Ceridian Shareholder Litigation

COURT: Delaware Court of Chancery
CASE NUMBER: 2996-CC
CLASS PERIOD: 02/13/2007 - 11/09/2007
CASE LEADERS: Gerald H. Silk

Ceridian Corporation ("Ceridian" or "the Company") is a Minneapolis, Minnesota based company comprised primarily of two divisions: Human Resources Solutions and Comdata. Since January 2007, the Company's biggest shareholder has been pursuing a proxy fight to replace the current board of directors. In response to these efforts, on February 13, 2007, the Company disclosed an exploration of strategic alternatives. On May 31, 2007, the Company disclosed that it had agreed to be acquired by Thomas H. Lee Partners, LP ("THL") and Fidelity National Financial, Inc. ("Fidelity"), and had entered into a definitive merger agreement in a deal that values Ceridian at $5.3 billion, or $36 per share.

On June 4, 2007, BLB&G filed a complaint against the Company, its directors, and Ceridian's proposed merger partners on behalf of its client, Minneapolis Firefighter's Relief Association ("Minneapolis Firefighters"), and other similarly situated shareholders, alleging that the proposed transaction arose from the board of directors' breaches of their fiduciary duty to maximize shareholder value and instead is driven primarily as a means to enrich Ceridian's management at the expense of shareholders.

In addition, Ceridian's directors are accused of manipulating shareholder elections by embedding into the merger agreement a contractual provision that allows THL and Fidelity an option to abandon the deal if a majority of the current board is replaced. This "Election Walkaway" provision punishes shareholders for exercising the shareholder franchise and thereby coerces the vote. The defendants are also accused of employing additional unlawful lockup provisions, including "Don't Ask Don't Waive" standstill agreements, an improper "no-shop/no-talk" provision, and a $165 million termination fee as part of the merger agreement in order to deter and preclude the successful emergence of alternatives to the deal with THL and Fidelity.

In addition, Ceridian last held an annual meeting in May 2006, and, in the shadow of the ongoing proxy fight, refused to hold its annual meeting for over 13 months. On June 11, 2007, pursuant to Section 211 of the Delaware General Corporation Law, BLB&G filed a petition against the Company on behalf of its client, the Minneapolis Firefighters, to require that the Company hold its annual meeting promptly.

BLB&G and Lead Plaintiff Achieve Final Settlement

On July 12, 2007, BLB&G and Minneapolis Firefighters achieved a successful resolution of the Section 211 petition , resulting in an order compelling the annual meeting to take place on September 12, 2007. That day, BLB&G and Minneapolis also obtained a partial settlement in the fiduciary duty litigation. Pursuant to the settlement terms, the "Election Walkaway" provision in the merger agreement and the "Don't Ask Don't Waive" standstills have been eliminated, letters were sent by the Ceridian board to standstill parties advising them of their right to make a superior offer, and the "no-shop/no-talk" provision in the merger agreement was amended to significantly expand the scope of competing transactions that can be considered by the Ceridian board.

On February 25, 2008, the court approved the final settlement of the action.

Case Documents

- July 12, 2007 - Plaintiff's Letter to the Court Describing Terms of Proposed Settlement
- July 12, 2007 - Court's Order Setting Date for Ceridian's Annual Meeting Pursuant to Terms of Proposed Settlement
- June 26, 2007 - Amended Class Action Complaint