, charters of each standing board committee, Code of Conduct, Criteria for Nomination to the Board, and other materials related to our corporate governance can be found on the Corporate Governance section of our website at *www.ceridian.com*. In addition, this information is available in print free of charge to any stockholder who requests it by contacting the Corporate Secretary at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425.

Q: Do I need a ticket to attend the annual meeting?

A: Yes. Retain the top of the WHITE proxy card as your admission ticket. One ticket will permit two persons to attend. If your shares are held through a broker, contact your broker and request that the broker provide you with evidence of share ownership. This documentation, when presented at the registration desk at the annual meeting, will enable you to attend the annual meeting.

Q: Who can help answer my other questions?

A: If you have additional questions about the annual meeting, need assistance in submitting your proxy or voting your shares of common stock, or need additional copies of the proxy statement or the enclosed proxy card, please call our Corporate Secretary s office at (952) 548-8333 or MacKenzie Partners, our proxy solicitor, toll-free at (800) 322-2885 (banks and brokerage firms call collect at (212) 929-5500).

SUMMARY TERM SHEET

For your convenience, the following summary highlights selected information in this proxy statement, particularly with respect to the merger, but may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents we refer to or incorporate by reference in this proxy statement. Each item in this summary includes a page reference, where applicable, directing you to a more complete description of that topic. See Where You Can Find More Information on page 115.

The Parties to the Merger

Ceridian Corporation is a leading provider of human resources, transportation and retail information management services, serving businesses and employees in the U.S., Canada and Europe. Ceridian operates through two principal divisions, Human Resource Solutions (HRS) and Comdata. HRS offers a broad range of human resource outsourcing solutions, including payroll processing, tax filing, benefits administration, work-life and employee advisory programs and other HR-related services. HRS serves 25 million employees and 110,000 companies in 38 countries worldwide, including a majority of the Fortune 500. Ceridian s Comdata division is a major payment processor and issuer of credit, debit and stored value cards, primarily for the trucking and retail industries in the U.S. The address of Ceridian s principal executive offices is 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425.

Foundation Holdings, Inc., or Parent, is a newly formed Delaware corporation. Parent was formed solely for the purpose of effecting the merger and the transactions related to the merger. Parent has not engaged in any business except activities incidental to its formation and in connection with the transactions contemplated by the merger agreement. Parent is owned 50% by investment vehicles affiliated with Thomas H. Lee Partners, L.P. (THL Partners), and 50% by Fidelity National Financial, Inc. (FNF) and following the merger will be wholly owned by THL Partners, FNF and their coinvestors. Parent s address is c/o Thomas H. Lee Partners, L.P., 100 Federal Street, 35th Floor, Boston, Massachusetts 02110.

Foundation Merger Sub, Inc., or Merger Sub, is a newly formed Delaware corporation and a wholly owned subsidiary of Parent that was formed solely for the purpose of completing the merger. Merger Sub has not engaged in any business except activities incidental to its organization and in connection with the transactions contemplated by the merger agreement. Merger Sub has the same address as Parent.

The Merger (Page 43)

The merger agreement provides that Merger Sub will merge with and into the Company. The Company will be the surviving corporation in the merger and following the merger will continue to do business as Ceridian Corporation. We refer to the Company after the completion of the merger as the surviving corporation. In the merger, each outstanding share of our common stock (other than shares we hold as treasury stock or owned by Parent or Merger Sub and shares held by stockholders who have properly demanded statutory appraisal rights), will be converted into the right to receive $36.00 in cash, without interest and less any applicable withholding taxes. We refer to this amount as the merger consideration. Prior to completion of the merger, we will not pay dividends on our common stock.

Effects of the Merger (Page 42)

If we complete the merger, you will be entitled to receive $36.00 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own, unless you have exercised your statutory appraisal rights with respect to the merger. You will not own any shares of the surviving corporation and you will no longer have any interest in our future earnings or growth. As a result of the merger, we will cease to be a publicly traded company and will be

wholly owned by Parent. Following completion of the merger, we will terminate the registration of our common stock and our reporting obligations under the Securities Exchange Act of 1934.

Recommendation of Our Board of Directors on the Merger (Page 17)

The board of directors has unanimously (1) determined that the merger agreement, including the merger and the other transactions contemplated by the merger agreement, is fair to, advisable and in the best interests of the Company and its unaffiliated stockholders, (2) approved the merger agreement and the merger, and (3) determined to recommend that the Company s stockholders vote in favor of adoption of the merger agreement. **Accordingly, the board unanimously recommends that you vote FOR adoption of the merger agreement and approval of the merger.**

You should read The Merger Reasons for the Merger; Recommendation of the Board of Directors for a discussion of the factors that the board considered in deciding to recommend the adoption of the merger agreement and approval of the merger.

Opinion of Financial Advisor (Page 20)

In connection with the merger agreement, on May 30, 2007, Greenhill & Co., LLC (Greenhill), financial advisor to the Company, delivered to our board its oral opinion, which was subsequently confirmed by the delivery of a written opinion of the same date, to the effect that as of May 30, 2007, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations described in such opinion, the merger consideration to be received by the holders of shares of Ceridian common stock (other than affiliates of, or holders of beneficial interests in, Parent or Merger Sub), as provided for in the merger agreement, was fair, from a financial point of view, to such holders.

We have attached the full text of Greenhill s written opinion, dated May 30, 2007, to this proxy statement as Annex B. We encourage you to read this opinion carefully and in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken and the opinion expressed. The opinion of Greenhill was provided to our board in connection with its consideration of the merger, was directed only to the fairness of the merger consideration from a financial point of view, does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act with respect to the merger or any matters relating to the merger.

Interests of Certain Persons in the Merger (Page 31)

In considering the recommendation of the board, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as a stockholder, that may present actual or potential conflicts of interest. These interests include the vesting and cash-out of all equity awards, continued indemnification and insurance coverage under the merger agreement, and for the executive officers but not the other directors, severance agreements, potential future compensation arrangements and potential equity ownership or other opportunities to invest in Parent or its affiliates following completion of the merger (though such compensation and equity investment arrangements were not discussed until shortly before the merger agreement was executed and were not finalized as of the date of the merger agreement or as of the date of this proxy statement).

Treatment of Options and Other Awards (Page 31)

- *Stock Options.* Upon the completion of the merger, except as otherwise agreed by Parent and a holder, each outstanding option to acquire the Company s common stock, whether or not vested, that remains outstanding as of the closing of the merger will be cancelled and converted into the right to receive a cash payment equal to the number of shares of the Company s common stock underlying the option multiplied by the

amount (if any) by which $36.00 exceeds the applicable exercise price of the option, less any applicable withholding taxes.

- *Restricted Stock Units.* Upon the completion of the merger, except as otherwise agreed by Parent and a holder, each restricted stock unit will be cancelled and converted into the right to receive a cash payment equal to $36.00, less any applicable withholding taxes.

- *Deferred Stock Units.* Upon the completion of the merger, all amounts held in participant accounts under the deferred compensation plans that are denominated in the Company s common stock will be converted into the right to receive a cash payment equal to the number of shares of the Company s common stock deemed held in such accounts multiplied by $36.00, less any applicable withholding taxes. This amount will be payable or distributable in accordance with the terms of our deferred compensation plans.

- *Restricted Stock.* Upon the completion of the merger, except as otherwise agreed by Parent and a holder, each share of restricted stock will be cancelled and converted into the right to receive a cash payment equal to $36.00, less any applicable withholding taxes.

Financing (Page 34)

In connection with the merger, Merger Sub has obtained debt commitments from certain lenders to provide up to $3.7 billion in debt financing, including senior secured terms and revolving credit facilities, and, at Merger Sub s option, bridge facilities or cash proceeds from the issuance of notes in a public offering or private placement. The revolving credit facility, which is in the amount of up to $300 million, is not expected to be drawn at the closing.

In addition, Parent has received equity commitment letters from FNF and an affiliate of THL Partners, pursuant to which, subject to the conditions contained therein, they have agreed to make or cause to be made a cash capital contribution to Parent of up to $1.8 billion in the aggregate (consisting of $900 million each).

The merger agreement provides Parent and Merger Sub with a marketing period of up to 30 business days to market the debt securities to be issued in connection with the financing. This marketing period will commence after other conditions to the merger are met and we have provided financial and other information to be used by Parent and Merger Sub in marketing such debt securities. As described under The Merger Agreement Effective Time; Structure, this period may extend the period of time necessary for completion of the merger.

Regulatory and other Governmental Approvals (Page 36)

We have agreed to use our reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the rules promulgated thereunder by the Federal Trade Commission (the FTC), the merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice (the DOJ), and applicable waiting periods have expired or been terminated. As of June 14, 2007, the Company and Parent had filed notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ. On July 16, 2007, the statutory waiting period under the HSR Act expired.

We also either have filed or intend to file other regulatory filings, including:

- a competition related filing in Germany, which was submitted on July 26, 2007; and

- filings in connection with the licenses that Comdata Network, Inc. or one or more of its affiliates hold as money transmitters, sellers of checks and/or payroll processors.

U.S. Federal Income Tax Consequences (Page 39)

The exchange of shares of our common stock for cash pursuant to the merger agreement generally will be a taxable transaction to U.S. holders for U.S. federal income tax purposes. U.S. holders who exchange their shares of our

common stock in the merger will generally recognize capital gain or loss in an amount equal to the difference, if any, between the cash received in the merger and their adjusted tax basis in their shares of our common stock. You should consult your own tax advisor for a complete analysis of the effect of the merger for federal, state, local and foreign tax purposes.

Conditions to the Merger (Page 53)

The obligations of the parties to complete the merger are subject to the satisfaction or waiver of specified conditions, including stockholder and regulatory approval.

Restrictions on Solicitation of Other Transactions (Page 48)

We have agreed not to take certain actions that would solicit or encourage an alternative proposal to the merger. However, under certain circumstances, and in furtherance of our fiduciary duties under Delaware law, we may respond to an unsolicited alternative proposal. We have also agreed not to withdraw or modify the approval by our board of the merger or the merger agreement, or propose publicly to do so, or to approve or propose publicly to approve any alternative proposal, except, under certain circumstances, if our board determines that failure to take the foregoing actions would be inconsistent with the exercise of its fiduciary duties. We describe these provisions in more detail under The Merger Agreement No Solicitation of Transactions beginning on page 48.

Termination (Page 54)

The merger agreement may be terminated by mutual agreement of the Company and Parent. In addition, the merger agreement may be terminated by either the Company or Parent, under certain circumstances, if the merger has not occurred by the end date (as defined in the merger agreement), if any final and non-appealable injunction or order permanently prohibits the consummation of the merger, or if stockholder approval has not been obtained at the stockholder meeting.

In addition, the merger agreement may be terminated by the Company, under certain circumstances: (1) if Parent breaches or fails to perform in any material respect under the merger agreement, which breach or failure to perform would result in a failure of a mutual condition or a condition of the Company s obligation to consummate the merger and cannot be cured by the end date; (2) prior to stockholder approval, in order to accept a superior proposal (as defined in the merger agreement); or (3) if the merger has not been consummated on a timely basis in accordance with the merger agreement because Parent and Merger Sub have failed to obtain the financing for the merger.

Additionally, the merger agreement may be terminated by Parent, under certain circumstances: (1) if the stockholder meeting has not concluded prior to the end date; (2) if the Company breaches or fails to perform in any material respect under the merger agreement, which breach or failure to perform would result in a failure of a mutual condition or a condition of the obligation of Parent and Merger Sub to consummate the merger and cannot be cured by the end date; (3) if prior to the stockholder approval, the board has effected a change of recommendation under the merger agreement; or (4) if any rights (as defined in the Company s stockholder rights plan) have been exercised to purchase Series A Junior Participating Preferred Stock of the Company or common stock of the Company.

Termination Fees (Page 55)

The merger agreement provides that if it is terminated under specified circumstances, the Company will be required to pay Parent up to $20 million to compensate Parent and its affiliates for expenses and related costs and, under more limited circumstances, to pay Parent a termination fee of $165 million (less any reimbursement of expenses previously paid).

In addition, if the merger agreement is terminated under specified circumstances in connection with material breaches by Parent, including the failure to obtain financing, Parent

will be required to pay the Company a termination fee of $165 million.

Limitation on Liability (Page 55)

Apart from the specific performance entitlement described below, our sole and exclusive remedy with respect to any breach of the merger agreement will be the termination of the merger agreement in accordance with its terms and payment by Parent of the $165 million termination fee, if applicable.

Specific Performance (Page 56)

The Company, Parent and Merger Sub are each entitled to seek an injunction or injunctions to prevent breaches of the merger agreement or to enforce specifically the performance of the terms and provisions of the merger agreement in the Delaware courts.

Limited Guarantees (Page 36)

In connection with the merger agreement, FNF and an affiliate of THL Partners (the Guarantors) have each entered into a limited guarantee with us, under which the Guarantors have each guaranteed payment of one-half of the $165 million termination fee that may become payable by Parent.

Appraisal Rights (Page 58)

Under Delaware law, holders of our common stock who do not vote in favor of approving and adopting the merger agreement will have the right to seek appraisal of the fair value of their shares of our common stock as determined by the Delaware Court of Chancery if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this proxy statement. This appraisal amount could be more than, the same as or less than the merger consideration. Any holder of our common stock intending to exercise such holder s appraisal rights, among other things, must submit a written demand for an appraisal to us prior to the vote on the approval and adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of approval and adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. A copy of Section 262 of the Delaware General Corporation Law is attached to this proxy statement as Annex D. We encourage you to read Section 262 of the Delaware General Corporation Law and consult your legal advisor if you intend to seek appraisal.

Market Prices of the Company Common Stock (Page 57)

The value offered in the merger of $36.00 per share represents a premium of approximately 5% to our common stock closing price of $34.19 on the New York Stock Exchange (the NYSE) on May 30, 2007, the last trading day before the Company announced the merger agreement; approximately 17% to our common stock closing price of $30.72 per share on February 12, 2007, the last trading day prior to the public announcement that the Company had commenced the exploration of strategic alternatives; and approximately 56% to our common stock closing price of $23.13 on October 6, 2006, the date Pershing Square began to purchase shares of Ceridian common stock. The closing sale price of our common stock on the NYSE on July 30, 2007, the last trading day prior to printing this proxy statement, was $33.71 per share. We encourage you to obtain the current trading prices for our common stock.

THE ANNUAL MEETING

Date, Time, Place and Purposes

We will hold the annual meeting on September 12, 2007 at 9:30 a.m., local time, at our headquarters, which are located at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425, for the purposes set forth in the Notice of Meeting.

How to Vote

YOUR VOTE IS VERY IMPORTANT!

- **Voting by Mail.** We have enclosed a WHITE proxy card for your use. Whether or not you expect to attend the annual meeting, please sign, date and mail the WHITE proxy card promptly in the enclosed postage paid envelope.

- **Voting by Telephone or by Internet.** If you wish to vote by telephone or by Internet, please follow the instructions on the enclosed WHITE proxy card. If you vote by telephone or by Internet, please do not return your proxy by mail.

The board unanimously recommends you vote FOR each of the proposals set forth in the Notice of Meeting and all of the nominees for director listed in this proxy statement.

Number of Record Holders and Number of Shares Outstanding

Holders of record of Ceridian common stock are entitled to one vote for each share held. As of the record date, there were 10,748 record holders of our common stock and 144,167,384 shares of our common stock outstanding and eligible to vote at the annual meeting.

Quorum Requirement

The presence at the annual meeting, in person or by proxy, of a majority of shares of our common stock issued and outstanding and eligible to vote will constitute a quorum for the transaction of business at the annual meeting. In general, shares of common stock either represented by a properly signed and returned proxy card or properly voted by telephone or by Internet will be counted as shares present and entitled to vote at the annual meeting for purposes of determining a quorum. Proxies received but marked as abstentions (or withhold authority with respect to one or more directors) and broker non-votes will be included in the calculation of the number of votes considered to be present at the annual meeting for purposes of determining a quorum. A broker non-vote occurs when a broker cannot vote on a matter because the broker has not received instructions from the beneficial owner and lacks discretionary voting authority with respect to that matter, in circumstances where the broker votes a client's shares on some but not all of the proposals presented at the meeting. If a quorum is not present at the time of the annual meeting, the vote of a majority of the shares present or represented by proxy is necessary to adjourn the meeting in accordance with our bylaws. If we do not obtain such a majority vote, we would be unable to adjourn the annual meeting unless we amend our bylaws.

Vote Required

Signed WHITE proxy cards for shares not held in street name with a broker or other nominee that lack any specification will be voted in favor of the proposals set forth in the Notice of Meeting and in favor of the election of all nominees for directors listed in this proxy statement.

Proposal 1: The Merger. Approval of the proposal to adopt the merger agreement and approve the merger requires the affirmative vote of the holders of a majority of the outstanding shares of the Company s common stock.

Proposal 2: Election of Directors. The seven director nominees receiving the highest number of votes will be elected. Stockholders who do not wish their shares to be voted for a particular nominee may withhold their vote on the proxy card or by following the telephone and Internet instructions. Shares represented by a properly executed proxy marked withhold authority with respect to one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining a quorum.

Proposal 3: Ratification of KPMG Appointment. Approval of the proposal to ratify the appointment of KPMG will require the affirmative vote of a majority of all votes cast by the holders of common stock at a meeting at which a quorum is present.

Proposal 4: Adjournment. Approval of the proposal to adjourn the annual meeting, if necessary or appropriate, for the purpose of soliciting additional proxies requires the affirmative vote of a majority of the Company s common stock represented in person or by proxy at the annual meeting and entitled to vote on the matter, whether or not a quorum is present.

A proxy marked abstain will have the effect of a vote against any of the above proposals. If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to Proposals 1 and 2. Thus, if you do not give your broker or nominee specific instructions, your shares will be deemed not entitled to vote on Proposals 1 and 2.

Revoking Your Proxy

If you are the record holder of your shares of Company common stock (or, in the case of voting in person at the annual meeting, holding a legal proxy from the record holder), you may revoke a previously given proxy at any time before it is voted in any one of the following ways: (1) by notifying our Corporate Secretary, in writing, at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425, (2) by attending the annual meeting and voting in person (your attendance at the annual meeting will not, by itself, revoke your proxy, you must vote in person at the annual meeting), (3) by submitting a later-dated proxy card, or (4) by voting again by telephone or by Internet. Any notice to our Corporate Secretary or later-dated proxy card must be received by the Corporate Secretary prior to the annual meeting. If your shares are held in street name and you have instructed a broker, bank or other nominee to vote your shares of Company s common stock, you may revoke those instructions by following the directions received from your broker, bank or other nominee to change those instructions. If you have previously signed a GREEN proxy card sent to you by Pershing Square, you may change your vote by marking, signing, dating, and returning the enclosed WHITE proxy card in the accompanying postage-paid envelope.

Voting by Participants in Our Benefit Plans

If you own shares of our common stock as a participant in one or more of our employee benefit plans, you will receive a single WHITE proxy card that covers both the shares credited to your name in your plan account(s) and any shares you own registered in your name. If any of your plan accounts are not in the same name as your registered shares, you will receive separate proxy cards for your registered and plan holdings. Proxies submitted by participants in our 401(k) plans will serve as voting instructions to the trustees for the plans whether provided by mail, telephone or Internet. In the absence of voting instructions for participants in the 401(k) plans, the trustees of the plans will vote the undirected shares in the same proportion as the directed shares.

Confidential Voting

We have a policy that if a stockholder requests, the stockholder s vote on directors in a non-contested election would be kept confidential prior to the final tabulation of the vote at the stockholders meeting. There are exceptions to this policy, however, including pursuant to applicable legal requirements. Because at this year s annual meeting the election of director may be contested, the confidential voting policy may

not apply. In an election of directors to which our confidential policy did apply, access to proxies and individual stockholder voting records is limited to our independent election inspector, IVS Associates Inc., who may inform us at any time whether or not a particular stockholder has voted unless the stockholder has requested that their vote be kept confidential.

Householding of Annual Meeting Materials

Companies are permitted to send a single set of annual reports and proxy statements to any household at which two or more stockholders reside if they believe the stockholders are members of the same family and they have consented. Each stockholder continues to receive a separate proxy card in the mailing. This procedure, referred to as householding, may reduce the volume of duplicate information stockholders receive and reduce a company s expenses.

Each year we discuss the householding of all of our relevant record holder accounts with our transfer agent, The Bank of New York. Based upon our most recent review of the costs and benefits of this process with our transfer agent, we have decided that it would not be cost effective to implement householding for our record holders at this time. However, a number of brokerage firms have instituted householding. If your family has multiple Ceridian accounts, you may have received householding notification from your broker. Please contact your broker directly if you have questions, require additional copies of this proxy statement or our 2006 Annual Report, or wish to revoke your decision to household, and thereby receive multiple reports. These options are available to you at any time.

Expenses of Solicitation

This solicitation of proxies is being made by Ceridian and we pay the cost of soliciting proxies. We also arrange with brokerage houses, custodians, nominees and other fiduciaries to send proxy material to their principals, and we reimburse them for their expenses. In addition to solicitation by mail, proxies may be solicited by our employees, by telephone or personally. No additional compensation will be paid for such employee solicitation. We have also retained MacKenzie Partners, Inc. to assist with the solicitation of proxies for an estimated fee of $350,000, plus out-of-pocket expenses.

Other Business

The board knows of no other matters to be presented for stockholder action at the annual meeting. If other matters are properly brought before the annual meeting, the authorized persons named in the accompanying WHITE proxy card intend to vote the shares represented by them in accordance with their best judgment.

THIS YEAR S ANNUAL MEETING WILL BE PARTICULARLY SIGNIFICANT AND YOUR VOTE IS EXTREMELY IMPORTANT.

In order to complete the merger, a majority of the outstanding shares of Ceridian common stock entitled to vote must adopt the merger agreement and approve the merger. As a result, if you fail to vote on the merger agreement, it will have the same effect as a vote against the merger. In addition, Pershing Square has filed a preliminary proxy statement stating its intention to nominate an alternative slate of directors at this year s annual meeting and solicit proxies in opposition to the merger. We believe the current board has acted responsibly and in the best interests of stockholders in evaluating strategic alternatives and approving the merger agreement.

For these reasons and the other reasons set forth in the proxy statement, we encourage you to vote in favor of the merger, in favor of your board s nominees and in favor of the other proposals to be considered at the annual meeting as soon as possible either by marking, signing, dating and returning the enclosed WHITE proxy card in the postage-paid envelope or by telephone or by Internet, whether or not you plan to attend the annual meeting. Instructions are on the WHITE proxy card.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements based on estimates and assumptions. Forward-looking statements include information concerning possible or assumed future results of operations of the Company, the expected completion and timing of the merger and other information relating to the merger. There are forward-looking statements throughout this proxy statement, including, among others, under the headings Summary Term Sheet, The Merger and in statements containing the words believes, plans, expects, anticipates, intends, estimates or other similar expressions. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of the Company. These forward-looking statements speak only as of the date on which the statements were made and we undertake no obligation to publicly update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise. In addition to other factors and matters contained or incorporated in this proxy statement, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement;
- the outcome of any legal proceedings that have been or may be instituted against the Company and others relating to the merger agreement;
- the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to consummation of the merger;
- the failure of the merger to be completed for any other reason;
- the risk that the proposed transaction disrupts current plans and operations and/or results in difficulties in employee retention;
- the effect of the announcement of the merger on our customer relationships, operating results and business generally;
- the amount of the costs, fees, expenses and charges related to the merger;
- changes in the regulatory landscape affecting our business operations and asset mix;
- the impact of the proxy contest being conducted by Pershing Square;
- the impact of events beyond our control;
- our ability to attract and retain qualified management and personnel;
- potential claims and other liabilities that may be asserted against the Company;
- fluctuations in the market value of our common stock;
- our borrowing costs increasing due to increased debt;
- any downgrade in the Ceridian client funds trust s credit ratings as a result of the merger;
- changes in accounting standards;

- adverse effects of derivative transactions;
- adverse results from litigation or governmental investigations;

- additional tax liabilities;
- changes in interest rates;
- our reliance on third-party vendors for various services; or
- future acquisitions, investments and divestitures.

These risks and uncertainties include risks related to our businesses as well as the factors relating to the transactions discussed in this proxy statement. You should not place undue reliance on the forward-looking statements, which speak only as to the date of this proxy statement or the date of documents incorporated by reference.

In addition, please refer to Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended, as filed with the SEC, which item is incorporated herein by reference, for additional information on risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements or that may otherwise impact our company and business. See Where You Can Find More Information on page 115. Any statement contained in this proxy statement or in a document incorporated herein by reference into this proxy statement shall be deemed to be modified or superseded to the extent such statement is modified or superseded in any subsequently filed document. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this proxy statement.

PROPOSAL 1: THE MERGER

This discussion of the merger and the merger agreement is qualified in its entirety by reference to the merger agreement, including the amendment thereto, both of which are attached to this proxy statement as Annex A. You should read the entire merger agreement carefully as it is the legal document that governs the merger.

Background of the Merger

Ceridian and its board have periodically reviewed strategic alternatives for Ceridian, including the possibility of a sale of the Company or the spin-off of its Comdata division. 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 a strategic buyer and a financial buyer working together, that contemplated a possible acquisition of Ceridian at $30 per share. The board considered the indication of interest with its financial advisor, but believed that $30 per share was not an economically attractive price and decided that it did not wish to pursue any additional discussions or strategic alternatives prior to hiring a new chief executive officer. In November 2006, Ceridian notified the financial advisor that Ceridian was terminating the financial advisor s engagement.

On December 20, 2006, Pershing Square filed a Schedule 13G reporting ownership of approximately 11.3% of the outstanding common stock of Ceridian. In the Schedule 13G, Pershing Square certified that the common stock was not acquired or held for the purpose of or with the effect of changing or influencing the control of Ceridian and that Pershing Square was not a participant in any transaction having the purpose or effect of changing or influencing the control of Ceridian.

On January 18, 2007, Pershing Square filed a Schedule 13D stating that it intended to conduct a proxy contest and nominate a slate of alternative directors at Ceridian s 2007 annual meeting of stockholders. In a letter to the board filed with the Schedule 13D, Pershing Square expressed several concerns, purportedly based on a January 12, 2007 meeting between Pershing Square representatives and Kathryn Marinello, Ceridian s president and chief executive officer. In particular, Pershing Square expressed concerns as to Ceridian s willingness to consider a spinoff of its Comdata division, the possibility that the president of Comdata would quit or be fired, and the possibility of near-term acquisitions by Ceridian.

On January 19, 2007, the board engaged Greenhill to act as its new financial advisor with respect to various strategic and business alternatives for the Company. On January 21, 2007, the board met to consider Pershing Square s letter. At that meeting, the board also authorized Greenhill to commence a review of Ceridian s businesses and to evaluate alternatives available to Ceridian. On January 22, 2007, Ms. Marinello sent a letter to Pershing Square on behalf of the board, and Ceridian filed the letter publicly. Ms. Marinello s letter reaffirmed Ceridian s focus on building stockholder value and stated that Ceridian had hired an independent financial advisor to help undertake a new review of Ceridian s businesses. The letter stated that the review would include an evaluation of the merits of a possible spinoff of Comdata as well as other avenues that could create stockholder value. The letter also stated that Ceridian did not have plans or intentions to pursue significant acquisitions over the next year. In addition, the letter said that Ceridian believed Pershing Square s concern that Ceridian may be on the verge of losing the president of Comdata was unfounded.

On January 23, 2007, Pershing Square delivered a notice to Ceridian of Pershing Square s intention to nominate eight candidates for election to Ceridian s board at the 2007 annual meeting of stockholders, and providing information about the eight candidates. The board met that day to discuss the announced proxy contest, and to review potential responses and alternatives. The board also appointed L. White Matthews, III, chairman of the board, to act as the independent directors day-to-day liaison with Ceridian s management and outside advisors as the process moved forward. That same day, Ceridian issued a statement expressing its disappointment in Pershing Square s decision to conduct a proxy contest.

At a meeting of the Ceridian board on February 1, 2007, representatives of Greenhill presented a preliminary review of various strategic alternatives available to Ceridian. These included a spinoff of Comdata, a sale of Ceridian as a whole, and the continued operation of Ceridian as a stand-alone company without a disposition of Comdata. Greenhill also discussed with the board the fact that significant corporate level tax would be payable in the event of a taxable sale of Comdata or any other partial disposition of Ceridian in a taxable transaction. Representatives of Ceridian s legal, proxy and public relations advisors also reviewed Ceridian s situation and the potential proxy contest with the board. Following these presentations and further discussion, the board authorized Greenhill to commence a process to determine whether there would be a buyer for Ceridian at an attractive price. The board also directed Greenhill to continue to review and consider other strategic alternatives available to the Company.

Following the February 1, 2007 board meeting, Greenhill contacted potential financial buyers and also had preliminary contacts from certain strategic buyers, with respect to their potential interest in an acquisition of all or part of Ceridian. On February 13, 2007, Ceridian issued a press release announcing that the board had decided to explore a broad range of strategic alternatives to enhance stockholder value, and that the board had retained Greenhill as its financial advisor and Wachtell, Lipton, Rosen & Katz (Wachtell Lipton) as its legal advisor to assist in this effort.

Thereafter, at the board s direction, Greenhill began contacting potential buyers to invite non-binding indications of interest to Greenhill, based solely on public information, by February 23, 2007. At this stage, Greenhill did not prepare an offering memorandum or otherwise provide confidential information about Ceridian to potential buyers. Greenhill focused its solicitation on potential financial buyers, but also had discussions with potential strategic buyers who contacted Greenhill following Ceridian s February 13, 2007 press release.

In response to its request, Greenhill received indications of interest ranging from $32-$34 per share at the low end to $34-$36 per share at the high end. Based on the initial indications of interest, four bidding groups consisting of financial buyers were invited to participate in due diligence and management presentations following the execution of customary confidentiality agreements. Over the course of the process, Ceridian signed confidentiality agreements with a total of nine third parties. Each of these confidentiality agreements contained standstill provisions prohibiting the third party from, among other things, making an offer except as requested by Ceridian or seeking a waiver of the standstill provisions.

No potential strategic buyers expressed sufficient interest at competitive valuation ranges to be included in the process and none submitted any formal offers. Certain other potential buyers, both financial and strategic, expressed interest in parts but not all of Ceridian and were unwilling to submit an indication of interest for the whole company. Concurrently, Ceridian, with Greenhill s assistance, continued to evaluate other strategic alternatives. In addition, Ceridian began separate discussions with a third party (which was one of the nine third parties that signed a confidentiality agreement) that expressed interest in a potential equity investment and recapitalization of Ceridian.

With Greenhill s assistance, Ceridian conducted due diligence with interested buyers over the next several weeks, including management presentations between March 8, 2007 and March 13, 2007. Interested parties also had access to an online dataroom containing financial, operational and legal information. Greenhill requested that the bidding groups submit revised non-binding indications of interest following this due diligence process on March 22, 2007. Prior to this deadline, one of the four bidding groups withdrew from the process. The other three groups submitted revised indications on March 22, 2007, one indicating a range of $32-$34 per share, one indicating a range of $33-$34 per share, and one indicating $34 per share.

After further discussions with Greenhill, on March 26, 2007, two of the three groups, one of which consisted of THL Partners and FNF, orally increased their ranges to $34-$36 per share. Based on these indications, these two groups were invited to continue in the process. On April 2, 2007, these two groups

were provided with a form of merger agreement and asked to provide their comments on the terms of that agreement.

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), board representation and approval/veto rights over certain Company actions. 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.

Over the next few weeks, Ceridian continued the due diligence process with the two potential buyer groups, including on-site due diligence at Ceridian s headquarters during the week of April 9, 2007. Ceridian also continued the due diligence process with the potential equity investor. Following the on-site due diligence sessions, Greenhill requested that the two potential buyer groups finalize their due diligence and confirm their valuations. On April 18, 2007, one of the two groups determined that it would not be able to offer a valuation above its initial range of $32-$34 per share and withdrew from the process. THL Partners and FNF confirmed their valuation range of $34-$36 per share, but said they would need additional time to complete due diligence and determine their willingness to enter into a binding agreement.

On April 20, 2007, representatives of Greenhill and Wachtell Lipton met with representatives of the potential equity investor to discuss the investor s proposal. Thereafter, counsel for the potential equity investor provided Ceridian with drafts of a securities purchase agreement and a certificate of designation for the proposed convertible preferred stock.

The Ceridian board met on April 25, 2007, and reviewed the status of the strategic alternatives process. Wachtell Lipton reviewed with the board their legal responsibilities and other legal matters relating to the potential transactions. The potential equity investor provided the board with a presentation on its proposal as set forth in the term sheet described above, and answered questions with respect to the proposal. Greenhill reviewed with the board the status of discussions with THL Partners and FNF, including a request by THL Partners and FNF for additional time to complete due diligence and make a determination as to their willingness to proceed with a binding agreement. The advisors also discussed with the board the complementary strengths that THL Partners, as a financial buyer, and FNF, as an operating company with interests in companies in the same or similar industries as certain of Ceridian s existing businesses, might provide in connection with the possible acquisition of Ceridian.

Greenhill also reviewed with the board various financial analyses, including relating to a potential buyout of Ceridian at up to $36 per share as compared against a potential spinoff or other divestiture of Comdata and the continuation of Ceridian as a stand-alone business with no changes. Additional information regarding Greenhill s analyses of these alternatives is set forth below under The Merger Opinion of Financial Advisor.

Greenhill also reviewed the equity investment and recapitalization proposal and a potential stand-alone leveraged recapitalization. As part of this review, Greenhill presented illustrative net present values of potential future share prices for an equity-sponsored leveraged recapitalization and a standalone leveraged recapitalization. Greenhill analyzed both the equity-sponsored and standalone leveraged recapitalization alternatives assuming that Ceridian met management s pre-existing financial projections. In addition, for purposes of comparison, Greenhill analyzed each leveraged recapitalization alternative under an alternative set of financial projections (the analyst sensitivity case) based on analyst consensus estimates, which generally projected lower annual growth rates of revenue and earnings than management s pre-existing projections. Additional information regarding Greenhill s analyses is set forth below under The

Merger Opinion of Financial Advisor. For purposes of these analyses, Greenhill assumed a constant 22 times forward price to earnings ratio consistent with average trading levels historically and applied a weighted average cost of capital-based discount rate of 10.5% (WACC) to calculate the present value of the implied future share prices. Greenhill noted that discounting at the Company s higher cost of equity, as opposed to the indicated WACC, may be more appropriate from a shareholder perspective, and would lead to lower implied share values on a present value basis. In the case of an equity-sponsored leveraged recapitalization, and based on the indicated WACC of 10.5%, these values ranged from $37.50 to $49.53 per share if Ceridian were to achieve the management projections and from $32.31 to $36.34 per share if Ceridian were to achieve the analyst sensitivity case projections. In the case of a standalone leveraged recapitalization, these values ranged from $39.13 to $53.04 per share if Ceridian were to achieve the management projections and from $33.62 to $38.79 per share if Ceridian were to achieve the analyst sensitivity case projections.

Greenhill also pointed out that a recapitalization could provide a partial exit for short-term holders at a premium to current market prices while allowing longer-term holders to participate in the potential upside of Ceridian s future performance. Greenhill noted, however, that the board should consider the risks associated with a leveraged recapitalization against the certainty of a sale at a specific price. These risks included execution risks in meeting management s projections, notwithstanding management s confidence in their ability to do so, and the risks associated with greater leverage on the Company, each of which could affect Ceridian s near-term share price following a leveraged recapitalization. The board also discussed the possibility that certain shareholders could increase their ownership by not participating in the share buyback contemplated by the recapitalization. Following questions and further discussion, the Ceridian board directed Greenhill and Ceridian s management and other advisors to continue negotiations with THL Partners and FNF, as well as with the potential equity investor, to try to reach final terms on each potential transaction and present those final terms to the board by May 12, 2007.

Pursuant to the directive issued at the April 25, 2007 board meeting, Ceridian s management and representatives of Greenhill and Wachtell Lipton conducted further negotiations with respect to the potential equity investment and leveraged recapitalization. Based on these negotiations, the potential equity investor improved the terms of its proposal by agreeing to a conversion price for the convertible preferred stock of $37 per share and agreeing that the 6% pay-in-kind dividend would remain at 6% when it became a cash dividend after five years. The potential equity investor also agreed to an increased level of debt in connection with the proposed recapitalization, to a leverage ratio of 5.5 times Ceridian s trailing twelve months EBITDA, in order to permit a repurchase of slightly more than half of Ceridian s outstanding common stock at a fixed price of $37 per share. The potential equity investor submitted a revised proposal reflecting these terms, with a deadline for acceptance of May 14, 2007.

Ceridian s management and the representatives of Greenhill and Wachtell Lipton also continued their discussions with THL Partners and FNF and their counsel, Weil, Gotshal & Manges LLP (Weil Gotshal), with respect to the proposed acquisition of Ceridian, and sought to impose a deadline of May 12, 2007 for, completion of a definitive agreement. THL Partners and FNF, however, indicated that they would need additional time to complete due diligence and arrange financing commitments. They also 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. Representatives of THL Partners and FNF thereafter conducted further due diligence at Ceridian s headquarters. On May 11, 2007, Weil Gotshal provided a markup reflecting comments on the proposed merger agreement.

The Ceridian board met on May 12, 2007 to review the status of the two proposed transactions. Representatives of Greenhill reported on the revised proposal from the potential equity investor, including the deadline imposed by that party of May 14, 2007, and on the status of discussions with THL Partners

and FNF, their request for additional time, and the expense reimbursement letter targeting May 28, 2007 as the deadline for a binding offer. The board discussed with management and the advisors their assessment of the likelihood of reaching a binding agreement with THL Partners and FNF, the risk of losing the potential equity investment if the May 14, 2007 deadline for that proposal were not met, and the potential for finding a new equity investor or effecting a leveraged recapitalization without an equity sponsor in the event the board determined to pursue a recapitalization alternative.

At the May 12, 2007 meeting of the board, the representatives of Greenhill also reviewed their financial analyses with respect to the revised proposal for the equity investment and recapitalization. As at the April 25, 2007 board meeting described above, Greenhill presented illustrative net present values of potential future share prices for the equity-sponsored leveraged recapitalization as well as a standalone leveraged recapitalization, and again noted that a recapitalization might ultimately result in values for Ceridian in excess of $36 per share based on certain assumptions if management projections were met. Greenhill also discussed again the execution risks in meeting these projections. Additionally, the board considered the fact that the potential equity investment and recapitalization alternative would have only provided for the repurchase of slightly more than half of the Company s common stock at $37 per share. In addition, the proposal would have involved the Company assuming a significant amount of debt relative to its historical levels, and resulted in a capital structure with an equity security that was both senior to the common shares and had significant rights, including a dividend.

The board and the advisors had further discussions of the proposals and the risks, as well as a discussion of the potential trading values for Ceridian shares following the completion of a recapitalization. The advisors believed these trading values might be less than $30 per share in the near term as a result of such risks and uncertainties, notwithstanding the possibility that greater values might be achieved in the future if projections were met and other valuation assumptions realized.

Following further questions and discussion, the board concluded that a potential buyout at a price of $36 or more per share was a preferable alternative that would provide more certainty of value compared to the recapitalization proposal. The board also believed that, despite the May 14, 2007 deadline imposed by the potential equity investor, in the event that a buyout at a price of $36 or more per share were not achieved, it would be possible to have further discussions with the potential equity investor, find an alternative equity investor, or pursue a standalone recapitalization. Accordingly, 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 if the potential equity investor were willing to have such discussions beyond its May 14, 2007 deadline.

Over the next two weeks, Ceridian and its advisors continued due diligence, discussions and negotiations with THL Partners and FNF. The potential equity investor indicated that it was unwilling to continue discussions past its deadline of May 14, 2007. THL Partners and FNF also continued to work on finalizing financing commitments during this time period. Negotiations with Weil Gotshal with respect to the merger agreement focused in particular on the conditions to the merger, including a condition for state regulatory approval of the change in control in connection with money transmitter licenses held by Comdata, and the termination rights and breakup fee triggers.

THL Partners and FNF also indicated at this time that they would require discussions with Ceridian management, prior to entering into the merger agreement, on potential terms of employment with management in connection with the transaction. On May 18, 2007, with the authorization of Mr. Matthews as chairman of the board, Ceridian management engaged Allen & Overy LLP as separate counsel to management for this purpose and, on May 19, 2007, Ms. Marinello and Allen & Overy LLP commenced discussions with respect to such employment terms. Thereafter, on May 22, 2007, Weil Gotshal and Allen & Overy LLP exchanged drafts of a term sheet with respect to the terms of employment for Ms. Marinello, and engaged in negotiations with respect to the term sheet, with the understanding that the term sheet would be used in connection with negotiating the full terms of employment for Ms. Marinello

and other members of management following execution of the merger agreement. See The Merger Interests of Certain Persons in the Merger.

On May 22, 2007, THL Partners and FNF informed Ceridian that they would not be able to meet the May 28, 2007 deadline for a binding offer, but that they expected to be able to meet a May 30, 2007 deadline for a transaction at a price of $36 per share. They also requested an extension of the expense reimbursement letter with a new deadline of May 30, 2007. THL Partners and FNF continued to work on finalizing their financing commitments and Weil Gotshal continued to negotiate the terms of the merger agreement with Wachtell Lipton.

The Ceridian board met on May 26, 2007 to review the status of the discussions. Greenhill presented an overview of the entire process and a full financial analysis based on the expected $36 per share transaction. A summary of Greenhill s analysis is set forth under The Merger Opinion of Financial Advisor. Greenhill again compared the expected $36 per share price to implied valuations of Ceridian s common stock under a range of other alternatives, which generally implied values below $36 per share. Greenhill representatives noted that a discounted cash flow analysis could support values in excess of the $36 per share offer price, though Greenhill pointed out again and the board discussed the risks involved in the projections underlying the analysis and the potential of implied valuations based on the projections not being realizable in the near term. The representatives of Greenhill told the board that if a $36 per share proposal were presented to the board, based on current information, Greenhill expected to be able to deliver a financial fairness opinion with respect to the transaction.

Wachtell Lipton then reviewed with the board the terms of the draft merger agreement, a summary of which and the current draft of which had been provided to the board. In addition, Wachtell Lipton reviewed an illustrative timeline, and answered questions with respect to the terms of the merger agreement and the timeline. Wachtell Lipton also reviewed with the board the proposed terms that had been discussed to date with respect to management employment arrangements in connection with the transaction. Following further discussion, the board agreed to reconvene on May 30, 2007 to give final consideration to the proposed transaction with THL Partners and FNF if a final proposal were ready by then. The board also authorized an extension of the expense reimbursement letter, which was executed later that day.

Over the next few days, the proposed terms of the merger agreement were finalized, including agreement on the amount of and triggers for the breakup fees. In addition, THL Partners and FNF finalized the terms of their financing commitments. On May 30, 2007, the board of FNF authorized FNF s participation in the transaction. THL Partners also gave its final approval to the transaction. Following these approvals, the Ceridian board met for its final consideration of the transaction. Wachtell Lipton reviewed with the board the final revisions to the merger agreement and said that the merger agreement and related agreements were now fully negotiated and ready to execute. Greenhill delivered its oral opinion to the board of directors, which was subsequently confirmed by the delivery of a written opinion of the same date, to the effect that as of May 30, 2007, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations described in such opinion, the merger consideration to be received by the holders of shares of Ceridian common stock (other than affiliates of, or holders of beneficial interests in, Parent or Merger Sub), as provided for in the merger agreement, was fair, from a financial point of view, to such holders. See The Merger Opinion of Financial Advisor. Following further questions and discussion, the Ceridian board approved the merger, the merger agreement and related agreements. Following the Ceridian board meeting, the merger agreement and the guarantees were executed and the transaction was publicly announced.

On June 13, 2007, Pershing Square publicly filed a letter stating that it does not support a sale of Ceridian at $36 per share and that it believes the transaction is suboptimal for Ceridian stockholders. The letter also stated that Pershing Square has engaged financial and legal advisors and intends to pursue one or more value-maximizing alternatives. Later the same day, Ceridian issued a press release stating that, following a thorough and publicly announced exploration of strategic alternatives, the board had

determined that the merger agreement and the merger was in the best interests of Ceridian shareholders and provided the greatest and most certain value of the available alternatives. Ceridian went on to state that the board welcomes involvement by shareholders and is prepared to review any proposals that might result in a superior proposal per the merger agreement and that the board remains committed to its goal of maximizing shareholder value through its review of all alternatives.

On July 12, 2007, Pershing Square publicly filed another letter, stating that it was continuing to consider with its advisors a variety of alternatives, including a potential sale of Ceridian, a sponsored spinoff or an improved recapitalization proposal, and that it was confident that each of these alternatives was reasonably likely to result in a superior proposal within the meaning of the merger agreement. The letter went on to request that Ceridian allow Pershing Square and its financial advisors to receive confidential information and to engage in discussions with Ceridian and its advisors about these alternatives. On July 19, 2007, Ceridian s board responded that Pershing Square had not made an offer that the board could evaluate to determine if it might result in a superior proposal in accordance with the standards set forth in the merger agreement. The board reiterated its readiness to review any offers that might result in a superior proposal. On July 24, 2007, Pershing Square filed a preliminary proxy statement with the SEC, stating its intention to solicit proxies against the merger and for the alternative slate of directors it intends to nominate at the annual meeting.

On July 12, 2007, Ceridian and the plaintiff in the Delaware shareholder litigation described below under The Merger Litigation reached a partial settlement of the action by agreeing to certain settlement terms. As part of the settlement, on July 30, 2007, the merger agreement was amended to, among other things:

- change the definition of superior proposal, decreasing the trigger from 66⅔% to 40% of Ceridian s assets or stock;

- eliminate the provision permitting Parent to terminate the merger agreement upon an election resulting in a majority of the board being comprised of persons who were not nominated by the board in office immediately prior to such election; and

- entitle Parent to waive, on behalf of all parties to the merger agreement, the condition to the merger relating to the receipt of state regulatory approvals with respect to the licenses held by Comdata Network, Inc. or its affiliates as a seller of checks, money transmitter or payroll processor.

For a description of the merger agreement, see The Merger Agreement.

In addition, as part of the settlement:

- an order was entered providing that 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 merger; and

- the provision of the confidentiality agreements, which the Company had signed with nine third parties over the course of the strategic alternatives process, prohibiting those third parties from seeking a waiver of the standstill provisions, was eliminated, and the parties to those agreements were informed of this action.

On July 19, 2007, pursuant to a request from the signatory, the Company released one of the signatories from the standstill provision of its confidentiality agreement. On July 30, 2007, pursuant to their respective requests, the Company released THL Partners and FNF from the standstill provisions of their respective confidentiality agreements.

Reasons for the Merger; Recommendation of the Board of Directors

The board has unanimously (1) determined that the merger agreement, including the merger and the other transactions contemplated by the merger agreement, is fair to, advisable and in the best interests of the Company and its unaffiliated stockholders, (2) approved the merger agreement and the merger, and (3) determined to recommend that the Company s stockholders vote in favor of adoption of the merger agreement. **Accordingly, the board unanimously recommends that you vote FOR adoption of the merger agreement and approval of the merger.**

In reaching its determination to recommend the merger and the other transactions contemplated by the merger agreement, the board, in consultation with its legal and financial advisors, and with the Company s management, considered the following material factors and benefits of the merger, each of which the board believed supported its recommendation:

- recent and historical market prices for shares of Ceridian common stock and the fact that the value offered in the merger of $36.00 per share represented a premium of approximately 5% to the Ceridian common stock closing price of $34.19 on May 30, 2007, the last trading day before the Company announced the merger agreement; approximately 17% to the Ceridian common stock closing price of $30.72 per share on February 12, 2007, the last trading day prior to the public announcement that the Company had commenced the exploration of strategic alternatives; and approximately 56% to the Ceridian common stock closing price of $23.13 on October 6, 2006, the date Pershing Square began to purchase shares of Ceridian common stock (though the board recognized that increases in Ceridian s stock price since October 6, 2006 could in part reflect Ceridian s earnings announcements and other intervening events);

- the business, operations, properties and assets, financial condition, business strategy and prospects of the Company, as well as the risks involved in achieving those prospects, the nature of the industry in which the Company competes, industry trends and economic and market conditions, both on a historical and on a prospective basis;

- the fact that the Company had explored a variety of strategic alternatives over an extended period of time, the thoroughness of the process for exploring and reviewing these alternatives, and the board s view that the merger provided a more attractive and more certain value to stockholders compared to the other alternatives considered, including a spin-off or other divestiture of Comdata or a recapitalization of the Company;

- the absence of a definitive bid to acquire the entire Company from any party or group other than from THL Partners and FNF, notwithstanding the fact that the Company, with the advice and assistance of its financial and legal advisors, undertook a thorough process as described under The Merger Background of the Merger ;

- the fact that the merger consideration is all cash, so that the transaction provides the Company s stockholders certainty of value for their shares;

- the fact that the potential equity investment and recapitalization alternative would have only provided for the repurchase of slightly more than half of the Company s common stock at $37 per share and would involve the Company assuming a significant amount of debt relative to its historical levels and result in a capital structure with an equity security senior to the common shares that has significant rights, including a dividend, and the board s belief that the value of the common stock that would remain outstanding after such repurchase was subject to a number of risks and uncertainties;

- the conditions to the merger agreement, which the board viewed as providing a reasonable level of assurance that the merger could be completed;

- the other terms of the merger agreement, including the fact that the merger agreement does not preclude unsolicited offers from other parties, subject to specified conditions, and permits the Company to terminate the merger agreement to accept a superior proposal through the date of meeting of the Company s stockholders to consider the merger, subject to payment by the Company of a $165 million termination fee;

- the fact that under the terms of the merger agreement, the $165 million termination fee is not payable to Parent by the Company if 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;

- the financing commitments for the merger and the agreement by Parent to pay a $165 million termination fee to the Company if the merger agreement is terminated because financing is not obtained, coupled with the fact that FNF and an affiliate of THL Partners are each guaranteeing half of Parent s termination fee obligation;

- the arm s-length negotiation of the transactions and the terms of the related agreements;

- the opinion of Greenhill to our board of directors to the effect that, as of May 30, 2007, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations described in such opinion, the merger consideration to be received by the holders of shares of Ceridian common stock (other than affiliates of, or holders of beneficial interests in, Parent or Merger Sub), as provided for in the merger agreement, was fair, from a financial point of view, to such holders, as more fully described below;

- the fact that the employment arrangements between affiliates of Parent and members of management of the Company were not discussed until shortly before the merger agreement was executed and were not finalized as of the date of the merger agreement or as of the date of this proxy statement; and

- the fact that a vote of stockholders on the merger is required under Delaware law, and that stockholders who do not vote in favor of the merger will have the right to dissent from the merger and to demand appraisal of the fair value of their shares under Delaware law.

The board also took into consideration a variety of risks and other potentially negative factors concerning the merger, including the following:

- the risk that the conditions to the merger will not be met, including the conditions requiring stockholder and regulatory approvals, or the risk that the merger agreement could be terminated and the potential adverse impact on the Company if the merger does not close, including the diversion of management and employee attention, potential employee attrition and the effect on business and customer relationships;

- the fact that the Company s stockholders will not participate in any future earnings or growth of the Company and will not benefit from any appreciation in the value of the Company;

- the fact that the all-cash consideration in the transactions will be taxable to the Company s stockholders that are U.S. persons for U.S. federal income tax purposes;

- the merger agreement s limitations on the Company s ability to solicit other offers;

- the fact that Parent and Merger Sub are newly formed corporations with essentially no assets and, accordingly, that the Company s remedy in connection with a breach of the merger agreement by Parent or Merger Sub, even a breach that is deliberate or willful, may be limited to the $165 million termination fee; and

- the possibility that the $165 million termination fee payable by the Company under specified circumstances if the Company enters into an alternative transaction may discourage a competing proposal to acquire the Company.

The foregoing discussion summarizes the material factors considered by the board in its consideration of the merger. After considering these factors, the board concluded that the positive factors relating to the merger agreement and the merger substantially outweighed the potential negative factors. In view of the wide variety of factors considered by the board, and the complexity of these matters, the board did not find

it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual members of the board may have assigned different weights to various factors. The board approved and unanimously recommended the merger, including the merger agreement, based upon the totality of the information presented to and considered by it.

The board unanimously recommends that you vote FOR the approval of the merger agreement and FOR adjournment or postponement of the annual meeting, if necessary or appropriate, to solicit additional proxies.

Opinion of Financial Advisor

Ceridian retained Greenhill & Co., LLC to act as its financial advisor in connection with Ceridian s consideration of its strategic alternatives, including the merger. On May 30, 2007, Greenhill delivered to our board of directors its oral opinion, which was subsequently confirmed by the delivery of a written opinion of the same date, to the effect that as of May 30, 2007, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations described in such opinion, the merger consideration to be received by the holders of shares of Ceridian common stock (other than affiliates of, or holders of beneficial interests in, Parent or Merger Sub), as provided for in the merger agreement, was fair, from a financial point of view, to such holders. The full text of Greenhill s written opinion, dated May 30, 2007, describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Greenhill. We have attached the full text of such opinion as Annex B to this proxy statement, which we incorporate by reference into this proxy statement. **The summary of Greenhill s opinion that follows is qualified in its entirety by reference to the full text of the opinion. We encourage holders of Ceridian common stock to read the opinion carefully in its entirety.**

Greenhill provided its opinion to the Ceridian board of directors in connection with the board of directors consideration of the merger. Greenhill s opinion was directed only to the fairness of the merger consideration from a financial point of view and does not address any other aspect of the merger. The opinion does not address the relative merits of the merger or any related transaction as compared to other business strategies or transactions that might be available to Ceridian or Ceridian s underlying business decision to effect the merger or any matters relating to the merger. Greenhill s opinion does not constitute a recommendation to the Ceridian board of directors as to whether it should approve the merger or the merger agreement, nor does it constitute a recommendation as to how any holder of shares of Ceridian common stock should vote or act with respect the merger, the merger agreement or any other matter related thereto.

In arriving at its opinion, Greenhill, among other things:

- reviewed the draft merger agreement discussed with Ceridian s board of directors at its meetings on May 26, 2007 and May 30, 2007 and certain related documents;
- reviewed certain publicly available financial statements of Ceridian;
- reviewed certain other publicly available business and financial information relating to Ceridian that Greenhill deemed relevant;
- reviewed certain information, including financial forecasts and other financial and operating data concerning Ceridian, prepared by the management of Ceridian;
- discussed the past and present operations, the financial condition and the prospects of Ceridian with senior executives of Ceridian;
- reviewed the historical market prices and trading activity for Ceridian common stock and analyzed its implied valuation multiples;

- compared the financial performance of Ceridian with that of certain publicly traded companies that Greenhill deemed relevant;

- compared the value of the merger consideration with the trading valuations of certain publicly traded companies that Greenhill deemed relevant;

- compared the value of the merger consideration with that received, to the extent publicly available, in certain publicly available transactions that Greenhill deemed relevant;

- compared the value of the merger consideration to a valuation derived by discounting future cash flows and a terminal value of Ceridian at discount rates that Greenhill deemed appropriate;

- performed a sum of the parts analysis and compared the value of the consideration to the sum of estimated stand-alone valuations for each of Ceridian s principal business divisions;

- participated in discussions and negotiations among representatives of Ceridian and its legal advisors and representatives of Parent and its legal advisors; and

- performed such other analyses and considered such other factors as Greenhill deemed appropriate.

Greenhill assumed and relied upon, without independent verification, the accuracy and completeness of the information publicly available, supplied or otherwise made available to Greenhill by representatives and management of Ceridian and further relied upon the assurances of the representatives and management of Ceridian that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial forecasts and other financial and operational data concerning Ceridian that were prepared by the management of Ceridian and supplied to Greenhill, Greenhill assumed such forecasts and data were reasonably prepared on a basis reflecting the best then currently available estimates and good faith judgments of the management of Ceridian as to such matters, and Greenhill relied upon such forecasts and data in arriving at its opinion. Greenhill expressed no opinion with respect to such forecasts or data or the assumptions upon which they are based. In addition, Greenhill did not conduct a physical inspection of the properties or facilities of Ceridian, nor did it undertake an independent valuation or appraisal of the assets or liabilities of Ceridian, nor were any such valuations or appraisals provided to it. Greenhill assumed that the merger would be consummated in accordance with the terms set forth in the final, executed merger agreement, which Greenhill further assumed would be identical in all material respects to the draft dated May 30, 2007 (the latest draft reviewed by Greenhill), and without any waiver or modification of any material terms or conditions set forth in the merger agreement. Greenhill further assumed that all governmental and third party consents, approvals and agreements necessary for the consummation of the merger would be obtained without any adverse effect on Ceridian or the merger meaningful to Greenhill s analysis. Greenhill s opinion was necessarily based upon financial, economic, market and other conditions as in effect on, and the information made available to Greenhill as of, May 30, 2007.

Summary of Financial Analyses

The following is a summary of the material financial analyses performed by Greenhill and reviewed with Ceridian s board of directors in connection with Greenhill s opinion relating to the proposed merger. The following summary does not purport to be a complete description of all analyses performed or factors considered by Greenhill in connection with its opinion, nor does the order in which the analyses are described represent relative importance or weight given to those analyses by Greenhill. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the analyses below, no company, business division or transaction used as a comparison was either identical or directly comparable to Ceridian, its divisions or the merger. Greenhill selected these companies, among other reasons, because they are publicly traded companies with operations or businesses that for purposes of analysis may be considered reasonably

comparable to those of Ceridian or its business divisions, as applicable. None of the selected companies is directly comparable to Ceridian or its business divisions. Accordingly, Greenhill s analysis of these selected publicly traded companies necessarily involved complex considerations and judgments concerning the differences in financial and operating characteristics and other factors that would necessarily affect the analysis of the operating statistics and trading multiples of the selected publicly traded companies. In evaluating the comparable companies, Greenhill made judgments and assumptions concerning industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Ceridian, such as the impact of competition on the businesses of Ceridian and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Ceridian or the industry or the financial markets in general. Greenhill also made judgments as to the relative comparability of such companies to Ceridian and its divisions, as applicable, and judgments as to the relative comparability of the various valuation parameters with respect to the companies. The numerical results may not in themselves be meaningful in analyzing the contemplated transaction as compared to the comparable companies.

Greenhill believes that the analyses and the summary below must be considered as a whole and that selecting portions of the analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Greenhill s analyses and opinion. Greenhill did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion, but rather Greenhill arrived at its ultimate opinion based on the results of all analyses undertaken and assessed as a whole.

The estimates of the future performance of Ceridian provided by Ceridian s management or analyst consensus estimates in or underlying Greenhill s analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, Greenhill considered industry performance, general business and economic conditions and other matters, many of which were beyond the control of Ceridian. Estimates of the financial value of companies do not purport to be appraisals or reflect the prices at which companies actually may be sold.

The merger consideration was determined through negotiation between Ceridian and Parent and the decision to enter into the merger was solely that of Ceridian s board of directors. Greenhill s opinion and financial analyses were only one of many factors considered by Ceridian s board of directors in its evaluation of the merger and should not be viewed as determinative of the views of Ceridian s board of directors or management with respect to the merger or the merger consideration.

The financial analyses summarized below include information presented in tabular format. In order to fully understand Greenhill s financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Greenhill s financial analyses.

Trading Comparables Analysis

Greenhill reviewed certain financial information for Ceridian and compared such information to the corresponding financial information, ratios and public market multiples for the following publicly traded companies:

- Affiliated Computer Services, Inc.
- Automatic Data Processing, Inc.
- First Data Corporation

- Hewitt Associates, Inc.

- Wright Express Corporation

Greenhill selected the comparable companies set from Ceridian s industry peers based on their similarities in business and operations relative to Ceridian. Greenhill calculated and compared various financial multiples and ratios for these selected companies based on publicly available data, including the Institutional Brokers Estimate System (IBES), public filings and other publicly available information, based on closing prices as of May 24, 2007. Financial data for Ceridian was based on internal estimates of Ceridian s management, public filings and other publicly available information. Greenhill analyzed the following information for the selected companies, as well as for Ceridian:

- enterprise value, calculated as the sum of the fully diluted market value of the respective company s common stock (accounting for options using the treasury stock method), the book value of its outstanding debt, the book value of its preferred stock and the book value of any minority interest, minus total cash and cash equivalents, as a multiple of estimated earnings before interest, taxes, depreciation and amortization (EBITDA) for the twelve months prior to its most recently completed fiscal quarter end (LTM);

- per share equity value of its common stock as a multiple of estimated earnings per share (EPS) for 2007; and

- the ratio of share price to estimated EPS for 2007 divided by the estimated long-term earnings growth rate.

In the case of Affiliated Computer Services Inc. and First Data Corporation, the multiples analyzed were those prior to announced change in control transactions involving such companies.

Based on these analyses, Greenhill selected a range of comparable enterprise value multiples of LTM EBITDA of between 9.0x to 11.5x and per share equity value multiples of 2007 estimated EPS of 19.0x to 23.0x. In selecting the range of EBITDA and EPS multiples, Greenhill took into account the operating performance of the selected companies relative to that of Ceridian, including revenue growth and the growth and absolute level of profit margins. For purposes of calculating Ceridian s enterprise and per share equity values, Greenhill assumed a net cash position of $285 million and a fully diluted share count of 147 million shares based on the treasury stock method. When applied to Ceridian, such multiples yielded an implied price range per share of approximately $25 to $31. Greenhill compared this range to the merger consideration of $36 per share to be received by Ceridian s stockholders in the merger.

Discounted Cash Flow Analysis

Using discounted cash flow methodology, Greenhill calculated the present values of the projected unlevered future cash flows for Ceridian, using financial forecasts and estimates for fiscal years 2007 through 2011 prepared by Ceridian s management (the management case). In this analysis, Greenhill estimated a weighted average cost of capital for Ceridian based on Greenhill s review of, among other matters, the current weighted average cost of capital of Ceridian, the predicted equity betas and capital structures of businesses deemed to be similar to those of Ceridian, the current weighted average cost of capital of those businesses and the implications for the weighted average cost of capital of various debt to market equity ratios, which Greenhill deemed appropriate. To determine the weighted average cost of capital for Ceridian, Greenhill first estimated the indicated weighted average cost of capital for each of HRS and Comdata on a stand alone basis (11.0% and 11.5%, respectively, based on a 0% debt to market equity ratio capital structure) and estimated a combined weighted average cost of capital for Ceridian based in part on the relative operating income contribution of each division. Based on these analyses, Greenhill calculated a range of discount rates for Ceridian from 10.5% to 12.5%. The estimates of annual cash flows of Ceridian used by Greenhill did not include annual estimates for periods after December 31,

2011. Accordingly, for purposes of its analysis, Greenhill calculated an assumed value, as of December 31, 2011, of the cash flows for all periods after December 31, 2011. This assumed value is referred to as the terminal value. Greenhill calculated a range of terminal values for Ceridian as of the end of fiscal year 2011 based on multiples ranging from 8.0x to 12.0x times estimated EBITDA for fiscal year 2011, which reflect Ceridian s historical trading levels. The calculated terminal values were then discounted to present value, using discount rates ranging from 10.5% to 12.5%. For any combination of discount rate and calculated terminal value, the sum of the present value of the cash flows of Ceridian and the present value of the terminal value results in an implied enterprise value for Ceridian. Greenhill calculated an estimated equity value per share of Ceridian based on a net cash position of $285 million and a fully diluted share count of 147 million shares based on the treasury stock method. For purposes of comparison, Greenhill performed the same analysis based on analyst consensus estimates for Ceridian for fiscal years 2007 through 2009, rolled forward using Greenhill estimates through 2011. The analyst sensitivity case generally projected a lower annual growth rate of revenue, EBITDA and free cash flow than the management case with mid-to-high single digit revenue growth reaching 10% by 2011 and margins on earnings before interest and taxes consistent with management estimates in the near-term, but lower than those estimated by management in outer years.

The following table presents the results of these analyses:

	Management Case					**Analyst Sensitivity Case**				
Discount Rate	**Terminal EBITDA Multiple**					**Terminal EBITDA Multiple**				
	8.0x	**9.0x**	**10.0x**	**11.0x**	**12.0x**	**8.0x**	**9.0x**	**10.0x**	**11.0x**	**12.0x**
10.5%	$ 33.88	$ 37.21	$ 40.53	$ 43.85	$ 47.17	$ 28.40	$ 31.11	$ 36.53	$ 36.53	$ 39.23
11.0%	$ 33.28	$ 36.53	$ 39.79	$ 43.04	$ 46.29	$ 27.90	$ 30.56	$ 35.87	$ 35.87	$ 38.52
11.5%	$ 32.69	$ 35.88	$ 39.06	$ 42.25	$ 45.44	$ 27.42	$ 30.02	$ 35.22	$ 35.22	$ 37.82
12.0%	$ 32.11	$ 35.23	$ 38.36	$ 41.48	$ 44.61	$ 26.94	$ 29.49	$ 34.59	$ 34.59	$ 37.14
12.5%	$ 31.55	$ 34.61	$ 37.67	$ 40.73	$ 43.80	$ 26.48	$ 28.98	$ 33.98	$ 33.98	$ 36.48

Further, in the management case and the analyst sensitivity case, the terminal values represented approximately 82.8% to 88.1% and 81.5% to 87.2%, respectively, of the total enterprise value at the discount rates and multiple ranges described above. Based on these analyses, Greenhill selected an indicated range of implied present values per share of Ceridian common stock of approximately $35 to approximately $43 for the management case and approximately $29 to approximately $36 for the analyst sensitivity case. Greenhill compared these ranges to the merger consideration of $36 per share to be received by Ceridian s stockholders in the merger.

Premiums Paid Analysis

Greenhill reviewed available data from all-cash transactions involving U.S. listed target companies announced within the three years prior to May 24, 2007 with transaction values between $2.5 billion and $7.5 billion. Specifically, Greenhill reviewed the premiums represented by acquisition price per share compared to the closing share price of the target company one day prior to the announcement of the transaction, and compared to the closing share price of the target company thirty days prior to the announcement of the transaction. Greenhill observed that for all-cash transactions announced in the past three years, the median premium over the closing share price of the target on the day prior to announcement was 15.7%, and the median premium over the closing share price of the target thirty days prior to announcement was 22.3%, and that for all-cash transactions announced since May 24, 2006, the median premium over the closing share price of the target on the day prior to announcement was 14.1%, and the median premium over the closing share price of the target thirty days prior to announcement was 21.1%.

Greenhill noted that the reasons for, and circumstances surrounding, each of the transactions reviewed were diverse and that the premiums fluctuated based on perceived growth, synergies, strategic value and type of consideration utilized in the transaction. None of the targets in the reviewed transactions is identical to Ceridian and, accordingly, Greenhill s analysis of these transactions necessarily involved complex considerations and judgments concerning the differences in financial and operating characteristics and other factors that would necessarily affect the comparison of the percentage purchase price premium implied by the merger versus the percentage purchase price premiums of these transactions.

Based on this analysis, Greenhill applied the median range one-day and thirty-day premiums to a measure of Ceridian s unaffected share price, using as a proxy the thirty-day average trading price of Ceridian s common shares prior to Pershing Square s first purchase of Ceridian common stock on October 6, 2006, and affected share price, defined as the average trading price of Ceridian s common shares from October 6, 2006 through May 24, 2007, to derive an indicated valuation range for Ceridian common stock of between approximately $27 and approximately $35 per share.

Greenhill further observed that the proposed merger consideration of $36 per share to be received by Ceridian s stockholders in the merger represented a premium of 8.8% over the closing price of Ceridian common stock on May 24, 2007, the date of Pershing Square s first purchase of Ceridian common stock, 21.4% over the average closing price of Ceridian common stock during the period beginning on October 6, 2006 and ending on May 24, 2007, and a premium of 55.0% over the average closing price of Ceridian common stock during the thirty-day period preceding Pershing Square s first purchase of Ceridian common stock, which began on September 5, 2006 and ended on October 5, 2006.

Precedent Transactions Analysis

Greenhill performed an analysis of selected business combinations involving target companies engaged in payment processing, payment networks, stored value and core processing, payroll and human resources processing.

Although Greenhill analyzed the multiples implied by the selected transactions and compared them to the implied transaction multiples of the merger, none of these transactions or associated companies is identical to the acquisition of Ceridian pursuant to the merger agreement. Accordingly, Greenhill s analysis of the selected transactions necessarily involved complex considerations and judgments concerning the differences in financial and operating characteristics, the parties involved and terms of their transactions and other factors that would necessarily affect the implied value of Ceridian versus the values of the companies in the selected transactions. In evaluating the precedent transactions, Greenhill made judgments and assumptions concerning industry performance, general business, economic, market and financial conditions and other matters. Greenhill also made judgments as to the relative comparability of those companies to Ceridian and judgments as to the relative comparability of the various valuation parameters with respect to the companies.

Using publicly available information at the time of the announcement of the relevant transaction, including company filings and the CapitalIQ transaction database, Greenhill reviewed the consideration paid in the transactions and analyzed the enterprise value implied by such consideration as a multiple of EBITDA for the twelve month period prior to the target company s most recently completed fiscal quarter end preceding the announcement of the applicable transaction and as a multiple of projected EPS at the time of the announcement of the applicable transaction. Greenhill then compared these multiples derived from the selected transactions reviewed with the corresponding multiples implied for Ceridian based on the merger consideration to be received by Ceridian s stockholders in the merger.

The following tables identify the transactions reviewed by Greenhill in this analysis (dollar amounts are in millions).

Payment Processing:

Date Announced	Target	Acquirer	Transaction Value	LTM Revenue	LTM EBITDA	LTM NI	Projected NI
05/18/07	Alliance Data Systems Corp.	Blackstone Group	$ 7,934	3.8x	15.4x	35.1x	22.5x
04/01/07	First Data Corp.	Kohlberg Kravis Roberts & Co.	27,000	3.8x	15.2x	30.9x	27.4x
03/30/07	PolCard	First Data Corp.	325	7.0x	NA	NA	NA
01/09/06	Verus Financial Management	The Sage Group plc	325	4.9x	NA	NA	NA
09/15/05	Certegy Inc.	Fidelity National Information Services Inc.	2,605	2.4x	11.2x	19.5x	21.3x
08/09/05	Citi Merchant Services	First Data Corp.	65	NA	NA	NA	NA
01/18/05	Vital Processing Svcs.	Total Systems Services Inc.	95	0.8x	NA	NA	NA
08/03/04	Lynk Systems Inc.	Royal Bank of Scotland	525	4.4x	21.9x	43.8x	21.0x
07/13/04	National Processing Inc.	Bank of America	1,137	2.2x	9.9x	25.7x	24.6x
04/30/04	Alliance & Leicester	NOVA Corporation	148	NA	NA	NA	NA
11/26/03	Citi EFS	JP Morgan Chase	380	2.1x	12.3x	30.4x	19.8x
04/02/03	Concord EFS	First Data Corp.	5,703	2.8x	10.1x	19.8x	17.7x
07/19/03	PayPoint	First Data Corp.	250	NA	NA	NA	NA
05/07/01	NOVA Corp.	US Bancorp	2,307	4.6x	10.3x	24.2x	22.5x
02/26/01	Universal Companies	Fifth Third Bancorp	243	3.0x	21.3x	37.9x	23.1x
11/09/00	CIBC Merchant Services	Global Payments Inc.	134	1.5x	3.7x	10.4x	NA
12/06/99	Card Payment Systems	Concord EFS	181	NA	NA	NA	12.0x
06/08/99	SPS Network Services	Alliance Data Systems Corp.	170	3.6x	16.2x	26.7x	18.7x
03/22/99	Paymentech, Inc.	First Data Corp.	418	3.1x	9.6x	42.2x	33.1x
12/22/98	BA Merchant Services, Inc.	BankAmerica Corp.	333	5.8x	14.0x	26.0x	19.5x
06/18/98	PMT Services, Inc.	NOVA Corp.	1,259	3.2x	23.7x	51.3x	36.5x
04/20/98	SPS Transactions Services	Associates First Capital	1,438	5.1x	9.9x	21.4x	18.0x
06/22/96	GENSAR	Paymentech, Inc.	200	8.0x	71.1x	NM	NA
06/13/95	First Financial Management	First Data Corp.	6,900	2.8x	17.2x	39.7x	29.5x
11/02/94	Card Establishment Svcs.	First Data Corp.	680	3.3x	12.2x	NM	NM
08/16/94	Envoy Corp. Financial	First Data Corp.	165	5.7x	14.7x	29.6x	NA

Payment Networks:

Date Announced	Target	Acquirer	Transaction Value	LTM Revenue	LTM EBITDA	LTM NI	Projected NI
11/21/06	Euronet Worldwide, Inc.	RIA Envia Inc.	$ 490	3.1x	22.3x	NA	NA
11/01/06	Easycash GmbH	Warburg Pincus	179	NA	NA	NA	NA
05/10/05	Genpass, Inc.	US Bancorp	182	NA	NA	NA	NA
11/15/04	PULSE EFT Association	Discover Financial Services	311	NA	NA	NA	NA
09/20/04	eFunds Corp.-ATM Portfolio	TRM Corp.	150	1.1x	25.2x	NA	NA
06/03/04	E*TRADE Access	CardTronics	106	2.3x	15.7x	NM	NM
05/17/04	NYCE	Metavante	610	4.2x	10.0x	19.9x	18.0x
12/19/03	MUZO	Global Payments Inc.	66	2.6x	5.7x	12.2x	12.2x
11/15/02	EDS Consumer Network Services	Fiserv Inc.	320	1.7x	9.4x	16.6x	13.7x
01/19/00	NYCE	First Data Corp.	566	5.2x	18.4x	130.8x	55.4x
01/30/01	TransAlliance	EDS	70	2.0x	NA	20.9x	18.9x
10/09/00	Star	Concord EFS, Inc.	854	4.7x	15.9x	38.0x	NA
04/13/00	Cash Station Inc.	Concord EFS, Inc.	75	4.1x	36.3x	61.5x	25.0x
06/30/99	Mellon Network Services	US Bancorp	125	2.5x	7.8x	13.7x	11.0x
11/23/98	Electronic Payments Services, Inc.	Concord EFS, Inc.	1,062	4.7x	12.4x	37.5x	24.5x

Stored Value:

Date Announced	Target	Acquirer	Transaction Value	LTM Revenue	LTM EBITDA	LTM NI	Projected NI
12/05/05	E Com Industries Pty Ltd	Retail Decisions	$ 23	5.1x	NA	NA	NA
06/09/05	WildCard Systems, Inc.	eFunds Corporation	288	5.1x	NA	NA	NA

05/02/00	Stored Value Systems, Inc.	Ceridian Corp.	104	4.3x	NA	NA	NA
03/02/99	Stored Value Systems, Inc.	Ceridian Corp.	33	2.2x	NA	NA	NA

Core Processing, Payroll, HR Processing:

Date Announced	Target	Acquirer	Transaction Value	LTM Revenue	LTM EBITDA	LTM NI	Projected NI
03/23/07	Kronos Inc.	Hellman & Friedman	$ 1,731	2.9x	14.8x	43.2x	27.6x
03/20/07	Affiliated Computer Services Inc.	Cerberus	8,500	1.6x	8.7x	23.3x	17.9x
12/29/06	Carreker	CheckFree Corp.	206	1.5x	13.2x	87.2x	64.4x
12/14/06	Electronic Clearing House	Intuit Inc.	141	1.7x	23.4x	55.2x	32.0x
10/26/06	Kanbay International Inc.	Cap Gemini SA	1,372	3.9x	20.9x	34.6x	27.0x
11/29/06	Digital Insight Inc.	Intuit Inc.	1,355	5.7x	19.5x	NM	36.6x
10/14/06	Open Solutions Inc.	Carlyle Group and Providence Equity	1,344	3.9x	16.0x	73.3x	29.9x
04/03/06	Mphasis Limited	Electronic Data Systems Corp.	383	3.4x	16.1x	21.9x	25.9x
01/18/06	Pinkerton Computer Consultants	Kforce Inc.	60	NA	NA	NA	NA
10/05/05	MHA Group Inc.	AMN Healthcare Services	212	NA	NA	NA	NA
08/03/05	Strategic Outsourcing Inc.	Clarion Capital Partner	70	NA	NA	NA	NA
08/02/05	i-Flex Solutions	Oracle Corp.	1,338	4.9x	23.9x	38.4x	24.8x
07/28/05	SS&C Technologies	Carlyle	1,008	8.2x	23.0x	37.4x	NA
04/08/05	DST Health Solutions	Computer Services Corp.	327	NA	NA	NA	NA
03/16/05	Mellon HR & Inv. Svcs	Affiliated Computer Services Inc.	445	NA	NA	NA	NA
09/09/04	Intercept Inc.	Fidelity National Financial	415	2.0x	23.9x	144.9x	23.8x
08/26/04	BlueStar Solutions Inc.	Affiliated Computer Services	72	1.4x	NA	NA	NA
06/17/04	Personal & Informatik AG	Carlyle	69	1.5x	7.1x	35.3x	NA
06/15/04	Exult Inc.	Hewitt Associates	790	1.3x	20.2x	NM	NA
02/09/04	Aurum Technology Inc.	Fidelity National Financial Inc.	306	1.6x	NA	NA	NA
01/28/04	Sanchez Computer Assoc.	Fidelity National Financial Inc.	153	1.6x	NM	NM	75.1x
06/03/03	Premier Systems, Inc.	John Harland Co.	16	1.1x	NA	NA	NA
03/11/03	Precision Computer Systems	Fiserv Inc.	27	1.1x	NA	NA	NA
01/29/03	Alltel Information Services	Fidelity National Financial Inc.	1,050	1.3x	5.3x	11.4x	10.7x
11/14/02	EDS Consumer Network Svcs.	Fiserv Inc.	320	1.7x	9.4x	10.1x	13.7x
09/23/02	SPARAK Financial Systems	John Harland Co.	32	1.9x	NA	NA	NA
08/06/02	Interlinq Software Corp.	John Harland Co.	22	1.3x	15.4x	NM	NA
07/02/02	IFS	State Street Corp.	130	NA	13.0x	NA	NA
05/20/02	Easy Systems Inc.	John Harland Co.	11	1.4x	NA	NA	NA
05/17/02	Cogent	BNP Paribas	331	NA	20.8x	28.7x	22.7x
03/07/02	Hemisphere Group	Bisys Group Inc.	133	NA	NA	17.9x	14.9x
06/01/01	Universal Pensions Inc.	Bisys Group Inc.	85	2.2x	11.2x	18.1x	NA
01/22/01	GFS Technologies	Aurum Techonology	30	1.3x	8.3x	NA	NA
07/17/00	Concentrex Inc.	John Harland Co.	140	1.2x	14.3x	NM	NA
06/20/00	Mynd Corp.	Computer Sciences Corp.	783	1.2x	8.4x	NM	NA
06/02/00	Sys-Tech, Inc.	Jack Henry & Associates, Inc.	16	1.8x	NA	NM	NA
05/15/00	Symitar Systems Inc.	Jack Henry & Associates, Inc.	44	1.3x	3.3x	8.4x	7.7x
07/20/99	First Data Investor Services	PNC Financial Services	1,100	NA	11.2x	27.2x	26.8x
07/12/99	BancTec Financial Systems	Jack Henry & Associates, Inc.	55	1.4x	15.9x	NM	23.3x
05/03/99	ABR Information Services, Inc.	Ceridian Corp.	701	NA	21.5x	47.8x	NA
08/19/98	Peerless Group, Inc.	Jack Henry & Associates, Inc.	35	1.3x	17.9x	21.7x	11.5x
11/04/97	CUSA Technologies Inc.	Fiserv Inc.	21	2.4x	NA	NM	9.7x
03/03/97	BHC Financial Inc.	Fiserv Inc.	221	2.7x	NA	12.6x	4.7x

Greenhill derived from the selected transactions a reference range of enterprise value to LTM EBITDA of between 12.0x and 15.0x and a reference range of per share equity value to projected EPS of between 21.0x and 25.0x. Greenhill then calculated a range of implied prices per share of Ceridian common stock by applying the relevant multiple ranges to Ceridian s EBITDA for the twelve months ended March 31, 2007 and Ceridian s estimated EPS based on Ceridian management s estimated earnings for fiscal year 2007. For purposes of calculating Ceridian s enterprise and per share equity values, Greenhill assumed a net cash position of $285 million and a fully diluted share count of 147 million shares based on the treasury method.

This analysis indicated the following implied ranges of enterprise values as multiples of LTM EBITDA and estimated EPS for fiscal year 2007 as set forth below:

Enterprise / Per Share Equity Value as a Multiple of:	Range of Implied Multiples in Selected Transactions	Ceridian Per Share Price based on Selected Transaction Multiples	Implied Multiples for Ceridian Based on Merger Consideration
LTM EBITDA	12.0x to 15.0x	$ 32.09 to $39.63	13.6x
2007E EPS	21.0x to 25.0x	$ 27.30 to $32.50	27.7x

Based on this analysis, Greenhill derived an indicated valuation range of Ceridian common stock of between approximately $27 to approximately $40 per share. Greenhill compared this range to the merger consideration of $36 per share to be received by Ceridian s stockholders in the merger.

Sum of the Parts Analysis

Greenhill performed a sum of the parts review of Ceridian with respect to Ceridian s two business divisions, HRS and Comdata, to determine an implied value of the enterprise as a whole. For purposes of this analysis, Greenhill considered four scenarios:

- a spinoff of 100% of the equity of the Comdata division to Ceridian s stockholders;
- a spinoff of 100% of the equity of the Comdata division to Ceridian s stockholders, with the further assumption that each resulting company would trade at a premium due to market speculation that it would be the subject of a takeover (in this scenario, Greenhill assumed that a takeover would not occur prior to six months following the spinoff);
- a public offering by Ceridian of 20% of the common equity of the Comdata division, with the net proceeds applied to repurchase Ceridian common stock; and
- a sale of the Comdata division for cash, with the after-tax proceeds distributed to Ceridian stockholders.

Greenhill reviewed certain financial information for each of Ceridian s business divisions as prepared by Ceridian management and compared such information to the corresponding financial information, ratios and public market multiples for three publicly traded human resource services companies and three publicly traded payment and transaction processing and related service companies. Greenhill selected the comparable company sets for HRS and Comdata based on their similarities in business mix and operations to the Company s respective divisions. The table below identifies the companies selected by Greenhill for this analysis.

HRS Comparables (Human resource services companies)	Comdata Comparables (Payment / transaction processing and related services companies)
•Affiliated Computer Services, Inc.	• Alliance Data Systems Corporation
•Automatic Data Processing, Inc.	• First Data Corporation
•Hewitt Associates, Inc.	• Wright Express Corporation

Greenhill calculated and compared various financial multiples and ratios for these selected companies based on publicly available data, including IBES estimates, public filings and other publicly available information.

Greenhill analyzed the following information for the selected companies, as well as for each of Ceridian s business divisions:

- enterprise value as a multiple of EBITDA for the twelve months prior to its most recently completed fiscal quarter end or, in the case of the spinoff scenario with the further assumption of takeover premiums, estimated EBITDA for fiscal year 2007; and

- share price of its common stock as a multiple of estimated EPS for fiscal year 2007 or, in the case of the spinoff scenario with the further assumption of takeover premiums, estimated EPS for fiscal year 2008.

In the case of Affiliated Computer Services, Inc., Alliance Data Systems Corporation and First Data Corporation, the multiples analyzed were those prior to announced change of control transactions involving such companies.

Based on these analyses, Greenhill selected the ranges of comparable enterprise value multiples of LTM EBITDA and share price multiples of 2007 estimated EPS indicated in the table below. In selecting the range of EBITDA and EPS multiples, Greenhill took into account the operating performance of the selected companies relative to the applicable divisions of Ceridian, including revenue growth and the growth and absolute level of profit margins.

Scenario	**EV / EBITDA***		**Share Price / EPS ****	
	HRS	**Comdata**	**HRS**	**Comdata**
Spinoff of Comdata division	8.0x to 11.0x	9.5x to 11.5x	17.0x to 22.0x	18.0x to 21.0x
Spinoff of Comdata division with further assumption of market speculation of a takeover	9.0x to 12.0x	12.0x to 16.0x	19.0x to 24.0x	22.0x to 26.0x
Public offering of 20% of Comdata division common equity	8.0x to 11.0x	9.5x to 11.5x	17.0x to 22.0x	18.0x to 21.0x
Sale of Comdata division	8.0x to 11.0x	12.0x to 16.0x	17.0x to 22.0x	22.0x to 26.0x

* Estimated EBITDA for fiscal year 2007 for spinoff of Comdata division with further assumption of market speculation of a takeover. LTM EBITDA for all other scenarios.

** Estimated EPS for fiscal year 2008 for spinoff of Comdata division with further assumption of market speculation of a takeover. Estimated EPS for fiscal year 2007 for all other scenarios.

For each of the scenarios described above, Greenhill then calculated an implied valuation range for each of the HRS and Comdata business divisions. In the scenario involving a public offering of 20% of the equity interest in the Comdata business division, Greenhill assumed that the offering price would reflect a discount of 10% to the implied per share equity valuation and Ceridian would incur fees and expenses of 7% of the gross offering price. Greenhill further assumed that Ceridian would apply the net proceeds of the public offering to repurchase outstanding Ceridian shares at $33.09 per share, the closing market price of Ceridian shares on May 24, 2007. In the scenario involving a sale of the Comdata business division for cash and the distribution of the after-tax proceeds to Ceridian s stockholders, Greenhill assumed that Ceridian would bear taxes equal to 37.5% of the taxable proceeds of the sale.

The table below presents the aggregate valuation ranges per share of Ceridian common stock derived by Greenhill under each scenario reviewed. For the scenarios involving a public offering of equity interests in the Comdata division or the sale of the Comdata division, the aggregate valuation ranges give effect to the further assumptions regarding the net proceeds and application thereof described above.

Scenario	Approximate Aggregate Valuation Range (per share of Ceridian Common Stock)	
Spinoff of Comdata division	$	23 - $28
Spinoff of Comdata division with further assumption of market speculation of a takeover	$	27 - $34
Public offering of 20% of Comdata division common equity	$	21 - $28
Sale of Comdata division	$	23 - $28

Greenhill compared the valuation ranges described above to the merger consideration of $36 per share to be received by Ceridian s stockholders in the merger.

Leveraged Buyout Analysis

Greenhill also performed an analysis that involved estimating the returns on investment that a potential purchaser that was not a strategic buyer but rather a financial buyer could expect from a purchase of Ceridian at different purchase prices in a leveraged buyout. Greenhill made several assumptions about the characteristics of such a transaction based on comparable company and precedent transactions analyses, including such factors as the refinancing of existing indebtedness and transaction leverage, fees and expenses, financing terms, minimum cash requirements and exit EBITDA multiples, which for this purpose were assumed to be higher than those assumed in the discounted cash flow analysis based in part on assumed multiple expansion expected under private equity ownership over historical public market trading levels and the achievement of potential premiums at exit for a financial sponsor.

Greenhill evaluated the projected revenue, EBITDA and cash flow for a leveraged Ceridian during the period from 2007 to 2011, under both the management case and the analyst sensitivity case. Greenhill performed this analysis using a range of transaction leverage amounts of 6.0x to 10.0x LTM EBITDA (adjusted to add back non-cash compensation expense) and an acquirer s exit from its investment in Ceridian after five years at an implied enterprise value multiple of 10.0x to 14.0x 2011 EBITDA at different assumed purchase prices. Greenhill considered the range of internal rates of return and returns on investment that would be likely to be required by a financial buyer in a leveraged acquisition of Ceridian.

Based upon the assumptions described above, Greenhill determined an indicated valuation range per share of between approximately $32 to $40 using the management case, and an indicated valuation range per share of between approximately $30 to $35 using the analyst sensitivity case. Greenhill compared the valuation ranges described above to the merger consideration of $36 share to be received by Ceridian s stockholders in the merger.

Greenhill s Engagement

Ceridian s board of directors selected Greenhill as its financial advisor based on Greenhill s qualifications, experience and reputation. Greenhill is an internationally recognized investment banking firm that is regularly engaged in the valuation of businesses and securities in connection with mergers, acquisitions, restructurings and similar corporate finance transactions.

Under the terms of Greenhill s engagement with Ceridian, Ceridian agreed to pay Greenhill an advisory fee of $2 million ($1 million of which was payable on the date of Greenhill s engagement and the

remainder of which became payable on March 15, 2007), a monthly retainer fee of $200,000 per month, which became payable from and after February 1, 2007, and a transaction fee based on the size of the transaction completed by Ceridian, which is expected to equal approximately $15 million based on the valuation of the merger and will become payable upon the completion of the merger. The full amount of the advisory fee is expected to be credited against the transaction fee. In addition, Ceridian has agreed to reimburse Greenhill for reasonable travel and other out-of-pocket expenses, including reasonable fees and expenses of counsel, and to indemnify Greenhill and related parties against liabilities relating to or arising out of its engagement.

Interests of Certain Persons in the Merger

In considering the recommendation of the Ceridian board of directors with respect to the merger agreement, Ceridian stockholders should be aware that some of the Ceridian directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Ceridian stockholders generally. These interests and arrangements may create potential conflicts of interest. The Ceridian board of directors was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decisions to approve the merger agreement and to recommend that Ceridian stockholders vote in favor of approving and adopting the merger agreement.

Stock Options, Restricted Stock Units, Deferred Stock Units and Restricted Stock

- *Stock Options.* Upon the completion of the merger, except as otherwise agreed by Parent and a holder, each outstanding option to acquire the Company s common stock, whether or not vested, that remains outstanding as of the closing of the merger will be cancelled and converted into the right to receive a cash payment equal to the number of shares of the Company s common stock underlying the option multiplied by the amount (if any) by which $36.00 exceeds the applicable exercise price of the option, less any applicable withholding taxes.

- *Restricted Stock Units.* Upon the completion of the merger, except as otherwise agreed by Parent and a holder, each restricted stock unit will be cancelled and converted into the right to receive a cash payment equal to $36.00, less any applicable withholding taxes.

- *Deferred Stock Units.* Upon the completion of the merger, all amounts held in participant accounts under the deferred compensation plans that are denominated in the Company s common stock will be converted into the right to receive a cash payment equal to the number of shares of the Company s common stock deemed held in such accounts multiplied by $36.00, less any applicable withholding taxes. This amount will be payable or distributable in accordance with the terms of our deferred compensation plans.

- *Restricted Stock.* Upon the completion of the merger, except as otherwise agreed by Parent and a holder, each share of restricted stock will be cancelled and converted into the right to receive a cash payment equal to $36.00, less any applicable withholding taxes.

We estimate the amounts that will be payable in settlement of stock options, restricted stock units, deferred stock units and restricted stock as follows: Ms. Marinello, $10,212,098, Mr. Macfarlane, $740,397 and Mr. Nelson, $6,437,615. We estimate the aggregate amount that will be payable to all directors and executive officers in settlement of stock options, restricted stock units, deferred stock units and restricted stock to be $27,301,698. In the event the board's nominees do not form a majority of the elected board of directors following the annual meeting, options and other equity awards held by management will accelerate and fully vest. As a result, assuming a market price of $36 per share (the market price may be higher or lower) and assuming that individuals exercise their stock options and immediately sell the stock that they acquire on exercise and otherwise dispose of all vested equity, we expect that the same amounts would be realizable if following the annual meeting the board s nominees do not form a majority of the elected board of directors.

Executive Employment Agreements

Ceridian has entered into executive employment agreements with Ms. Marinello, Mr. Macfarlane and Mr. Nelson as well as three other executive officers. The executive employment agreements provide for cash severance and other benefits in the event of a qualifying termination of employment following a change in control. Consummation of the merger will constitute a change in control for purposes of the executive employment agreements.

Each executive employment agreement requires Ceridian or its successor to provide to the applicable executive severance benefits, as described below, if, during the two-year period following a change in control of Ceridian, Ceridian or its successor terminates the executive s employment without cause or if the executive terminates his or her employment for good reason (as those terms are defined in the applicable employment agreement).

The severance benefits for each executive would include a lump sum payment that is equal to (i) the prorated portion of the executive s bonus that was earned at target levels for the year that termination of employment occurs, and (ii) three times the following:

- twelve months base salary;
- any bonus the executive would have received under all applicable Ceridian annual cash performance bonus programs for the year in which the termination of employment occurs had superior goals been achieved;
- for Ms. Marinello only, the annual cash performance bonus she would have received had she remained employed with Ceridian for the full year;
- for Mr. Nelson only, the annual cash amount paid in lieu of perquisites; and
- the highest annual aggregate amount of the employer contributions into our 401(k) Plan, the 401(k) restoration and the SERP contribution made into the Ceridian Corporation Deferred Compensation Plan in the last three years.

In addition, Mr. Nelson would receive continued premium payment for long-term care insurance coverage for him and his spouse and gross-up payments to put him in the same after-tax position as if no excise taxes under Section 280G of the Code had been imposed. Also, following a change in control termination, Ms. Marinello will receive until age 65 health and dental benefits and Messrs. Nelson and Macfarlane will receive until age 65 similar group health and welfare benefits as he received immediately prior to the change in control. Outplacement services (up to $50,000 for Ms. Marinello), relocation and attorney s fees would also be provided in certain circumstances.

Assuming the merger is completed in the fourth quarter of 2007 and that thereafter each executive officer s employment is terminated at that time by Ceridian without cause or voluntarily terminated at that time by the executive officer for good reason, the estimated cost of the cash severance benefits described above would be as follows: Ms. Marinello, $9,685,620, Mr. Macfarlane, $1,995,000 and Mr. Nelson, $2,341,122. The estimated aggregate cost of the cash severance benefits that would be payable to all executive officers based upon the foregoing scenario would be $21,496,442. Parent has informed Ceridian that it intends to retain senior management following the merger in which case, assuming no subsequent qualifying termination, the foregoing amounts would not be payable. We expect that the $21,496,442 would be payable if following the annual meeting the board s nominees do not form a majority of the elected board of directors and the executives are terminated without cause or leave with good reason.

Management Arrangements

As of the date of this proxy statement, neither we, Parent nor any affiliate thereof has entered into any employment agreements with our management in connection with the merger, nor amended or modified any existing employment agreements. Parent has informed us that it currently intends to retain members of our management team following the merger, and that it anticipates that Kathryn V. Marinello, our chief executive officer, will continue as chief executive officer. Parent has also informed us that it may offer members of management the opportunity to invest in Parent (and/or a subsidiary thereof) following the merger on terms that are no more favorable to management than to THL Partners and FNF. Further, Parent has informed us that it intends to establish equity based incentive compensation plans for management of the surviving corporation, a substantial portion of which is likely to be allocated to our executive officers. The size of such equity based incentive compensation plans and the individual awards to be granted thereunder have not yet been finalized.

As described under The Merger Background of the Merger, during the course of negotiations, Parent informed us that it would require discussions with Ceridian management, prior to entering into the merger agreement, on potential terms of employment with management in connection with the transaction. Accordingly, Ceridian s management was authorized to engage separate counsel and, with the approval of the Ceridian board, during the two weeks preceding the execution of the merger agreement, counsel for Ceridian management and counsel for Parent commenced discussions regarding the terms of senior management s employment and equity interests following completion of the merger. Counsel for Ceridian management and counsel for Parent exchanged drafts of a term sheet with respect to the terms of employment for Ms. Marinello with the understanding that the term sheet would be used in connection with negotiating the full terms of employment for Ms. Marinello and other members of management following execution of the merger agreement. The drafts of the term sheet outlined key terms, including the following:

- Parent s proposal that management would participate in a stock option pool representing 5% of the fully-diluted equity of Ceridian following the merger and that Ms. Marinello would be allocated approximately one-third of the stock options in the new option pool;

- Parent s proposal that Ms. Marinello s current bonus and salary would remain the same following completion of the merger;

- The request by counsel for management that Ms. Marinello s employment agreement include an excise tax gross-up to make her whole in the event that certain change in control severance payments or benefits (none of which are anticipated in connection with the merger) result in the imposition of a federal excise tax; and

- The request by counsel for management that a future acquisition by FNF of a controlling interest in Ceridian following the merger would be treated the same as a future acquisition of a controlling interest by any third party and, therefore, would constitute a change of control triggering applicable protections under the employment agreement.

None of the terms described above or any other terms have been finalized or agreed as of the date of this proxy statement and all terms remain subject to negotiation by the parties.

As set forth above, management employment and equity investment arrangements following the merger were not discussed until shortly before the merger agreement was executed and were not finalized as of the date of the merger agreement or as of the date of this proxy statement. Although it is likely that certain members of our management team will enter into new arrangements with Parent or its affiliates regarding employment (and severance arrangements) with, and the right to purchase or participate in the equity of, Parent (and/or a subsidiary thereof), there can be no assurance that the parties will reach agreement. These matters are subject to further negotiations and discussion and no terms or conditions have been finalized. Any new arrangements are currently expected to be entered into at or prior to the completion of the merger.

Indemnification of Directors and Officers; Directors and Officers Insurance

In addition, the Ceridian directors and officers are entitled under the merger agreement to continued indemnification and insurance coverage. See The Merger Agreement Indemnification and Insurance.

Financing

In connection with the execution and delivery of the merger agreement, Merger Sub has obtained commitments (the Debt Commitment Letters) from Deutsche Bank AG New York Branch, Deutsche Bank AG Cayman Island Branch, Deutsche Bank Securities Inc., Credit Suisse, Cayman Islands Branch, and Credit Suisse Securities (USA) LLC to provide up to $3.7 billion in debt financing (the Debt Financing) ($3.4 billion of which is expected to be drawn at closing) consisting of: (1) senior secured credit facilities comprised of a $2.0 billion term loan B facility and a $300 million revolving credit facility (not expected to be drawn at closing) (the Senior Facility); (2) $1.0 billion in gross cash proceeds from, at Merger Sub s option, either (a) the issuance of senior notes in a public offering or Rule 144A or other private placement or (b) a senior bridge facility (the Senior Bridge Facility); and (3) $400 million in gross cash proceeds from, at Merger Sub s option, either (a) the issuance of senior subordinated notes in a public offering or Rule 144A or other private placement or (b) a senior subordinated unsecured bridge facility (the Subordinated Bridge Facility and, together with the Senior Facility and the Senior Bridge Facility, the Facilities).

In addition, Parent has received equity commitment letters from each of FNF and a fund affiliated with THL Partners (together with FNF, the Investors), pursuant to which, subject to the conditions contained therein, the Investors have agreed to make or cause to be made an aggregate cash capital contribution to Parent of up to $1.8 billion (the Equity Financing and, together with the Debt Financing, the Financing).

The Company and the Investors estimate that the total amount of funds necessary to complete the merger and the related transactions is anticipated to be approximately $5.5 billion, which includes approximately $5.3 billion to be paid out to the Company s stockholders and holders of equity-based interests in the Company, with the remaining funds being used to refinance the Company s existing bank credit facility and receivables financing arrangements and to pay customary fees and expenses in connection with the merger, the financing arrangements and the related transactions. These payments are expected to be funded by Parent and Merger Sub in a combination of Equity Financing from affiliates of the Investors and other investors in Parent, Debt Financing, and to the extent available, cash of the Company.

Equity Financing

The Investors have collectively agreed to cause up to $1.8 billion of cash to be contributed to Parent, which will constitute the equity portion of the Financing. Each of the Investors has delivered an equity commitment letter for $900 million to Parent. Subject to certain conditions, each of the Investors may assign a portion of its equity commitment obligation to others, provided that no such assignment will relieve the Investors of their obligations under the equity commitments.

Each of the equity commitments is generally subject to the satisfaction of the conditions to Parent s and Merger Sub s obligations to effect the closing under the merger agreement and consummation of the merger. Each of the equity commitment letters shall expire, subject to some exceptions, upon the earlier of (a) the closing of the purchase of 100% of the Company pursuant to the merger agreement and (b) the date of the termination of the merger agreement in accordance with its terms.

Debt Financing

In connection with the merger, Deutsche Bank AG New York Branch and Credit Suisse, Cayman Islands Branch have committed to provide $2.3 billion in loans under the Senior Facility, Deutsche Bank

AG Cayman Island Branch and Credit Suisse, Cayman Islands Branch have committed to provide $1.0 billion in loans under the Senior Bridge Facility, and Deutsche Bank AG Cayman Island Branch and Credit Suisse, Cayman Islands Branch have committed to provide $400 million in loans under the Subordinated Bridge Facility. The Senior Bridge Facility and the Subordinated Bridge Facility are expected to be utilized to the extent that one or more offerings of notes in the aggregate amount equal to the commitments under those facilities have not been completed on or prior to the merger. The documentation for the Facilities will be based on the agreed term sheets attached to the commitment letter relating to the Facilities.

The Facilities contemplated by the Debt Financing documentation are conditioned on the merger being consummated prior to January 31, 2008 (or, if the end date (as defined in the merger agreement) is extended pursuant to the terms of the merger agreement, 30 days after the end date as so extended, but in no event later than June 12, 2008), as well as other customary conditions including:

- the execution of satisfactory definitive documentation;
- the receipt by Merger Sub of cash equity contributions which, together with any rollover equity, constitute an aggregate amount equal to at least 25% of the total debt and equity of Merger Sub after giving effect to the merger;
- the absence of any amendments or waivers to the merger agreement which are materially adverse to the lenders without the arrangers prior consent;
- the absence of a Company Material Adverse Effect (as defined in the merger agreement);
- the creation of security interests (subject to certain exceptions); and
- the payment of fees and expenses due to the arrangers and the lenders.

Parent has agreed to use its reasonable best efforts to arrange the Debt Financing on the terms and conditions described in the Debt Commitment Letters and the merger agreement. If any portion of the Debt Financing becomes unavailable on the terms and conditions contemplated in the Debt Commitment Letters, Parent must use its reasonable efforts to arrange to obtain alternative financing from alternative sources in an amount sufficient to consummate the merger and other transactions contemplated by the merger agreement on terms no more adverse to the Company as promptly as practicable following the occurrence of such event.

Although the Debt Financing described in this proxy statement is not subject to due diligence or a typical market out provision (i.e., a provision allowing lenders not to fund their commitments if certain conditions in the financial markets prevail) such financing may not be considered assured. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event the Debt Financing described in this proxy statement is not available as anticipated.

Senior Facility. Deutsche Bank AG New York Branch and Credit Suisse, Cayman Islands Branch have committed to provide for a Senior Facility, which provides for loans of up to $2.3 billion and is comprised of (i) a term loan facility in the amount of $2.0 billion and (ii) a revolving credit facility in the amount of up to $300 million (which is not expected to be drawn at closing). The term loan facility may be used to finance a portion of the consideration for the merger, including, among other things, transaction costs. The revolving credit facility may be used (i) on the closing date in an amount up to $50 million to finance a portion of the consideration for the merger, to refinance existing indebtedness and to pay fees and expenses related thereto and (ii) on and after the closing date, to finance the working capital needs and general corporate purposes of the Company and its subsidiaries and for any other purpose not prohibited by the Senior Facility documentation.

Bridge Facilities. Deutsche Bank AG Cayman Island Branch and Credit Suisse, Cayman Islands Branch have committed to provide a Senior Bridge Facility, which provides loans up to $1.0 billion if an offering of senior unsecured notes is not completed on or prior to the merger, and a Subordinated Bridge Facility, which provides loans of up to $400 million if an offering of senior unsecured subordinated notes is not completed on or prior to the merger. To the extent utilized, the Senior Bridge Facility and the Subordinated Bridge Facility will be used to finance a portion of the consideration for the merger, and including, among other things, transaction costs.

Limited Guarantees

In connection with the merger agreement, FNF and Thomas H. Lee Equity Fund VI, L.P. (the Guarantors) each entered into a limited guarantee (the Limited Guarantees) with the Company, under which the Guarantors have severally guaranteed the due and punctual performance by Parent and Merger Sub of their respective payment obligations under Section 7.2(c) of the merger agreement, up to a maximum amount of $82.5 million per Guarantor. The Limited Guarantees will remain in full force and effect until all amounts payable under the Limited Guarantees have been indefeasibly paid, observed, performed or satisfied in full. The Limited Guarantees shall terminate and the Guarantors shall have no further obligations under the Limited Guarantees as of the earlier of (1) the closing of the merger and (2) the first year anniversary of any termination of the merger agreement in accordance with its terms, except as to any claim for payment of any obligation under Section 7.2(c) of the merger agreement presented by the Company to Parent, Merger Sub or the Guarantors by such first anniversary.

Regulatory and Other Governmental Approvals

Certain regulatory requirements imposed by U.S. and foreign regulatory authorities must be complied with before the merger is completed.

U.S. Antitrust

Under the provisions of the HSR Act and the rules and regulations promulgated thereunder, the merger may not be completed until notifications have been submitted to the FTC and the Antitrust Division of the DOJ, and specified waiting period requirements have been satisfied. The initial waiting period is 30 days after both parties have filed the applicable notifications, but this period may be extended if the reviewing agency issues a formal request for additional information and documentary material, referred to as a second request. If the reviewing agency issues a second request, the parties may not complete the merger until 30 days after both parties substantially comply with the second request, unless the waiting period is terminated earlier by the reviewing agency or extended with the parties consent. As of June 14, 2007, Ceridian and Parent had filed their respective notification and report forms with the FTC and the Antitrust Division of the DOJ under the HSR Act, and the statutory waiting period under the HSR Act expired on July 16, 2007.

Other Competition Laws

Ceridian and the affiliates of Parent conduct operations in a number of other jurisdictions where other regulatory filings may be required or advisable in connection with the completion of the merger. Under the merger agreement, we are required to obtain these approvals prior to completing the merger, except where the failure to obtain such approvals would not have, individually or in the aggregate, a Material Adverse Effect on Ceridian. On July 26, 2007, the Company and Parent filed a merger notification in Germany.

State Regulation of Licensed Money Transmitters, Sellers of Checks and Payroll Processors

Because Comdata Network, Inc. or one or more of its affiliates are licensed money transmitters, sellers of checks and/or payroll processors the merger is also subject to the receipt of necessary approvals from various U.S. state regulatory authorities. These state licensing laws and regulations (generally referred to as money transmitter licensing laws) generally require that, prior to the direct or indirect acquisition of control of a licensed money transmitter, seller of checks or payroll processor company

domiciled or doing business in a state, the licensee and/or acquiror must notify the state regulatory authority and, in some cases, obtain the prior approval of the state regulatory authority. In this regard, the Company s, Parent s and Merger Sub s respective obligations to effect the merger are conditioned on all consents, approvals and actions of, filings with and notices to, any state governmental authority with respect to the licenses held by Comdata Network, Inc. or its affiliates as a seller of checks, money transmitter, or payroll processor required in connection with consummation of the merger on the terms contemplated by the merger agreement (including the terms of the financing contemplated by the merger agreement) shall have been obtained or made. Parent is, however, entitled to waive this condition on behalf of all the parties to the merger agreement.

In connection with this condition, under the terms of the merger agreement Parent, Merger Sub, the Company and its subsidiaries are required to use commercially reasonable efforts to effect intra-Company restructurings of the respective money transmitter, seller of checks or payroll processor in states accounting for up to five percent (5%) of the consolidated revenues of Comdata Network, Inc. in 2006, in a manner that does not materially and adversely affect the business or operations of the Company and its subsidiaries in such states. Also in connection with this condition, the Company and its subsidiaries are required to take all actions reasonably requested by Parent, including intra-Company restructurings of the respective money transmitter, seller of checks or payroll processor licensees in the various states (regardless of the revenue generated); provided that the Company may condition any such restructurings or other actions that adversely affect the Company such that they become effective only at the effective time of the merger. The Company anticipates that notifications and/or regulatory filings with respect to the licenses held by Comdata Network, Inc. or its affiliates as a seller of checks, money transmitter or payroll processor will need to be made with the following states: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming. The Company and Parent are in the process of providing the necessary notices and/or making the necessary filings.

General

At any time before or after the completion of the merger, the FTC, the Antitrust Division of the DOJ, foreign competition authorities, or state attorneys general could take action under the antitrust laws, as they deem necessary or desirable in the public interest, seeking to enjoin completion of the merger, to rescind the merger, or conditionally to approve the merger upon the divestiture of particular businesses or assets of Ceridian or Parent. Private parties also may seek to take action under the antitrust laws under certain circumstances. As in every transaction, there can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if such challenge is made, that it would not be successful. Nor can we assure you that the necessary regulatory approvals will not contain terms, conditions or restrictions that would be detrimental to Ceridian after the completion of the merger. Under the terms of the merger agreement, Parent is required to take all actions necessary to obtain regulatory approvals, including divestitures and operational restrictions or limitations, so long as such actions would not involve assets or operations of Parent or any of its affiliates and would not result in divestiture of businesses, product lines, or assets that accounted for 15% or more of Ceridian s and its subsidiaries consolidated 2006 EBITDA.

Financial Projections

The Company does not as a matter of course make public projections as to its future performance, earnings or other results (except for limited current year guidance), and is especially wary of making projections for earnings periods due to the unpredictability of the underlying assumptions and estimates. However, in connection with the due diligence review of the Company by interested parties, the Company provided to THL Partners and FNF and to other interested parties certain non-public financial projections. The Company also provided these internal financial projections to the board and its financial and legal advisors. We have included below a summary of these projections to give our stockholders access to certain non-public information that was furnished to third parties and was considered by the financial advisors and by our board for purposes of evaluating the merger. These projections were prepared on a basis consistent with the accounting principles used in our historical financial statements.

We prepared the internal financial projections that are set forth below at the dates indicated for internal use and to assist the financial advisors to the board and other parties in their due diligence investigations of the Company, and not with a view toward public disclosure or toward compliance with GAAP, the published guidelines of the SEC regarding projections, or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither the Company s independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the prospective financial information contained in the projections, nor have they expressed any opinion or given any form of assurance on the projections or their achievability. We based these internal financial projections on numerous estimates, variables and assumptions that are inherently subject to economic and competitive uncertainties, all of which are difficult to predict and beyond the control of the Company s management and may not prove to have been, or may no longer be, accurate. Important factors that may affect actual results and result in the forecasted results not being achieved include, but are not limited to: changes in market conditions; regulatory and judicial rulings; competition and other economic conditions; changes in interest rates; changes in accounting standards; adverse results from litigation, governmental investigations or tax-related proceedings or audits; the effect of labor strikes, lock-outs and negotiations; the effect of acquisitions, investments and divestitures; the effect of derivative transactions; the Company s reliance on third-party vendors for various services; the effect of the merger; and other risks described in our Annual Report on Form 10-K, as amended, filed with the SEC for the fiscal year ended December 31, 2006, as amended.

Furthermore, we prepared the internal financial projections at the dates indicated below, and they do not necessarily reflect revised prospects for the Company s business, changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the projections were prepared. Moreover, the projections are not necessarily indicative of future performance, which may be significantly more or less favorable than as contemplated by the projections and accordingly should not be regarded as a representation that they will be achieved. In addition, we prepared the projections prior to the board s approval of the merger and, accordingly, the projections do not reflect the effects of such transactions. Since the date of the projections, the Company has made publicly available the results of operations for the fiscal quarter ended March 31, 2007. Stockholders should review the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended, and the Company s Quarterly Report on Form 10-Q dated for the fiscal quarter ended March 31, 2007 to obtain this information.

You should not regard the inclusion of the internal financial projections in this proxy statement as an indication that the Company or its affiliates, advisors or representatives considered or consider the projections to be predictive of actual future events, and the projections should not be relied upon as such. None of the Company or its affiliates, advisors, officers, directors or representatives can give you any assurance that actual results will not differ from the projections, and none of them undertakes any obligation to update or otherwise revise or reconcile the projections to reflect circumstances existing after the date such projections were generated or to reflect the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error. The Company does not currently intend to make publicly available any update or other revisions to the projections. None of

the Company or its affiliates, advisors, officers, directors or representatives has made or makes any representation to any stockholder or other person regarding the ultimate performance of the Company compared to the information contained in the projections or that projected results will be achieved. The Company has made no representation to any party, in the merger agreement or otherwise, concerning the projections.

Company Projected Financial Information

As described above, in March 2007 the Company provided the following financial projections (2007 Management Projections) to the board and its advisors as well as to other interested parties.

CERIDIAN CORPORATION
SUMMARY CONSOLIDATED FINANCIAL DATA

($ in millions)

	2007		2008	2009	2010	2011
Revenues						
HRS	$ 1,169		$ 1,275	$ 1,403	$ 1,557	$ 1,739
Comdata	535		596	679	774	882
Total	1,705		1,871	2,082	2,331	2,622
EBIT						
HRS	119		164	214	275	354
Comdata	163		196	222	252	287
Total	284	(1)	360	436	527	641
EBITDA						
HRS	185		233	291	360	452
Comdata	180		216	242	271	311
Total	367	(1)	449	533	632	763
Capital Expenditures						
HRS	41		64	64	65	62
Comdata	19		18	21	23	27
Total	60		82	85	88	89
Increase/(Decrease) in Working Capital	68		77	62	71	83

(1) Includes a $2 million corporate level allocation.

United States Federal Income Tax Consequences

If the merger is consummated, sales of shares for cash pursuant to the merger will be taxable transactions for U.S. federal income tax purposes. The following is a discussion of the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) whose shares of Ceridian common stock are converted into the right to receive cash in the merger. The discussion is based upon the Code, Treasury regulations, Internal Revenue Service published rulings and judicial and administrative decisions in effect as of the date of this proxy statement, all of which are subject to change (possibly with retroactive effect) and to differing interpretations. The following discussion does not purport to consider all aspects of U.S. federal income taxation that might be relevant to our stockholders. This discussion applies only to stockholders who, on the date on which the merger is completed, hold shares of Ceridian common stock as a capital asset within the meaning of section 1221 of the Code. The following discussion does not address taxpayers subject to special treatment under U.S. federal income tax laws, such as insurance companies, financial institutions, dealers in securities or currencies, traders of securities that elect the mark-to-market method of accounting for their securities, persons that have a functional currency other than the U.S. dollar, tax-exempt organizations, mutual funds, real estate investment trusts, S corporations or other pass-through entities (or investors in an S corporation or other pass-through entity) and taxpayers subject to the alternative minimum tax. In addition, the following discussion may not apply to stockholders who acquired their shares of Ceridian common stock upon the exercise of employee stock options or otherwise as compensation for services or through a tax-qualified retirement plan or who hold their shares as part of a hedge, straddle, conversion transaction or other integrated transaction.

If Ceridian common stock is held through a partnership, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. It is recommended that partnerships that are holders of Ceridian common stock and partners in such partnerships consult their own tax advisors regarding the tax consequences to them of the merger.

This discussion also does not address potential alternative minimum tax, foreign, state, local and other tax consequences of the merger. All stockholders should consult their own tax advisors regarding the U.S. federal income tax consequences, as well as the foreign, state and local tax consequences of the disposition of their shares in the merger.

For purposes of this summary, a U.S. holder is a beneficial owner of Ceridian common stock shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States, any state of the United States or the District of Columbia;

- an estate the income of which is subject to U.S. federal income tax regardless of its source;

- a trust if (1) a U.S. court is able to exercise primary supervision over the trust s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust; or (2) it was in existence on August 20, 1996 and has a valid election in place to be treated as a domestic trust for U.S. federal income tax purposes; or

- otherwise is subject to U.S. federal income taxation on a net income basis.

Except with respect to the backup withholding discussion below, this discussion is confined to the tax consequences to a stockholder that is a U.S. holder for U.S. federal income tax purposes.

For U.S. federal income tax purposes, the disposition of Ceridian common stock pursuant to the merger generally will be treated as a sale of Ceridian common stock for cash by each of our stockholders. Accordingly, in general, the U.S. federal income tax consequences to a stockholder receiving cash in the merger will be as follows:

- The stockholder will recognize a capital gain or loss for U.S. federal income tax purposes upon the disposition of the stockholder s shares of Ceridian common stock pursuant to the merger.

- The amount of capital gain or loss recognized by each stockholder will be measured by the difference, if any, between the amount of cash received by the stockholder in the merger (other than, in the case of a dissenting stockholder, amounts, if any, which are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and the stockholder s adjusted tax basis in the shares of Ceridian common stock surrendered in the merger. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) surrendered for cash in the merger.

- The capital gain or loss, if any, will be long-term with respect to shares of Ceridian common stock that have a holding period for tax purposes in excess of one year at the effective time of the merger. Long-term capital gains of individuals are eligible for reduced rates of taxation. There are limitations on the deductibility of capital losses. A dissenting stockholder may be required to recognize any gain or loss in the year the merger closes, irrespective of whether the dissenting stockholder actually receives payment in that year.

Cash payments made pursuant to the merger will be reported to our stockholders and the Internal Revenue Service to the extent required by the Code and applicable Treasury regulations. Non-corporate stockholders may be subject to back-up withholding at a rate of 28% on any cash payments they receive. Stockholders who are U.S. holders generally will not be subject to backup withholding if they: (1) furnish a

correct taxpayer identification number and certify that they are not subject to backup withholding on the substitute Form W-9 included in the election form/letter of transmittal they are to receive or (2) are otherwise exempt from backup withholding. Stockholders who are not U.S. holders should complete and sign a Form W-8BEN (or other applicable tax form) and return it to the paying agent in order to provide the information and certification necessary to avoid backup withholding tax or otherwise establish an exemption from backup withholding tax. Certain of our stockholders will be asked to provide additional tax information in the letter of transmittal for the shares of Ceridian common stock.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

The foregoing is a general discussion of certain material U.S. federal income tax consequences. We recommend that you consult your own tax advisor to determine the particular tax consequences to you (including the application and effect of any foreign, state or local income and other tax laws) of the receipt of cash in exchange for shares of Ceridian common stock pursuant to the merger.

Litigation

On June 4, 2007, the Minneapolis Firefighters Relief Association filed a purported class action complaint in the Delaware Court of Chancery, Civil Action No. 2996-CC, against Ceridian, our directors, THL Partners, FNF, Parent and Merger Sub challenging the proposed transaction as inadequate and unfair to Ceridian s public stockholders. The complaint alleges that the directors breached their fiduciary duties and that THL Partners, FNF, Parent and Merger Sub aided and abetted the alleged breaches of fiduciary duty in entering into the merger agreement. The complaint seeks, among other relief, class certification of the lawsuit, declaratory relief, an injunction against the proposed transaction, compensatory damages to the putative class, and an award of attorneys fees and expenses to plaintiff.

On June 6, 2007, plaintiff moved for a preliminary injunction and expedited trial with respect to certain provisions of the merger agreement, including Section 7.1(j) thereof, which provides that Parent may terminate the merger agreement if a majority of the board s nominees are not elected at the annual meeting. On June 11, 2007, plaintiff filed a petition pursuant to Section 211 of the Delaware General Corporation Law seeking an order requiring Ceridian to hold an annual meeting of its shareholders following the adjudication of the validity of Section 7.1(j). The Court of Chancery scheduled the requested trial on the Section 211 claim and the validity of Section 7.1(j) of the merger agreement to take place simultaneously on August 1-2, 2007. The parties engaged in extensive expedited discovery of parties and third parties.

On June 26, 2007, plaintiff filed an amended complaint, expanding on the existing allegations, adding disclosure claims, and challenging the provision of the confidentiality agreements signed by potential bidders that precluded requesting a waiver of the standstill provisions. At the request of plaintiff, the Court scheduled a preliminary injunction hearing regarding the challenged standstill provisions and certain deal protections in the merger agreement to take place on August 3, 2007, immediately after the already scheduled August trial.

On July 12, 2007, the parties advised the Delaware Court of Chancery that they had reached a partial settlement of the actions. The parties agreed to settlement terms which include, among other things, (1) the entry of an order providing that 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 merger; (2) Ceridian eliminating the provision of the confidentiality agreements entered into with the third parties during the strategic alternatives process prohibiting the third parties from requesting that Ceridian amend or waive any part of the standstill provision of the confidentiality agreement; (3) amending the merger agreement to eliminate a provision permitting buyers to terminate the merger agreement upon an election of a new board of directors comprised of a majority of directors

not nominated by the current board; and (4) amending the merger agreement to change the definition of superior proposal thereunder, decreasing the trigger from 66 2/3% to 40% of Ceridian s assets or stock. THL Partners and FNF and one other signatory have requested and received waivers of the standstill provision. In connection with the proposed settlement, the Court entered an order directing that the annual meeting 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 merger. The settlement is subject to Court approval. Plaintiff s counsel reported to the Court that the plaintiff had shared the terms of the proposed settlement with Pershing Square and Pershing Square provided input regarding the terms of the settlement. Plaintiff further reported to the Court that Pershing Square had advised plaintiff s counsel that it will not oppose the motion seeking approval of the settlement. As part of the settlement, the plaintiff reserved the right to assert certain claims relating to the termination fees, claims arising from conduct after July 11, 2007 and any disclosure issues that plaintiff raised with defendants no less than five days before Ceridian s definitive proxy statement was filed with the SEC which the parties were unable to resolve in good faith. Plaintiff's counsel submitted extensive comments regarding proposed additional and amended disclosures prior to the filing of this proxy statement, which Ceridian considered and responded to in preparing this proxy statement. There were no disclosure issues raised by plaintiff in this process which the parties were not able to resolve in good faith. Upon final approval of the settlement, the pending actions shall be dismissed with prejudice.

On June 20, 2007, Patrick Sullivan brought a putative class action lawsuit in Minnesota state court, Case No. 27-CV-07-12994, against Ceridian s president and chief executive officer and members of its board of directors, along with THL Partners and FNF. The complaint alleges, among other things, breach of fiduciary duties by the individual defendants in connection with Ceridian s entry into the merger agreement. The complaint also alleges that THL Partners and FNF aided and abetted the alleged breaches. Among other things, the complaint challenges the merger consideration offered to Ceridian shareholders as inadequate and challenges Section 7.1(j) of the merger agreement. The plaintiff seeks class certification and requests, among other things, an order enjoining consummation of the merger. Plaintiff also seeks costs and disbursements of the action, including attorneys fees.

Appraisal Rights

Delaware law provides stockholders with appraisal rights with respect to the merger. This means that if you fully comply with the procedures for perfecting appraisal rights provided for under Delaware law, Delaware law entitles you to have the fair value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation in lieu of the merger consideration. The ultimate amount you receive in an appraisal proceeding may be more or less than, or the same as, the amount you would have received under the merger agreement. To exercise your appraisal rights, you must deliver a written demand for appraisal to the Company before the vote on the merger agreement at the annual meeting and you must not vote in favor of the adoption of the merger agreement. Your failure to strictly follow the procedures specified under Delaware law will result in the loss of your appraisal rights. A copy of Section 262 of the Delaware General Corporation Law is attached to this proxy statement as Annex D. We encourage you to consult your legal advisor if you intend to seek appraisal. See Appraisal Rights on page 58.

Effects of the Merger

If we complete the merger, you will be entitled to receive $36.00 in cash, without interest and less any applicable withholding taxes, for each share of Company common stock that you own, unless you have exercised your statutory appraisal rights with respect to the merger. You will not own any shares of the surviving corporation and you will no longer have any interest in the Company s future earnings or growth. As a result of the merger, Ceridian will cease to be a publicly traded company and will be wholly owned by Parent. Following completion of the merger, the Company will terminate the registration of its common stock and its reporting obligations under the Securities Exchange Act of 1934.

THE MERGER AGREEMENT

The following is a summary of certain material provisions of the merger agreement, including the amendment thereto, a copy of both of which are attached as Annex A to this proxy statement and which we incorporate by reference herein. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. We encourage you to read carefully the merger agreement in its entirety, as the rights and obligations of the parties are governed by the express terms of the merger agreement and not by this summary or any other information contained in this proxy statement.

The description of the merger agreement in this proxy statement has been included to provide you with information regarding its terms. The merger agreement contains representations and warranties made by and to the Company, Parent, and Merger Sub as of specific dates. The statements embodied in those representations and warranties were made for purposes of that contract among the parties and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of that contract.

Effective Time; Structure

At the effective time (as defined below) of the merger, Merger Sub will be merged with and into Ceridian, with Ceridian surviving the merger as a wholly owned subsidiary of Parent. The effective time will occur at the time that Ceridian files a certificate of merger with the Secretary of State of the State of Delaware on the closing date of the merger (or such later time as Merger Sub and the Company may agree and as provided in the certificate of merger). The closing date will occur no later than the fifth business day (subject to certain adjustments related to the marketing period, as described below) after satisfaction or waiver of the conditions to the merger (other than those conditions that are to be satisfied at the closing) set forth in the merger agreement (or such other date as the Company and Parent may agree), as described below under The Merger Agreement Conditions to the Merger.

Notwithstanding the satisfaction or waiver of the conditions to the merger, Parent will not be required to effect the closing until the earliest of (a) a date during the marketing period (as defined below) specified by Parent, (b) the third business day following the final day of the marketing period and (c) the end date of the merger agreement, which is December 31, 2007, but is extendible to March 31, 2008, under certain circumstances.

Treatment of Ceridian Common Stock

In the merger, the outstanding shares of Company common stock, other than shares held by stockholders exercising appraisal rights under Delaware law, will be converted into the right to receive $36.00 per share in cash.

Treatment of Merger Sub Common Stock

In the merger, the outstanding shares of Merger Sub common stock will be converted into shares of the Company as the surviving corporation, so that Parent will own all the outstanding shares of the Company following the merger.

Representations and Warranties

The merger agreement contains representations and warranties made by the Company to Parent and Merger Sub, and representations and warranties made by Parent and Merger Sub to the Company. These representations and warranties are subject to important limitations and qualifications agreed to by the parties in connection with negotiating the terms of the merger agreement. In particular, the representations that the Company made are qualified by filings that the Company made with the SEC after

December 31, 2005 and prior to the date of the merger agreement (other than risk factor and similar cautionary disclosure contained in such filings), as well as by a confidential disclosure schedule that the Company delivered to Parent and Merger Sub concurrently with the signing of the merger agreement. In addition, certain representations and warranties were made as of a specified date, may be subject to contractual standards of materiality different from those generally applicable to public disclosures to stockholders, or may have been used for the purpose of allocating risk among the parties rather than establishing matters of fact. For the foregoing reasons, you should not rely on the representations and warranties contained in the merger agreement as statements of factual information. The Company s material representations and warranties relate to:

- the Company s and its subsidiaries proper organization, good standing and qualification to do business;
- the Company s capitalization, including the number of outstanding shares of Ceridian common stock and preferred stock, stock options and other equity-based interests;
- the Company s corporate power and authority to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;
- the absence of violations of or conflicts with the Company s and its subsidiaries governing documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger and the other transactions contemplated by the merger agreement;
- the timeliness and compliance with SEC requirements of the Company s SEC filings since December 31, 2005, including the accuracy of and compliance with GAAP and SEC requirements of the financial statements contained therein;
- the adequacy of the Company s disclosure controls and procedures and internal controls over financial reporting;
- the absence of undisclosed liabilities;
- permits and compliance with applicable legal requirements;
- environmental matters;
- matters relating to employee benefit plans;
- the absence of certain changes since December 31, 2006 and the absence of certain changes since the date of the merger agreement;
- legal proceedings and investigations;
- accuracy and compliance with applicable securities law of filings made by the Company with the SEC in connection with the merger agreement;
- amendment of the Company s rights plan;
- tax matters;
- employment and labor matters affecting the Company or its subsidiaries;
- intellectual property;

- the receipt by the board of an opinion from Greenhill as to the fairness, from a financial point of view, of the merger consideration to be received by the holders of shares of Ceridian common stock (other than affiliates of, or holders of beneficial interests in, Parent or Merger Sub);

- the required vote of the Company s stockholders in connection with the required adoption of the merger agreement and approval of the merger;
- material contracts and performance of obligations thereunder;
- insurance; and
- absence of undisclosed brokers fees.

Many of the Company s representations and warranties are qualified by a materiality standard or a Company Material Adverse Effect standard. For the purposes of the merger agreement, Company Material Adverse Effect means any facts, circumstances, events or changes that are reasonably likely to be materially adverse to the business, financial condition, assets, liabilities, or continuing operations of the Company and its subsidiaries, taken as a whole, or that have a material adverse effect on the ability of the Company to perform its obligations under the merger agreement, or to consummate the merger.

However, a Company Material Adverse Effect will not include facts, circumstances, events or changes resulting from:

- changes in general economic or political conditions or the securities, credit or financial markets in general;
- general changes or developments in the industries in which the Company and its subsidiaries operate, including general changes in law or regulation across such industries;
- any acts of terrorism or war;
- changes in GAAP or the interpretation thereof;
- the announcement of the merger agreement or the pendency or consummation of the merger;
- the identity of Parent or any of its affiliates as the acquiror of the Company;
- the taking of any action required by the merger agreement; or
- any litigation arising from allegations of a breach of fiduciary duty or other violation of applicable law relating to the merger agreement or the transactions contemplated thereby.

The exceptions described in the first four bullet points above will apply except to the extent such facts, circumstances, events, changes or developments have a disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to other companies in the industries or in the geographic markets in which the Company conducts its businesses after taking into account the size of the Company relative to such other companies.

The parties also have agreed that any decline in the stock price of the Ceridian common stock or any failure to meet internal or published projections, forecasts or revenue or earning predictions for any period will not, in and of itself, constitute a Company Material Adverse Effect, but the underlying causes of such decline or failure will be considered to the extent applicable in determining whether there is a Company Material Adverse Effect.

The merger agreement also contains various representations and warranties made by Parent and Merger Sub that are subject, in some cases, to specified exceptions and qualifications. The material representations and warranties relate to:

- organization, valid existence and good standing;
- corporate or other power and authority to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;

-45-

- enforceability of the merger agreement as against Parent and Merger Sub;

- required consents and approvals of governmental entities in connection with the consummation of the merger and the other transactions contemplated by the merger agreement;

- the absence of any violation of or conflict with their governing documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger and the other transactions contemplated by the merger agreement;

- financing;

- no vote of Parent stockholders;

- governmental investigations and litigation;

- accuracy and compliance with applicable securities law of the information supplied by Parent and Merger Sub for inclusion in the filings made with the SEC in connection with the merger and the other transactions contemplated by the merger agreement;

- capitalization of Merger Sub;

- lack of ownership of Ceridian common stock;

- absence of undisclosed broker s fees;

- indebtedness; and

- absence of arrangements with management of the Company.

Many of Parent and Merger Sub s representations and warranties are qualified by a Parent Material Adverse Effect standard. For the purposes of the merger agreement, Parent Material Adverse Effect means an effect that prevents or materially delays or materially impairs the ability of Parent or Merger Sub to consummate the merger and the transactions contemplated by the merger agreement.

The representations and warranties of each of the parties to the merger agreement will expire upon the effective time.

Conduct of Business Pending the Merger

Under the merger agreement, the Company has agreed that, subject to certain exceptions, from and after the date of the merger agreement and until the effective time of the merger or the date, if any, on which the merger agreement is earlier terminated:

- the Company and its subsidiaries will conduct their business in the ordinary course of business in a manner consistent with past practice; and

- the Company and its subsidiaries will use commercially reasonable efforts to preserve substantially intact the Company s business and preserve their relationships with customers, suppliers, and others having business dealings with them.

The Company has also agreed that during the same time period, except as otherwise contemplated by the merger agreement, the Company and its subsidiaries will not (unless Parent gives its prior written consent):

- authorize or pay any dividends on or make any distribution with respect to its outstanding shares of capital stock (whether in cash, assets, stock or other securities of the Company or its subsidiaries), except for dividends paid by wholly owned subsidiaries of the Company;

- split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, except for any such transaction by a wholly owned subsidiary of the Company which remains a wholly owned subsidiary after giving effect to such transaction;

- except as required by certain existing benefits plans, increase the compensation or benefits of Ceridian employees and directors, subject to customary exceptions;

- establish, adopt, enter into or amend any collective bargaining agreement, plan, trust, fund, policy or arrangement for the benefit of any current or former directors, officers or employees or any of their beneficiaries, except as would not result in a material increase in cost to the Company;

- change financial accounting policies or procedures or any of its methods of reporting income, deductions or other material items for financial accounting purposes, except as required by GAAP, SEC rule or policy or applicable law;

- amend any provision of its certificate of incorporation or bylaws or similar applicable charter documents;

- except for transactions among the Company and its wholly owned subsidiaries or among the Company s wholly owned subsidiaries, issue, sell, pledge, dispose of or encumber, or authorize any of the foregoing in respect of shares of capital stock or other ownership interests in the Company or any of its subsidiaries, other than certain permitted issuances of shares relating to certain stock options;

- except among the Company and its wholly owned subsidiaries or among the Company s wholly owned subsidiaries, purchase, redeem or otherwise acquire any shares of capital stock or other equity securities or any rights, warrants or options to acquire any such equity securities;

- incur, assume, guarantee, prepay or otherwise become liable for any indebtedness for borrowed money except for (1) indebtedness for borrowed money among the Company and its wholly owned subsidiaries or among the Company s wholly owned subsidiaries; (2) indebtedness for borrowed money incurred to replace any existing indebtedness on no less favorable terms; (3) guarantees by the Company of indebtedness for borrowed money of subsidiaries; (4) indebtedness for borrowed money incurred pursuant to agreements in effect prior to the execution of the merger agreement or the issuance of new commercial paper by the Company, in each case in the ordinary course of business consistent with past practice; (5) indebtedness for borrowed money in an amount not to exceed $5 million, plus any amounts needed by the Company to consummate the transactions set forth in the appropriate section of the Company s disclosure schedule, in aggregate principal amount outstanding at any time incurred by the Company or any of its subsidiaries;

- except among the Company and its wholly owned subsidiaries or among the Company s wholly owned subsidiaries, sell, lease, license, transfer, exchange or swap, mortgage or otherwise encumber or otherwise dispose of any material portion of its properties or assets, except sales of inventory in the ordinary course and pursuant to existing agreements, or as contemplated by the merger agreement to obtain regulatory approvals;

- modify, amend, terminate or waive any rights under certain material contracts in any material respect in a manner that is adverse to the Company;

- enter into certain material contracts other than in the ordinary course of business consistent with past practice, or enter into any collective bargaining agreement;

- make, change or revoke any material tax election; file any material amended tax return or settle or compromise any material liability for taxes; change any accounting method in respect of a material

amount of taxes; prepare any tax return in a manner not consistent with past practice, or incur any material liability for taxes other than in the ordinary course of business;

- make capital expenditures that (1) involve the purchase of material real property or (2) are in excess of $500,000 individually or $5 million in the aggregate, except for any capital expenditures provided for in the capital expenditure plan previously made available to Parent;

- directly or indirectly acquire (1) by merging or consolidating with, or by purchasing all of or a substantial equity interest in, or by any other manner, any person or division, business or equity interest of any person or (2) except in the ordinary course of business consistent with past practice, any assets that, individually, have a purchase price in excess of $500,000 or, in the aggregate, have a purchase price in excess of $5 million;

- make any investment in, or loan or advance to, any person, other than travel and similar advances to its employees in the ordinary course of business consistent with past practice and other than a direct or indirect wholly owned subsidiary of the Company in the ordinary course of business;

- pay, discharge, settle or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than reflected or reserved against in the most recent consolidated financial statements (or the notes thereto) of the Company included in its SEC filings since December 31, 2005 or incurred since the date of such financial statements in the ordinary course of business consistent with past practice;

- settle any material litigation; or

- agree, or permit any of its subsidiaries, to take any of the foregoing actions.

In addition, Parent has agreed, on behalf of itself and its subsidiaries, that prior to the merger, it will not, and will not permit any of its subsidiaries to, take or agree to take any action (including entering into agreements with respect to any acquisitions, mergers, consolidations or business combinations) which would reasonably be expected to prevent or materially delay or impair the ability of Parent or Merger Sub to consummate the merger.

No Solicitation of Transactions

Until completion of the merger or the earlier termination of the merger agreement, and subject to the exceptions described below, the Company has agreed not to, and to use its reasonable best efforts to cause its representatives not to:

- solicit, initiate, cause or knowingly encourage any inquiries with respect to, or the making, submission or announcement of, any Alternative Proposal (as defined below);

- participate in any negotiations regarding an Alternative Proposal, or furnish any information regarding the Company or an Alternative Proposal, to any person that has made or is considering making an Alternative Proposal; or

- engage in discussions regarding an Alternative Proposal with any person that has made or is considering making an Alternative Proposal.

Alternative Proposal means any bona fide inquiry, proposal, or offer from any person or group of persons, prior to the receipt of Company stockholder approval of the merger agreement and approval of the merger (other than a proposal or offer by Parent and any of its subsidiaries), for:

- a merger, reorganization, share exchange, consolidation, business combination, recapitalization, dissolution, liquidation or similar transaction involving the Company;

- the acquisition by any person or group of persons of assets representing 15% or more of the fair market value of the assets of the Company and its subsidiaries; or

- the acquisition by any person or group of persons of 15% or more of the outstanding shares of Ceridian common stock.

The Company is required to promptly notify Parent of any Alternative Proposal and include in such notice the identity of the person making any Alternative Proposal and the material terms of any such Alternative Proposal and shall include a copy of such proposal.

The parties have agreed, however, that the Company may take the following actions (after notifying Parent of its intent to do so and receiving a signed agreement from the third party containing confidentiality provisions that are no less favorable to the Company than those contained in the confidentiality agreements between the Company and THL Partners and FNF, respectively), prior to the receipt of Company stockholder approval of the merger agreement, in response to a bona fide written Alternative Proposal that the board determines in good faith constitutes a Superior Proposal (as defined below) or is reasonably likely to result in a Superior Proposal, if the board determines in good faith, after consultation with outside legal counsel, that the failure to take such actions would be reasonably likely to be inconsistent with the directors exercise of their fiduciary duties:

- furnish information to the third party making the Alternative Proposal; and

- engage in discussions with the third party with respect to the Alternative Proposal.

Parent will be entitled to receive a copy of the confidentiality agreement referred to above and the Company will at the same time provide Parent any information that is provided to the third party making the Alternative Proposal. In addition, the Company has agreed to keep Parent reasonably informed regarding the Alternative Proposal and material developments with respect thereto.

The Company has also agreed, subject to the exceptions described below, that neither the board nor any committee thereof will:

- withdraw or modify, or propose publicly to withdraw or modify in a manner adverse to Parent, the approval or recommendation by the board of the merger agreement;

- approve or recommend, or propose publicly to approve or recommend, any Alternative Proposal; or

- fail to recommend that stockholders not tender their shares in any tender offer within 15 business days of the commencement of such tender or exchange offer.

Any of the foregoing actions constitute a Change of Recommendation under the merger agreement. If the board determines in good faith, after consultation with outside legal counsel, that failure to effect a Change of Recommendation would be reasonably likely to be inconsistent with the exercise of its fiduciary duties, the board may make a Change of Recommendation.

In addition, the Company has also agreed that neither the board nor any committee thereof will approve or recommend, or propose publicly to do so, any agreement with respect to an Alternative Proposal. However, in response to a Superior Proposal, the board may cause the Company to terminate the merger agreement and concurrently with such termination enter into an agreement related to an Alternative Proposal, subject to satisfaction by the Company of its termination fee obligations under the merger agreement, and provided that the board may only exercise its termination rights after the third business day following Parent s receipt of a written notice from the Company advising Parent that the board intends to terminate the merger agreement and specifying its reasons, including a description of the material terms of the Superior Proposal that is the basis for the proposed termination. During those three days the Company has agreed to negotiate with Parent and its representatives in good faith regarding any proposed revisions to the terms of the merger.

Superior Proposal means a bona fide, written offer made by a third party to acquire, directly or indirectly, more than 40% 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, which the board determines in good faith, after consultation with the Company s financial and legal advisors, and considering such factors as the board considers to be appropriate (including the timing and likelihood of consummation of such proposal), are more favorable to the Company and its stockholders from a financial point of view than the transactions contemplated by the merger agreement.

Stockholders Meeting

The Company has agreed, as promptly as reasonably practicable following the mailing of this proxy statement, to call and hold a meeting of the Company s stockholders for the purpose of obtaining the stockholders adoption of the merger agreement and approval of the merger. The Company is required to use all reasonable efforts to solicit stockholder proxies in favor of the approval of the merger agreement and the transactions contemplated by the merger agreement, subject to a Change in Recommendation.

Equity Awards

- *Stock Options*. Upon the completion of the merger, except as otherwise agreed by Parent and a holder, each outstanding option to acquire the Company s common stock, whether or not vested, that remains outstanding as of the closing of the merger will be cancelled and converted into the right to receive a cash payment equal to the number of shares of the Company s common stock underlying the option multiplied by the amount (if any) by which $36.00 exceeds the applicable exercise price of the option, less any applicable withholding taxes.

- *Restricted Stock Units*. Upon the completion of the merger, except as otherwise agreed by Parent and a holder, each restricted stock unit will be cancelled and converted into the right to receive a cash payment equal to $36.00, less any applicable withholding taxes.

- *Deferred Stock Units*. Upon the completion of the merger, all amounts held in participant accounts under the deferred compensation plans that are denominated in the Company s common stock will be converted into the right to receive a cash payment equal to the number of shares of the Company s common stock deemed held in such accounts multiplied by $36.00, less any applicable withholding taxes. This amount will be payable or distributable in accordance with the terms of our deferred compensation plans.

- *Restricted Stock*. Upon the completion of the merger, except as otherwise agreed by Parent and a holder, each share of restricted stock will be cancelled and converted into the right to receive a cash payment equal to $36.00, less any applicable withholding taxes.

Employee Benefits

For all purposes under any employee benefit plans of Parent and its subsidiaries providing benefits to employees of the Company after the effective time, each employee will be credited with his or her years of service with the Company under the employee benefit plans of Parent to the same extent that he or she was entitled to credit for service under the Company s similar benefit plans prior to the effective time, other than with respect to accruals under any defined benefit pension plan. Each employee will be immediately eligible to participate in Parent s new employee benefit plans that replace a similar or comparable old benefit plan under which the employee participated. In addition, for new plans of Parent, preexisting condition exclusions and similar requirements will be waived to the extent they were waived under the Company s old plans, and eligible expenses incurred by an employee during the portion of the year prior to consummation of the merger will be credited for deductible and maximum out-of-pocket expenses for that year under Parent s benefit plans.

Unless earlier paid by Ceridian prior to the merger, no later than March 15, 2008, Parent will pay to each Ceridian employee as of December 31, 2007, an annual bonus in respect of the 2007 performance year based on Ceridian s actual performance levels.

Indemnification and Insurance

For a period of six years from the effective time, Parent will maintain in effect director, officer and employee exculpation, indemnification and advancement of expenses provisions no less favorable than those of the Company s and any of its subsidiaries certificates of incorporation and bylaws as in effect immediately prior to the effective time or in any indemnification agreements of the Company or its subsidiaries with any of their respective directors, officers or employees as in effect immediately prior to the effective time, and will not amend, repeal or otherwise modify any such provisions in any manner that would adversely affect the rights thereunder of any individuals who at the effective time were current or former directors, officers or employees of the Company or any of its subsidiaries.

The parties have also agreed that Parent will, to the fullest extent permitted under applicable law, indemnify and hold harmless each current and former director, officer or employee of the Company or any of its subsidiaries and each person who served as a director, officer, member, trustee or fiduciary of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or enterprise at the request of the Company (each, an Indemnified Party) against any costs or expenses, judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any actual or threatened action, arising out of, relating to or in connection with any action or omission occurring or alleged to have occurred whether before or after the effective time (including acts or omissions in connection with such persons serving as an officer, director or other fiduciary in any entity if such service was at the request or for the benefit of the Company).

The parties have further agreed that either for a period of six years from the effective time, Parent will maintain in effect the current policies of directors and officers liability insurance and fiduciary liability insurance maintained by the Company and its subsidiaries with respect to matters arising on or before the effective time, subject to a maximum annual insurance premium of 300% of the last annual premium paid by the Company prior to the date of the merger agreement in respect of such coverage, or at Parent s option, the Company will purchase, prior to the effective time, a six-year prepaid tail policy on terms and conditions providing substantially equivalent benefits as the current policies of directors and officers liability insurance and fiduciary liability insurance. If the Company obtains such a prepaid tail policy, Parent will maintain the policy in full force and effect for its full term.

Parent will also pay all reasonable expenses, including reasonable attorneys fees that may be incurred by any Indemnified Party in enforcing the foregoing obligations.

Agreement to Take Further Action and to Use All Reasonable Best Efforts

Each of the Company, Parent, and Merger Sub has agreed to use its reasonable best efforts to do all things necessary, proper or advisable under applicable laws to consummate and make effective the merger and the other transactions contemplated by the merger agreement, including to obtain necessary consents or approvals from government authorities or third parties, to defend any lawsuit challenging the merger agreement or the consummation of the merger or the other transactions contemplated by the merger agreement, and to execute and deliver any additional documents necessary to complete the merger and the other transactions contemplated by the merger agreement. However, in no event are Parent, Merger Sub or the Company or any of its subsidiaries required to pay prior to the effective time any fee or other consideration to any third party for any consent or approval required for the consummation of the transactions contemplated by the merger agreement under any contract or agreement. The Company and the Parent have agreed to use reasonable best efforts to cooperate with each other in making any required filings with any governmental entity.

Parent and the Company are obligated to use reasonable best efforts to obtain necessary antitrust clearances, subject to the limitation that Parent is not required to make any divestitures of dispositions of the assets of Parent or its affiliates, and the Company will not divest assets or take any action that would reasonably be expected to result in a Company Material Adverse Effect, including divestiture of assets accounting for more than 15% of the Company s 2006 EBITDA. With respect to consents or filings with state governmental authorities involving the licenses held by Comdata Network, Inc. (Comdata) or its affiliates as a seller of checks, money transmitter or payroll processor required in connection with consummation of the merger, the parties have agreed not to make any divestiture or accept any operational restrictions involving such assets, except commercially reasonable efforts to effect intra-Company restructuring accounting for up to 5% of the 2006 revenues of Comdata.

Financing Commitments; Company Cooperation

Parent has agreed to use its reasonable best efforts to arrange the debt financing in connection with the merger and the other transactions contemplated by the merger agreement on the terms described in the debt commitment letters delivered in connection with the signing of the merger agreement. If Parent becomes aware of any event or circumstance that makes any portion of the debt financing unlikely to be procured in the manner or from the sources contemplated in the debt commitment letter, Parent must use its reasonable best efforts to obtain alternative financing for any such portion on terms that are no less favorable, from the standpoint of the Company (both before and after the merger) and Parent, than the terms and conditions relating to the portion of the debt financing being replaced.

The Company has agreed to cooperate reasonably with Parent in obtaining the financing, including making reasonably available appropriate personnel of the Company, furnishing information reasonably required for use in connection with the debt financing, cooperating in the preparation of any underwriting or placement agreements, pledge and security documents and other definitive financing documents and the execution of financing documents and the taking of certain other customary actions to facilitate the financing.

Marketing Period

Unless otherwise agreed by the parties to the merger agreement, the parties are required to close the merger on the fifth business day after the satisfaction or waiver of the conditions described under The Merger Agreement Conditions to the Merger below, provided that the parties are not obligated to close the merger until the earliest to occur of (i) a date during the marketing period specified by Parent on no less than three business days notice to the Company, (ii) the third business day following the final day of the marketing period and (iii) the end date (as defined under the merger agreement and as it may be extended).

The marketing period means the first period of thirty (30) consecutive business days throughout which:

- Parent has certain financial information required to be provided by the Company under the merger agreement in connection with Parent s financing of the merger;
- such information meets certain requirements as to accuracy, completeness and consistency with certain SEC regulations; and
- the mutual conditions and the conditions to the obligation of Parent and Merger Sub to consummate the merger (other than those that by their nature can only be satisfied at the closing) are satisfied.

The marketing period will not include any business days in the following time periods:

- August 17, 2007 through September 3, 2007;
- November 21, 2007 through November 25, 2007; and
- December 19, 2007 through January 1, 2008.

However, no business day in any of the above time periods will be deemed to make the business days before and after such periods non-consecutive for purposes of determining the marketing period, provided that at least the final 25 business days of the marketing period are otherwise consecutive.

The purpose of the marketing period is to provide Parent and Merger Sub with a reasonable and appropriate period of time during which they can market and place the permanent debt financing contemplated by the debt financing commitments for the purposes of financing the merger.

Other Covenants and Agreements

The merger agreement contains additional agreements among the Company, Parent and Merger Sub relating to:

- providing Parent reasonable access to the Company s officers, employees, properties, contracts, commitments, books and records;

- taking actions necessary to exempt the transactions contemplated by the merger agreement from the effect of any takeover statutes;

- the issuance of press releases or other public statements relating to the merger agreement or the transactions contemplated by the merger agreement; and

- providing Parent with the opportunity to participate in the defense or settlement of any stockholder litigation relating to the merger, including the right of Parent to consent to the settlement of such litigation (which consent Parent may not unreasonably withhold or delay).

Conditions to the Merger

The obligations of the parties to complete the merger are subject to the satisfaction or waiver of the following conditions:

- the Company stockholder approval has been obtained;

- no restraining order, injunction or other order by any court that prohibits consummation of the merger has been entered and continues to be in effect;

- any applicable waiting period under the HSR Act has expired or been terminated and any approvals and consents required to be obtained under any other antitrust, competition or similar laws of any foreign jurisdiction, other than any such approvals or consents the failure of which to obtain would not have, individually or in the aggregate, a Company Material Adverse Effect, shall have been obtained;

- all consents and approvals involving the licenses held by Comdata Network, Inc. or its affiliates as a seller of checks, money transmitter or payroll processor required in connection with the consummation of the merger on the terms contemplated by the merger agreement (including the terms of the financing contemplated by the merger agreement) have been received (Parent is permitted to waive this condition on behalf of all parties to the merger agreement);

- the representations and warranties of the other party are true and correct both when made and as of the closing date (except to the extent made as of an earlier date, in which case as of such date), except generally where the failure of such representations and warranties to be so true and correct would not have, individually or in the aggregate, a Parent Material Adverse Effect or a Company Material Adverse Effect, as the case may be;

- the other party has in all material respects performed all obligations and complied with all covenants required by

the merger agreement prior to the effective time; and

- the other party has delivered a certificate certifying to the effect that the conditions related to its representations and warranties and performance of its obligations and covenants have been satisfied.

Termination

The merger agreement may be terminated by either the Company or Parent, if:

- the Company and Parent agree to do so;

- the effective time has not occurred by the end date (December 31, 2007, which under certain circumstances can be extended to March 31, 2008), except that this right will not be available to a party if the failure to fulfill any of such party s obligations under the merger agreement is the proximate cause of the failure to complete the merger on or prior to the end date; however, if the marketing period has commenced on or before the end date, but not ended on or before the third business day immediately prior to the end date, the end date shall be automatically extended;

- any final and non-appealable injunction or order permanently prohibits the consummation of the merger, except that the party seeking to terminate the merger agreement must have used its reasonable best efforts to remove such injunction or order; or

- the Company stockholder meeting to vote on the merger agreement has concluded and the Company stockholder approval was not obtained.

The merger agreement may be terminated by the Company:

- if Parent breaches or fails to perform in any material respect under the merger agreement, which breach or failure to perform (1) would result in a failure of a mutual condition or a condition of the Company s obligation to consummate the merger and (2) cannot be cured by the end date; and the Company has given Parent 30 days written notice of its intention to terminate;

- if, prior to the receipt of stockholder approval, the board determines to accept and/or enter into an agreement for a Superior Proposal; provided that the Company complied with the non-solicitation provision of the merger agreement; or

- if (1) the merger has not been consummated on a timely basis in accordance with the merger agreement, (2) at the time of such termination all the mutual conditions and the substantive conditions to the obligation of Parent and Merger Sub to consummate the merger are satisfied and (3) the cause for such failure to timely consummate the merger is the failure of Parent and Merger Sub to obtain the financing for the merger. However, the Company may not exercise the termination right referred to in this bullet if the Company s failure to comply with its obligations to cooperate with Parent in obtaining the financing contributed materially to Parent s failure to obtain the financing.

The merger agreement may be terminated by Parent:

- if the stockholder meeting has not concluded prior to the end date;

- if the Company breaches or fails to perform in any material respect under the merger agreement, which breach or failure to perform (1) would result in a failure of a mutual condition or a condition of the obligation of Parent and Merger Sub to consummate the merger and (2) cannot be cured by the end date; and the Parent has given the Company 30 days written notice of its intention to terminate;

- if prior to the stockholder approval, the board has failed to recommend the merger in the proxy statement or has effected a Change of Recommendation but not if such Change of Recommendation occurs within 10 days after an election of directors resulting in a majority of the board being comprised of persons who were not nominated by the

board in office immediately prior to such election; or

- if any rights (as defined in the Company s stockholder rights plan) have been exercised to purchase Series A Junior Participating Preferred Stock of the Company or common stock of the Company.

If the merger agreement is terminated, the merger will not occur.

Termination Fees

The merger agreement provides that the Company will be required to pay Parent a termination fee of $165 million if the merger agreement is terminated in the following circumstances:

- the merger agreement is terminated by Parent due to a breach of the merger agreement by the Company and (i) prior to the termination of the merger agreement a proposal for a Qualifying Transaction (as defined below) is made or delivered to the Company or publicly proposed or publicly disclosed prior to the stockholder meeting and (ii) within 12 months of the termination of the merger agreement the Company enters into a definitive agreement providing for a Qualifying Transaction;

- (i) the merger agreement is terminated because (x) Company stockholder approval is not obtained at the Company stockholder meeting, (y) the Company stockholder meeting is not held prior to the end date, or (z) any rights (as defined in the Company s stockholder rights plan) have been exercised to purchase Series A Junior Participating Preferred Stock of the Company or common stock of the Company and (ii) within 12 months of the termination of the merger agreement either a Qualifying Transaction is consummated or the Company enters into a definitive agreement providing for a Qualifying Transaction;

- a tender offer or exchange offer that is a Qualifying Transaction is consummated prior to the termination of the merger agreement and the merger agreement is terminated for any reason other than a breach by Parent or Parent s failure to obtain financing for the merger;

- the Company accepts or enters into a Superior Proposal; or

- there is a Change of Recommendation of the board giving rise to a right of Parent to terminate (other than a Change of Recommendation within 10 days after a majority of the incumbent board is voted out of office).

The Company has notified Parent that it does not believe that a standalone recapitalization would meet the definition of a Qualifying Transaction and therefore would not cause the Company to be required to pay the $165 million termination fee under the circumstances described above. Parent has notified the Company that it disagrees with the Company s reading and that it believes that a standalone recapitalization would meet the definition of a Qualifying Transaction and therefore would entitle Parent to the $165 million termination fee under the circumstances described above.

Additionally, the Company may be required to pay Parent up to $20 million to compensate Parent and its affiliates for expenses and related costs in the event that the merger agreement is terminated due to a breach by the Company or because of any of the reasons set forth in the second bullet point of the immediately preceding paragraph, which amount would be deducted from the $165 million termination fee if it is or becomes payable.

The merger agreement also provides that if it is terminated under specified circumstances in connection with willful and material breaches by the Company, the Company will be required to pay Parent a termination fee of $165 million. Parent may also claim actual damages in excess of the $165 million fee in the event of a willful and material breach by the Company of the no-solicitation provisions of the merger agreement described above.

The merger agreement provides that if it is terminated under specified circumstances in connection with willful and material breaches by Parent, or is terminated as a result of the failure to obtain financing, Parent will be required to pay the Company a termination fee of $165 million. Parent s termination fee obligations are guaranteed one-half each by FNF and an affiliate of THL Partners. See The Merger Limited Guarantees.

A Qualifying Transaction is defined as an Alternative Proposal (substituting 50% for the 15% threshold set forth above in the definition of Alternative Proposal with respect to acquisitions of Company common stock, and 30% for the 15% threshold set forth in such definition with respect to acquisitions of assets).

Specific Performance

The parties to the merger agreement have agreed that irreparable damage would occur in the event that any of the provisions of the merger agreement were not performed in accordance with their specific terms or were otherwise breached, and that each of the parties are entitled to seek an injunction or injunctions to prevent breaches of the merger agreement and to enforce specifically its terms and provisions in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). In addition, each of the parties to the merger agreement have irrevocably submitted to the personal jurisdiction of the aforesaid courts.

Amendment and Waiver

The merger agreement may be amended by a written agreement signed by the Company, Parent and Merger Sub at any time prior to the effective time. However, after the receipt of stockholder approval, if any such amendment or waiver requires further approval of the stockholders of the Company under applicable law or in accordance with the rules and regulations of the New York Stock Exchange, the effectiveness of the amendment or waiver will be subject to such further approval of stockholders.

MARKET PRICES OF THE COMPANY COMMON STOCK

Our common stock is listed and trades on the NYSE under the symbol CEN. The number of holders of record of our common stock on the record date was 10,748. We have not declared or paid any cash dividends on our common stock since our inception and our board of directors presently intends to retain all earnings for use in the business for the foreseeable future. The transfer agent and registrar for our common stock is the Bank of New York.

The following table sets forth the high and low sale prices of our common stock as reported on the NYSE Composite Tape for each quarterly period having occurred during the years ending December 31, 2007, 2006, 2005, and 2004.

		Common Stock