

CERIDIAN CORP /DE/  
Form PRRN14A  
August 21, 2007  
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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  
Filed by a Party other than the Registrant  
Check the appropriate box:

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

Ceridian Corporation  
(Name of Registrant as Specified in its Charter)

Pershing Square, L.P.  
Pershing Square II, L.P.  
Pershing Square International, Ltd.  
William A. Ackman  
Michael L. Ashner  
John D. Barfitt  
Harald Einsmann  
Robert J. Levenson  
Gregory A. Pratt  
Alan Schwartz  
Michael E. Porter  
Scott D. Ferguson  
Paul C. Hilal  
Roy J. Katzovicz

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (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):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials:

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:

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PRELIMINARY COPY  
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Dear Fellow Ceridian Stockholder:

I am writing to you with respect to the upcoming annual meeting of Ceridian at which you will be asked to consider the sale of the company in a \$36 per share cash merger and elect a slate of directors.

After a careful review of alternatives including sponsored-spin transactions, potential sales of HRS, Comdata, and/or the entire company to strategic or private equity buyers, and standalone leveraged recapitalization alternatives, we have concluded that the \$36 per share cash merger is in light of current market conditions in the best interests of stockholders. We therefore intend to vote our shares for the merger. We are mindful, however, that in light of current market conditions, the merger may not close. As a result, we intend to run our full slate of nominees for the Ceridian board who, if elected, will govern the company going forward in the event the transaction does not close.

We initiated this proxy contest because we were concerned about Ceridian's future direction. Thereafter, the Ceridian board ran a strategic review process and ultimately agreed to the \$36 per share cash merger which you will be considering at the annual meeting. At the time Ceridian announced the merger, we believed that \$36 per share was inadequate, and we therefore began to pursue alternatives. Since that time, significant deterioration in the credit and broader markets has made other alternatives less viable and \$36 per share more attractive. As a result, we fully accept the company's recommendation for the merger and intend to vote our shares in favor of it. If elected, our nominees plan to fully support the company's efforts to consummate the merger as soon as possible. Moreover, pending completion of the merger, our nominees plan to make no changes in management.

Why, you may ask, are we continuing to run our slate even though we intend to vote for the \$36 deal?

The conditions that in our view make the \$36 per share transaction the best alternative for all stockholders also increase the chances, however unlikely, that the transaction may not close. While we believe that the buying group is acquiring the company on attractive terms with committed financing that is no longer available for new transactions, they have only \$165 million — approximately 3% of the total transaction value — at risk if they choose not to go forward. If the transaction does not close, we will have a continuing investment in the company in excess of \$700 million and Ceridian will likely be a long-term investment for us and other stockholders. If the company remains public, it is critical that Ceridian is governed by a board which is well equipped and incentivized to oversee the business going forward.

If our nominees are elected and for some reason the merger does not close, we believe they would:

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focus on operational improvements at Ceridian's HRS business to address its unacceptably low margins,

- evaluate a possible near-term spin-off of Comdata,
- consider the prudent use of leverage and the return of surplus cash to stockholders through a self-tender, share repurchase, or special dividend, and
- reform the board governance to better safeguard stockholder interests.

For this reason, we are asking that you vote "FOR" the election of the Pershing nominees as soon as possible either by marking, signing, dating and returning the enclosed GREEN 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 GREEN proxy card.

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We value your input and support. If you have any questions, require assistance in voting your GREEN proxy card, or need additional copies of our proxy material, please call our proxy solicitor, D.F. King & Co., Inc., at (800) 431-9642. I can be reached at (212) 813-3700.

Sincerely,

William A. Ackman  
Pershing Square Capital Management, L.P.

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PERSHING SQUARE FUNDS PROXY STATEMENT  
2007 ANNUAL MEETING OF STOCKHOLDERS OF CERIDIAN CORPORATION

This preliminary proxy statement is being furnished to the stockholders of Ceridian Corporation, a Delaware corporation with its principal executive offices at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425, which we sometimes refer to as Ceridian or the Company, in connection with the solicitation of GREEN proxies by the Pershing Square Funds<sup>1</sup> for use at the 2007 Annual Meeting of Stockholders of the Company (including any adjournments, continuations or postponements thereof), which we refer to as the 2007 Annual Meeting.

We intend to use the GREEN proxy to (1) vote in the manner you indicate with respect to the merger Ceridian has proposed, (2) elect our nominees, William A. Ackman, Michael L. Ashner, John D. Barfitt, Harald Einsmann, Robert J. Levenson, Gregory A. Pratt and Alan Schwartz, as directors of the Company, (3) vote in the manner you indicate with respect to the proposal to ratify the appointment of KPMG LLP as Ceridian's independent registered public accounting firm and (4) vote in the manner you indicate with respect to the proposal to approve the adjournment of the annual meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the annual meeting to adopt the merger agreement and approve the merger. If no explicit voting instructions are given on proxies returned to us, we will vote such proxies for our nominees, for the merger and for Ceridian's proposals to ratify the appointment of KPMG and adjourn the meeting if there are insufficient votes to

approve the merger.

We had originally indicated our intention to nominate Michael E. Porter as a director but Ceridian has reduced the number of director slots up for election to seven. If our nominees are elected, we expect these new directors would increase the size of the board to eight and fill the vacancy created with Mr. Porter. We collectively refer to our nominees as the Pershing Nominees.

More information about the Pershing Nominees, as well as Mr. Porter, can be found below in the section titled “THE PERSHING NOMINEES”. The Pershing Square Funds, collectively Ceridian’s largest stockholder, beneficially own an aggregate of 21,432,734 shares of Ceridian’s common stock, representing approximately 14.9% of the 144,167,384 shares of common stock reported by Ceridian to be outstanding as of July 27, 2007.

Ceridian has announced that it intends to hold the 2007 Annual Meeting on September 12, 2007, and only holders of record as of July 27, 2007 will be entitled to notice of, and be permitted to vote at, the 2007 Annual Meeting. A majority of the outstanding shares of Ceridian common stock must be represented at the 2007 Annual Meeting in person or by proxy in order to satisfy applicable quorum requirements.

The date of this preliminary proxy statement is August 21, 2007. We expect to make this proxy statement available to stockholders with whom we discuss the 2007 Annual Meeting, Ceridian’s proposed merger and the Pershing Nominees. We will provide this proxy statement in definitive form to all Ceridian stockholders to whom GREEN proxies are furnished by the Pershing Square Funds, or from whom GREEN proxies are requested by the Pershing Square Funds, no later than the time that GREEN proxies are furnished or such requests are made.

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<sup>1</sup> As used herein, the terms “Pershing Square Funds”, “we”, “us” and “our” refer to Pershing Square, L.P., Pershing Square II, L.P. and Pershing Square International, Ltd. (which we collectively refer to as the Pershing Square Funds or simply Pershing Square), William A. Ackman, Scott D. Ferguson, Paul C. Hilal and Roy J. Katzovicz. The Pershing Square Funds are research-intensive, fundamental investors in the public markets and seek to identify investments where market prices exhibit significant valuation discrepancies compared to our assessment of intrinsic value. Additional information about the Pershing Square Funds and the Pershing Nominees, who are also participants in this solicitation, is provided in Appendix A to this Statement.

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No proxy card for use at the 2007 Annual Meeting is included with this proxy statement. A GREEN proxy card will be provided by the Pershing Square Funds when definitive proxy materials are distributed by the Pershing Square Funds to the stockholders of the Company.

If you have any questions, require assistance in voting your GREEN proxy card, or need additional copies of our proxy material, please contact our proxy solicitor at:

D.F. King & Co., Inc.  
48 Wall Street  
New York, NY 10005

Toll-free: (800) 431-9642

Banks and brokers: (212) 269-5550

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STOCKHOLDERS CAN VOTE WITH RESPECT TO the merger AND FOR THE PERSHING NOMINEES by signing and returning green proxy cards.

- Voting by Mail. A GREEN card is enclosed for your use. Whether or not you expect to attend the 2007 Annual Meeting, please sign, date and mail your proxy card promptly in the enclosed postage paid envelope.
- Voting by Telephone or the Internet. If you wish to vote by telephone or by the Internet, please refer to the voting instructions on the GREEN proxy card. If you vote by telephone or the Internet, please do not return your proxy card by mail.

Stockholders who have executed and delivered a proxy card may revoke it at any time before it is voted:

- By delivering an instrument revoking the earlier proxy, or a duly executed later dated proxy for the same shares, to:
  - o D.F. King & Co., Inc., our proxy solicitor, at 48 Wall Street, New York, New York 10005; or
  - o to the Secretary of the Company at its principal executive offices at 3311 East Old Shakopee Road, Minneapolis, Minnesota 55425; or
- By voting in person at the 2007 Annual Meeting.

If you hold your shares through a bank, broker or other nominee holder, only that nominee holder can vote your shares, and only after receiving specific voting instructions from you. Please contact your bank, broker or nominee holder and instruct them to vote a GREEN proxy card with respect to the Merger and “FOR” the Pershing Nominees.

If you previously voted for the Company’s nominees, you can change your vote by signing, dating and returning the GREEN proxy card to D.F. King & Co., Inc. at its address set forth above or by making use of the Internet and telephone voting facilities described above. If you hold your shares through a bank, broker or other nominee holder, you will need to contact your bank, broker or nominee and follow their instructions if you want to revoke a proxy or change your vote.

Only your latest signed and dated proxy will count at the 2007 Annual Meeting.

If the Pershing Square Funds receive GREEN proxies that have no explicit voting instructions, the Pershing Square Funds intend to vote such proxies “FOR” the merger, “FOR” the Pershing Nominees, “FOR” ratification of the appointment of KPMG and “FOR” adjournment if there are insufficient votes to approve the merger. However, the GREEN proxy card will also allow stockholders to vote individually on each of the proposals, including withholding authority to vote for one or more of the Pershing Nominees.

We strongly urge you to vote “FOR” the Pershing Nominees.

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Proposal 1: the Merger

Ceridian has recommended that stockholders vote “FOR” the \$36 per share cash merger for the reasons they set forth in their proxy statement. We refer you to Ceridian’s proxy materials for a discussion of the merger terms, the Ceridian board’s recommendation and related matters.

After a careful review of alternatives, and in light of current market conditions, we fully accept the Company’s recommendation for the merger and intend to vote our shares in favor of it.

We will follow your directions on how to vote your shares on the merger, and if you do not indicate how you wish to vote your shares we will vote them “FOR” the merger.

PROPOSAL 2: election of DIRECTORS

We intend to nominate William A. Ackman, Michael L. Ashner, John D. Barfitt, Harald Einsmann, Robert J. Levenson, Gregory A. Pratt and Alan Schwartz as the Pershing Nominees for election to the Ceridian Board at the 2007 Annual Meeting. In addition, if the Pershing Nominees are elected, we expect that they will expand the board and fill the vacancy with Michael E. Porter.

Our nominees and Mr. Porter have indicated that if elected, they plan to fully support the company's efforts to consummate the merger as soon as possible. Moreover, pending completion of the merger, our nominees and Mr. Porter have indicated that if elected, they plan to make no changes in management.

While we fully and completely support the merger, we believe that present conditions in the credit and broader markets increase the risk that the merger may not be consummated. We believe our nominees would better serve Ceridian's stockholders' interests in the event of a failed transaction.

The merger is with shell subsidiaries of Thomas H. Lee Equity Fund VI and Fidelity National Financial. If they cannot get the financing or otherwise choose not to close, the only obligation they will have is to pay a \$165 million reverse break-up fee. In financial substance, they have a right to walk for \$165 million if their financing becomes too expensive or they otherwise have second thoughts about the deal. We note that the merger agreement contemplates a period of 30 business days after the stockholder vote to market the debt they need before closing. It is impossible to predict whether present market conditions will improve, remain the same, or worsen by that time.

In short, while we support the \$36 per share cash merger and hope that it closes, we are concerned that it may not. In the event of a failed deal, we believe that our nominees are far better suited to maximize the value of Ceridian going forward. We discuss our view of the incumbent board below, and we discuss the credentials of our nominees under "The Pershing Nominees" later in this proxy statement.

We believe the incumbent board has managed Ceridian poorly for the past several years and would be ill suited to move Ceridian forward in the event of a failed deal. We believe the incumbent board:

- Neglected the HRS division
  - Margins have lagged those of its peers for over a decade and despite recent improvements remain significantly below industry standards

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- Failed to spin off all or a part of the Comdata division years ago
- Overpaid for acquisitions (ABR)
  - Paid 8.1x LTM Revenue for ABR compared to the median multiple of 1.6x for comparable transactions
- Mismanaged the Company's senior ranks
  - Hired the wrong people:
    - HRS management has changed hands seven times in the last decade, with no one lasting even three years
    - The board appointed one of its own members on two occasions, Bo Ewald (2003) and Ron James (1996), neither had relevant experience
  - Fired the wrong people:

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- Gary Krow, the head of Comdata, was fired on 5/14/2007 (and was marginalized in his role months before then) after seven years of phenomenal performance; under his oversight, Comdata compounded revenue at 6.5%, EBIT at 11% and margins expanded by more than 875bps
- Doug Neve, the CFO, was terminated on 3/12/2007 after he implemented cost cutting measures bringing HRS to profitability, expanding margins from 0% to 10.5% during his two year tenure
- Failed to fire underperformers: