

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**  
SEC Accession No. **0001047469-99-011673**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### CERIDIAN CORP

CIK: **109758** | IRS No.: **520278528** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-K405** | Act: **34** | File No.: **001-01969** | Film No.: **99574368**  
SIC: **3571** Electronic computers

Business Address  
8100 34TH AVE S  
MINNEAPOLIS MN 55425  
6128538100

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

-----  
FORM 10-K  
-----

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1998

Commission File Number 1-1969

CERIDIAN CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

52-0278528  
(IRS EMPLOYER IDENTIFICATION NO.)

8100 34th Avenue South  
Minneapolis, Minnesota 55425  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)  
Telephone No.: (612) 853-8100

-----  
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS:	NAME OF EACH EXCHANGE ON WHICH REGISTERED:
Common stock, par value \$.50	New York Stock Exchange, Inc.; The Chicago Stock Exchange; and The Pacific Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock of Ceridian as of February 28, 1999, excluding outstanding shares beneficially owned by executive officers and directors of Ceridian, was \$5,152,475,234.

The number of shares of Ceridian common stock outstanding as of February 28, 1999 was 144,101,748.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1998 Annual Report to Stockholders of Registrant: Parts I & II  
Portions of the Proxy Statement for Annual Meeting of Stockholders, May 20, 1999: Parts III and IV

CERIDIAN CORPORATION  
PART I

THIS ANNUAL REPORT ON FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THE STATEMENTS REGARDING CERIDIAN CORPORATION CONTAINED IN THIS RELEASE THAT ARE NOT HISTORICAL IN NATURE, PARTICULARLY THOSE THAT UTILIZE TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECTS," "ANTICIPATES," "ESTIMATES," "BELIEVES" OR "PLANS," OR COMPARABLE TERMINOLOGY, ARE FORWARD-LOOKING STATEMENTS BASED ON CURRENT EXPECTATIONS AND ASSUMPTIONS, AND ENTAIL VARIOUS RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN SUCH FORWARD-LOOKING STATEMENTS. IMPORTANT FACTORS KNOWN TO CERIDIAN THAT COULD CAUSE SUCH MATERIAL DIFFERENCES ARE IDENTIFIED IN THE "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION" UNDER THE CAPTION "CAUTIONARY FACTORS THAT COULD AFFECT FUTURE RESULTS" ON PAGE 15 OF CERIDIAN'S 1998 ANNUAL REPORT TO STOCKHOLDERS, WHICH IS INCORPORATED BY REFERENCE INTO PART II, ITEM 7 OF THIS REPORT.

ITEM 1. BUSINESS.

Ceridian Corporation ("Ceridian") was founded in 1957 and is incorporated in Delaware. The principal executive office of Ceridian is located at 8100 34th Avenue South, Minneapolis, Minnesota 55425, telephone (612) 853-8100.

Ceridian operates exclusively in the information services industry. Ceridian's information services businesses, which consist of its Human Resource Services businesses ("HRS"), its Comdata subsidiary and its Arbitron division, provide products and services to customers in the human resources, transportation and media information markets. These businesses collect, manage and analyze data and process transactions on behalf of customers, report information resulting from such activities to customers, and provide customers with related software applications and services. The technology-based products and services of these businesses are typically provided through long-term customer relationships that result in a high level of recurring revenue.

HUMAN RESOURCE SERVICES.

The businesses comprising HRS offer a broad range of services and

software designed to help employers more effectively manage their work forces and information that is integral to human resource processes. HRS' human resource management products and services are provided through Ceridian Employer Services, Ceridian Performance Partners, Centrefile and Usertech. HRS' revenue for the years 1996, 1997 and 1998 was \$490.3 million, \$578.6 million and \$700.3 million, respectively.

MARKETS. The market for human resource services covers a comprehensive range of information management and employer/employee assistance services and software. These products and services include transaction-oriented administrative services and software products, primarily in areas such as payroll processing, tax filing and benefits administration as well as management support software and services in areas such as human resource administration, regulatory compliance, employee training and employee assistance programs.

The market for these products and services is expected to continue to grow as organizations seek not only to reduce costs and improve productivity by outsourcing administrative services and further automating internal processes, but also to adapt to the increasing scope and complexity of laws and regulations governing businesses and increasingly complicated work-life issues faced by employers and employees.

Ceridian classifies employers in the human resource services market into three categories: small (fewer than 100 employees), medium (100 to 10,000 employees) and large (over 10,000 employees). Small employers in the human resource services market tend to be relatively more price sensitive, to require less customization or flexibility in product and service offerings, and to switch more readily from one provider to another. Medium- and large-sized employers' human resource management needs tend to be more complex, and therefore often require more customization and flexibility in products and services, greater integration among data processing systems and a greater variety of products and services. Ceridian believes, however, that with regard to any size employer, a provider of a transaction-based service, such as payroll processing, or employee assistance and work-life services is afforded attractive opportunities to complement that core service with additional products and services that are natural adjuncts to that core service and potentially important factors in revenue growth.

PRODUCTS AND SERVICES. HRS' human resource management products and services include payroll processing services and software, tax filing services, human resource information software, benefits administration software, time and attendance solutions, recruiting and skills management software, employee assistance and work-life programs, training and other services. These products and services are provided in the U.S., Canada and the United Kingdom through Ceridian Employer Services, Ceridian Performance Partners, Centrefile and Usertech. Payroll processing and tax filing services accounted for about 86% of HRS' 1998 revenue, with about 80% of 1998 payroll processing and tax filing revenue derived from the United States.

Payroll processing in the U.S. consists primarily of preparing and furnishing employee payroll checks, direct deposit advices and supporting journals and summaries, but does not involve the handling or transmission of customer payroll funds. Ceridian also supplies quarterly and annual social security, Medicare, and federal, state and local income tax withholding

reports required to be filed by employers and employees. Payroll tax filing consists primarily of collecting funds for federal, state and local employment taxes from customers based on payroll information provided by the customers, remitting funds collected to the appropriate taxing authorities, filing applicable returns, and handling related regulatory correspondence and amendments. Payroll-related services are typically priced on a fee-per-item-processed basis.

Revenue from payroll tax filing services in the U.S. also includes investment income earned by Ceridian from tax filing deposits temporarily held pending remittance on behalf of customers to taxing authorities. Customer deposits are held in a fiduciary capacity in a tax filing trust established by Ceridian. The trust invests primarily in high quality collateralized short-term investments, top tier commercial paper, U.S. Treasury and Agency securities, AAA rated asset-backed securities and corporate securities rated A3/A- or better. The duration of investments is carefully managed to meet the liquidity needs of the trust. About 62% of 1998 tax filing revenue was attributable to such investment income. Due to the significance of this investment income, HRS' quarterly revenue and profitability fluctuate as a result of changes in interest rates and in the amount of tax filing deposits held. Because the volume of payroll items processed increases in the first and fourth quarters of each year in connection with employers' year-end reporting requirements, and because the amount of tax filing deposits also tends to be greatest in the first quarter, HRS' revenue and profitability tend to be greater in those quarters.

Payroll processing in the U.S. is conducted using Ceridian's proprietary "Signature" software at 31 district offices located throughout the U.S.. Ceridian's payroll system allows customers to input their own payroll data via personal computers, transmit the data on-line to Ceridian for processing, retrieve reports and data files from Ceridian and print reports and, in certain instances, payroll checks or direct deposit advices on site. Customers can also input payroll data by telephone or batch transmittal, with payroll checks and related reports prepared by Ceridian at one of its district processing centers. Ceridian's payroll processing system also interfaces with both customer and third-party transaction processing systems to facilitate services

2

such as direct deposit of payroll. Ceridian's tax filing services are provided not only to employers who utilize Ceridian's payroll processing service, but also to local and regional payroll processors.

Ceridian provides human resource information systems (HRIS) software that runs in either Windows (\*) or DOS environments and serves as a "front-end" to Ceridian's Signature payroll processing system, allowing customers to utilize a common database for both payroll and HRIS purposes. This enables the customer to create a single database of employee information for on-line inquiry, updating and reporting in payroll and other areas important to human resource administration and management, such as employee data tracking, government compliance, compensation analysis and benefits administration. Ceridian also provides HRIS software for Microsoft operating environments that incorporates open, industry standard technology, is

scalable from standalone applications to full client/server configurations, and can be utilized with an existing interface as a front-end for Ceridian's payroll processing and tax filing services. Ceridian introduced during 1998 versions of this software that will enable it to serve as a fully integrated front-end to the Signature payroll processing system, as well as an Internet/intranet version which will enable employees and managers to view and modify various types of human resources information on-line.

In 1998, Ceridian introduced its Source 500 product, a fully integrated HRIS, payroll, benefits, recruiting and employee self-service solution. Because of the importance of being able to integrate Ceridian's payroll processing and tax filing systems with other systems and applications utilized by customers and potential customers, particularly third-party HRIS applications, Ceridian has also developed interfaces to exchange employee-related information between Ceridian's payroll system and the HRIS systems of vendors, such as Oracle Corporation, SAP and PeopleSoft Inc.

In recent years, Ceridian has expanded its payroll processing and HRIS software businesses outside of the U.S. through acquisitions. Approximately 17% of HRS' 1998 revenue was obtained from customers outside of the U.S. Ceridian's Centrefile Limited subsidiary provides mainframe-based payroll processing services and HRIS software in the United Kingdom. Centrefile's services do not involve the handling or transmission of customer payroll funds. As a result of the acquisition of the payroll processing business of the Toronto-Dominion Bank in January 1998 and the Comcheq payroll processing business of the Canadian Imperial Bank of Commerce in March 1998, Ceridian handles payroll as well as tax filing funds for its Canadian customers. Ceridian collects payroll and payroll tax amounts from customers and remits tax amounts to applicable governmental authorities and makes direct deposits of payroll amounts to employees' bank accounts. As a result, revenue from Ceridian's payroll processing services in Canada also includes investment income received from temporarily holding these amounts. The Canadian trust invests in securities issued by the government and provinces of Canada, highly rated Canada banks and corporations, asset backed trusts and mortgages. Ceridian earns income from the trust and charges fees for services similar to those provided in the U.S. About 32% of the 1998 revenue of these Canadian businesses was attributable to such investment income.

Ceridian's Small Business Solutions provides Internet payroll processing, tax filing, unemployment compensation management and related services, primarily for small employers located in the Mid-Atlantic States. Ceridian also provides advanced time and attendance software, including a client/server version which complements a wide variety of HRIS and payroll systems, and a series of inter-related software applications that allow employees and managers direct access to employment-related information through telephones, touch screen kiosks, personal computers and Internet/intranet technologies.

-----  
(\* ) "Windows" is a trademark of Microsoft Corporation.

HRS also includes Ceridian businesses that provide a variety of employee assistance, work-life balance, management support and training products and services. Ceridian Performance Partners provides services to help organizations address workplace effectiveness issues and improve employee recruitment, retention and productivity and reduce absenteeism. Staff consultants provide confidential assistance 24 hours a day to customers' employees to help them address issues ranging from everyday matters to crisis situations. Supporting these consultants are research and subject matter experts who provide specialized expertise in areas, such as parenting/child care, elder care, adult disabilities, addiction disorders, mental health and financial, legal, managerial/supervisory and education/schooling issues. In November 1998, Ceridian acquired for Ceridian Performance Partners the work-life services business of Work/Family Directions, Inc. The acquisition doubled the number of Ceridian Performance Partners' employees and the number of client employees and family members served.

Ceridian's Usertech provides customized end-user training and support programs to organizations implementing new systems. Services provided by Usertech include classroom and computer-based training, print-based and on-line user guides and reference, and marketing communications programs.

**SALES AND MARKETING.** Payroll processing, tax filing and human resource management software and services are marketed in the U.S. through a direct sales force operating through about three dozen offices located throughout the U.S. Marketing relationships have been established with banks, accounting firms and insurance companies pursuant to which these products and services are offered to the business clients of these entities. The most significant source of customer leads for these transaction-based products and services are referrals from these marketing relationships and existing customers. The other HRS businesses, including operations in the United Kingdom and Canada, utilize their own direct sales forces. Customer leads for the products and services of these businesses are generally obtained through referrals, trade shows, product demonstration seminars, third party resellers and direct sales efforts.

HRS' customer base covers a wide range of industries and markets, and no single customer represented more than 1% of HRS' 1998 revenue. HRS' products and services are provided under written license or service agreements, with contracts for repetitive services generally terminable upon relatively short notice.

The HRS businesses utilize cooperative marketing relationships with other companies offering products or services that complement those of the HRS businesses as well as informal marketing alliances with human resource consulting firms, and are exploring similar cooperative arrangements with other software, insurance and human resource services providers. During 1998, Ceridian announced an alliance with Aetna U.S. Healthcare to develop and market an Internet-based total benefits and human resources/payroll solution for middle-market employers. HRS is also seeking to further integrate and coordinate the sales and marketing efforts of its businesses and to sell a greater variety of its products and services to the customers of its various businesses.

**COMPETITION.** The human resource services industry is highly competitive. Competition comes from national, regional and local third party transaction processors, as well as from software companies, consulting firms



and internally developed and operated systems and software.

The majority of all payroll processing and tax filing in the U.S., Canada and the United Kingdom is supported in-house, with the remainder supported by third party providers. In the U.S., Automatic Data Processing, Inc. ("ADP") is the largest third party provider, with Ceridian and Paychex, Inc. ("Paychex") comprising the other two large, national providers. ADP serves all sizes of employers, while Paychex focuses on small employers. Other third party payroll and tax

4

filing providers are generally regional and local competitors, although larger, national providers of benefits administration or 401(k) processing services may contemplate expansion into outsourced payroll processing. In both the United Kingdom and Canada, Ceridian believes that its respective subsidiaries are the largest outsourced payroll processing providers in terms of revenue, in each case competing with several other national providers, including a subsidiary of ADP, and local providers. Competition in both the payroll processing and HRIS software areas also comes from a number of large, national software companies that provide both payroll processing software for in-house processing as well as HRIS software, often in conjunction with other enterprise management software applications.

Apart from payroll processing and tax filing services, HRS' businesses generally compete with a variety of national and regional application software companies, training companies, consulting firms and human resource services providers. Generally, the market for these products and services is evolving and is not dominated by a small number of competitors.

Currently, the principal competitive factors in the human resource services industry are performance, price, functionality, ease and flexibility of use, customer support and industry standard technology architecture. Ceridian believes that the ability to integrate human resource management software applications with customers' other in-house applications, and the ability to provide client/server-based solutions are becoming increasingly important competitive factors. While Ceridian believes its HRS businesses are able to compete effectively in the overall human resource services market, their continued ability to compete effectively will depend in large measure on their ability to timely develop and implement new technology, particularly that which incorporates industry standard architecture and client/server-based solutions.

COMDATA.

Ceridian's Comdata subsidiary provides transaction processing and decision support services to the transportation industry, primarily trucking companies, truck stops and truck drivers, in both the long haul and local markets in the U.S. In January 1998, Comdata sold its gaming services business to First Data Corporation in exchange for First Data's NTS transportation services business and cash. Comdata's revenue from products and services provided to the transportation industry for the years 1996, 1997 and 1998, including 1998 revenue from the operations of NTS which have been integrated with Comdata, was \$173.7 million, \$197.8 million and \$261.5



million, respectively.

MARKETS. The transportation industry encompasses both long haul fleets and local fleets. Private fleets predominate in the local fleet segment, but play a lesser role in the long haul fleet segment. Common carriers, which provide trucking services to companies that do not have fleets of their own, predominate in the long haul fleet segment, which is comprised of less-than-truckload and truckload components. The less-than-truckload component, which involves trucks that make multiple stops to load and unload, is characterized by large capital requirements and a relatively high degree of consolidation. The truckload component, which involves the transportation of full loads directly from shipper to final destination without going through any sorting terminals, is highly fragmented and, Comdata believes, is growing at the expense of the less-than-truckload component.

The majority of Comdata's trucking company customers are common carriers serving the truckload component of the long haul segment. Many of these carriers do not employ their drivers, but instead contract with individual owner-operators. Such owner-operators usually settle their expenses with the common carrier after the completion of each trip. Drivers for truckload carriers often spend weeks on the road at a time, creating a number of unique conditions and business opportunities. Truckload carriers are challenged to monitor and control fuel purchases, provide driver services to aid in recruitment and improve retention, obtain

5

necessary licenses and permits, and effectively manage the routing and logistics of such long-distance trips.

SERVICES. Comdata provides services to trucking companies, truck stops and truck drivers in the long haul segment of the trucking industry, and is seeking to expand its service offerings to the local fleet segment. These services primarily involve the use of a proprietary funds transfer card which facilitates truck driver transactions and provides transaction control and trip information for trucking firms. Additionally, Comdata provides assistance in obtaining regulatory permits and other compliance services, driver relations services, local fueling services and discounted telecommunications services in its markets.

TRUCKING COMPANY SERVICES. Comdata provides trucking companies and their drivers with a variety of funds transfer services, most commonly initiated through the use of Comdata's proprietary Comchek-Registered Trademark- card, which is used in a manner similar to an ordinary credit card. Comdata's funds transfer system is designed to enable truck drivers to obtain funding for purchases and cash advances at truck stops and other locations en route to their destination. Drivers may use the Comchek card to purchase fuel, lodging and other approved items, obtain cash advances from ATM machines or through the use of Comchek drafts, make long distance phone calls and make direct deposits of pay, settlements (for non-employee owner-operators) or trip advances to personal bank accounts. In 1998, Comdata processed approximately 60 million funds transfer transactions involving approximately \$10.7 billion for the trucking industry.

Use of the Comchek card allows the trucking company customer greater control over its expenses by allowing it to set limits on the use of the cards, such as by designating locations where the cards may be used, the frequency with which they may be used, phone numbers which may be called and the amount of authorized use. Use of a Comchek card also enables Comdata to capture and provide to trucking company customers (usually within 24 hours after the completion of a given trip) transaction and trip-related information that greatly enhances a customer's ability to track and plan fuel purchases and other trip expenses and settle with drivers. Comdata also provides trucking companies with a Windows-based software application that provides trucking companies with on-line access to Comdata's computer system for data on fuel purchases and other trip information, and facilitates pre- and post-trip planning functions. Comdata recently introduced the MOTRS (Modular Over The Road System) Web-based application that enables customers to go online for local dial-up access, interactive reporting capabilities, the latest diesel fuel prices and related information from their desktop.

Use of a Comchek card typically generates a Comchek draft, which is payable through a Comdata bank account. Comdata funds the underlying transaction when the truck stop (or other payee) negotiates the draft by depositing it in its bank account. Comdata bills the trucking company for the amount of the draft plus a portion of the service fee, and collects from the truck stop the balance of the service fee. The trucking company remits payment to Comdata by wire transfer or check, typically within six days, although trucking companies may be billed by Comdata in advance for all funds transfers authorized for any purpose in connection with a particular trip.

Approximately 16% of Comdata's funds transfer revenue is derived from transactions that do not involve the Comchek card. When a truck driver makes a request at a truck stop for a funds transfer, Comdata verifies that the driver's company has established sufficient credit. Upon presentation of valid identification, the truck stop obtains an authorization number from Comdata and issues a Comchek draft, which is handled in the manner described earlier. Comdata also provides the previously described information gathering and processing services in connection with fueling transactions which Comdata does not fund, but instead are billed directly by the truck stop to the trucking company. Fees for these "direct bill" transactions are substantially lower.

Comdata also provides fuel price tracking reports and management within a network of truck stops, including cost/plus fuel purchase programs.

Comdata's Regulatory Compliance division determines the permits needed for a designated trip, truck and load, purchases those permits on behalf of the customer and delivers them by facsimile machine to a truck stop where they can be picked up by the driver. Comdata also provides certain regulatory compliance services, such as processing and auditing of driver trip logs, reporting of fuel taxes, annual licensing and motor vehicle registration verification. Vehicle escort services for oversized loads are also provided.

Comdata offers a computerized shipment interchange system to help

trucking companies find loads for their return trips, thereby reducing empty backhauls. By making specific shipment information available to customers on a subscription basis, available shipments can be matched with available cargo space on a nationwide basis. Comdata generates and delivers invoices on behalf of trucking companies to their customers, and also purchases trucking company freight bills in addition to providing necessary invoicing. As a result of agreements with two major long distance telecommunications providers, Comdata offers to its trucking company customers long distance telecommunications services at volume discount rates that might not otherwise be available to such customers.

TRUCK STOP SERVICES. Comdata maintains a nation-wide electronic data network with 24-hour independent truck stop service centers which utilize point-of-sale devices and other computer equipment to facilitate communication with Comdata's database and operations centers. The service centers act as Comdata's agents pursuant to a service center agreement, and typically also offer the funds transfer services of other companies.

Comdata's merchant services division provides fueling centers with PC-based, point of sale systems which automate the various transactions that occur at a fuel purchase desk, systems which enable customers to transact card-based fuel purchases at the fuel pump, UPC scanning devices, and truck stop management software. These systems accept many types of fuel purchase cards currently used by drivers. Comdata also makes long distance telecommunications services available to truck stops at volume discount rates, and provides an 800 number phone service and prepaid long distance phone cards to truck stops for resale to their customers.

DRIVER RELATIONS SERVICES. In order to assist trucking company customers in attracting and retaining drivers, Comdata makes available to trucking company employees and independent drivers the employee assistance and work-life services of Ceridian Performance Partners, and provides additional driver relations services, such as a monthly audio magazine and audio tapes for drivers, and an electronic mail services to drivers through kiosks placed in truck stops.

LOCAL FUELING. Comdata is a provider of fuel management and payment systems for local transportation fleets. Comdata provides local fleet operators with VISA (+) cards for their drivers' fuel purchases that offer the fleet operators transaction control and trip-related information gathering features similar to those of the Comchek card.

SALES AND MARKETING. Comdata markets its services to the transportation industry through a direct sales force operating in various cities throughout the U.S., and through a centralized tele-sales operation. Comdata has contracts with approximately 21,000 long haul trucking companies, ranging in size from those with several thousand trucks to those with fewer than five trucks. Comdata also has relationships with approximately 8,000 fueling locations. Contracts with trucking companies generally range from one to three years in duration, while contracts with service centers are typically one or two years in duration. No single customer

-----  
(+) "VISA" is a trademark of Visa International Service Association.

represented more than 2% of Comdata's 1998 revenue from services to the transportation industry. Comdata is emphasizing the selling of a greater variety of its products and services to its existing customers.

COMPETITION. The principal competitive factors relevant to funds transfers in the trucking industry are marketing efforts, pricing, reliability of computer and communications systems, and time required to effect transactions. The major credit and debit card companies are significant competitors of Comdata in that they make cash available to, and facilitate purchases of fuel and other products by, holders of their cards on a nationwide basis. Several other companies also offer similar funds transfer services. In addition, truck stops often negotiate directly with trucking companies for a direct billing relationship. Certain of Comdata's competitors also operate or franchise nationwide truck stop chains. In addition, Comdata competes with service centers (such as truck stops) that offer similar products and services. Comdata also faces increasing competition in the funds transfer area from ATMs that participate in national networks.

While the majority of regulatory services continue to be performed in-house, at least one other nationwide company and several regional companies provide permit services similar to those provided by Comdata. Competition in this market is influenced by price, the expertise of personnel and the ease with which permits may be ordered and received.

Comdata believes that its competitive strengths include (i) its ability to provide services to trucking companies and drivers at a large number of locations in the continental U.S. and Canada, (ii) its ability to offer a variety of services, frequently tailored to an individual customer's needs, (iii) its proprietary databases regarding funds transfers and fuel purchases, and (iv) its long-term experience relationships in the transportation industry.

NETWORK AND DATA PROCESSING OPERATIONS. Comdata's principal communications center for its funds transfer business is located near its headquarters in Brentwood, Tennessee, with a secondary center located in Dallas, Texas. WilTel, a wholesale services subsidiary of WorldCom, is the primary supplier of telecommunications services to Comdata pursuant to an agreement that continues to January 2003. Substantially all of Comdata's internal data processing functions, including its payment processing systems, are provided by IBM Global Services pursuant to an agreement that continues to April 2005.

REGULATION. Many states require persons engaged in the business of selling or issuing payment instruments (such as the Comchek draft) or in the business of transmitting funds to obtain a license from the appropriate state agency. In certain states, Comdata is required to post bonds or other collateral to secure its obligations to its customers in those states. Comdata believes that it is currently in compliance in all material respects with the regulatory requirements applicable to its business. The failure to comply with the requirements of any particular state could have a material adverse effect on Comdata's business in that state.

Arbitron provides media and marketing information (primarily radio audience measurement) to broadcasters, advertising agencies, advertisers and, through a joint venture, newspapers and magazine publishers and TV broadcasters. Arbitron also provides software applications that give customers access to Arbitron's database and, through a joint venture, measurement data concerning consumer retail behavior and media usage. Arbitron's revenue for the years 1996, 1997 and 1998 was \$153.1 million, \$165.2 million and \$194.5 million, respectively. In May 1998, Arbitron purchased the radio station, advertiser/agency and international assets of Tapscan, Inc., a developer of software for broadcasters, agencies and advertisers.

MARKETS. Significant consolidation of radio station ownership has occurred in the U.S. in recent years, which has tended to intensify competition within the radio industry and to intensify competition between radio and other forms of media for advertising dollars. At the same time, audiences have become more fragmented as a result of greatly increased programming choices and entertainment/media options. As a result, advertisers increasingly seek to tailor advertising strategies to target specific demographic groups through specific media, and the audience information needs of radio broadcasters, advertising agencies and advertisers have correspondingly become more complex. Increased competition and more complex information requirements have heightened the need of radio broadcasters for improved information management systems and more sophisticated means to analyze such information. In addition, there is a growing demand for quality radio audience information internationally from global advertisers, U.S. broadcasters who have acquired broadcasting interests in other countries, and an increasing number of private commercial broadcasters in other countries.

These trends also affect other media. As the importance of reaching niche audiences with targeted marketing strategies increases, broadcasters, publishers, advertising agencies and advertisers increasingly require that information regarding exposure to advertising be provided on a more individualized basis and that such information be coupled with information regarding shopping patterns and purchaser behavior. The need for purchase data information may create opportunities for innovative approaches to satisfy these information needs, particularly as technological advances increase the alternatives available to advertisers for reaching potential customers, including the possibilities of interactive communication.

SERVICES. Arbitron is a leading provider of radio audience measurement information in the U.S. Arbitron estimates audience size and demographics in the U.S. for local radio stations, and reports this and related data to its customers. This information is used by radio stations to price and sell advertising time and by advertising agencies and large corporate advertisers in purchasing advertising time. Arbitron's proprietary data regarding radio audience size and demographics is provided to customers through multi-year license agreements. Arbitron uses listener diaries to gather radio listening

data from sample households in the 267 local markets for which it currently provides radio ratings. Respondents mail the diaries to Arbitron's processing center where Arbitron compiles periodic audience measurement estimates. During the past three years, Arbitron has increased its survey frequency so that all markets are measured at least twice each year, and major markets are measured four times per year, and has increased sample size.

Arbitron also provides software applications that give customers access to Arbitron's database, and enable them to more effectively analyze and understand that information and develop target marketing strategies. Arbitron is also developing applications to enable customers to link information provided by Arbitron's database with information from other databases (such as product purchasing behavior) so as to enable customers to further refine sales strategies and compete more effectively for advertising dollars. The radio audience measurement service and related software sales represented 80% of Arbitron's total 1998 revenue.

Arbitron also provides measurements of consumer retail behavior and media usage in 254 local markets throughout the U.S. Arbitron's Scarborough Research Partnership joint venture provides information regarding product/service usage and media usage in 64 large U.S. markets, utilizing a sample of consumers in the relevant markets to measure product and service purchases. This information is provided twice each year to newspapers, radio and television broadcasters, cable systems, advertisers and advertising agencies in the form of the Scarborough Report. Arbitron has the exclusive right to market the Scarborough Report to radio broadcasters and cable systems. Arbitron has also developed and introduced in 42 mid-sized U.S. markets its RetailDirect service, which is a locally oriented, purchase data research service. The service, which utilizes diaries and telephone surveys, provides a profile of the broadcast audience in terms of local media, retail and consumer preferences so that local radio and television broadcasters and

9

cable systems will have information that helps them develop targeted sales and programming strategies. Arbitron's Qualitative Diary service collects consumer and media usage information from Arbitron radio diary keepers in 148 smaller U.S. markets.

Through Continental Research, a United Kingdom-based company that Arbitron acquired in 1997, Arbitron provides media, advertising, financial and telecommunications research services in the United Kingdom and Europe. As a result of Arbitron's purchase of the radio station, advertiser/agency and international assets of Tapscan, Inc., Arbitron provides software applications for broadcasters, ad agencies and advertisers that help customers analyze ratings data and make marketing decisions. The Tapscan acquisition contributes to Arbitron's ability to expand into Europe and other geographic markets. Arbitron continues to explore opportunities that would facilitate the expansion of its audience measurement service into selected international markets, provide additional software applications to broadcasters and advertisers, and develop measurement products for the Internet. Arbitron is also developing a passive, personalized electronic measurement device to record broadcast listening or viewing for purposes of audience measurement and verification that advertisements have been



broadcast.

SALES AND MARKETING. As of December 31, 1998, Arbitron provided its radio audience measurement and related services to over 3,100 radio stations and over 2,400 advertising agencies and advertisers nationwide under contracts that vary in length from one to seven years. Arbitron markets its products and services through a direct sales force operating through offices in seven cities around the U.S.

In recent years, a small number of enterprises have greatly expanded their holdings of U.S. radio broadcasters, and this consolidation of ownership is continuing. Arbitron currently estimates that, while no one customer represented 10% or more of 1998 segment revenue, five customers represent approximately one-third of that amount. Although the industry consolidation that has led to the increased concentration of Arbitron's customer base could put pressure on the pricing of Arbitron's radio ratings service, it has also contributed to an increase in the number of stations subscribing for the ratings service, as stations have become Arbitron customers upon their acquisition by a larger broadcasting group. It has also been Arbitron's experience that stations which are part of a larger broadcasting group have been somewhat more likely to purchase analytical software applications and other services in addition to the ratings service. Furthermore, Arbitron believes that it is well positioned to provide products and services that meet the needs of large broadcasting groups.

COMPETITION. Arbitron competes with other providers of radio audience measurement services, one of which utilizes a different survey methodology than Arbitron and the other of which is a relatively new entrant into the market. Arbitron also competes with other providers of applications software, qualitative data and proprietary qualitative studies used by broadcasters, cable systems, advertising agencies and advertisers.

#### DIVESTITURES

In August 1998, Ceridian sold the majority interest in its Resumix subsidiary to a group of investors, including Resumix senior management. Ceridian retained a 15% equity interest. Resumix provided skills management software (and related hardware) which enabled organizations to manage incoming resume data and match them with available staffing needs, and to match the skills of an existing work force with new jobs or projects.

Comdata's gaming services business, which was sold in January 1998, provided cash advance services to gaming patrons in casinos, racetracks and other gaming locations through the use of credit cards and debit services employing automated teller machines and similar devices.

10

Revenue for this business for the years 1996, 1997 and 1998 was \$125.5 million, \$133.2 million and \$5.8 million, respectively.

Further information on Ceridian's investing activities is provided in Note N to the consolidated financial statements which is incorporated by reference into Part II, Item 8 of this Report.



ADDITIONAL INFORMATION

PATENTS AND TRADEMARKS. Ceridian owns or is licensed under a number of patents which relate to its products and are of importance to its business. Certain of Ceridian's products and services are marketed under federally registered trademarks that are helpful in creating recognition in the marketplace. However, Ceridian believes that none of its businesses are materially dependent upon any particular patent, license or trademark, or any particular group of patents, licenses or trademarks.

BACKLOG. Although Ceridian's businesses are typically characterized by long-term customer relationships that result in a high level of recurring revenue, a substantial portion of the customer contracts utilized by these businesses are terminable by the customers upon relatively short notice periods, including contracts that have been extended beyond their original terms. In addition, the period between the time a customer agrees to use a Ceridian service and the time the service begins is generally relatively short. For these reasons, Ceridian does not believe that meaningful backlog information can be provided for its businesses.

RESEARCH AND DEVELOPMENT. The table below sets forth the amount of research and development expenses for Ceridian's continuing operations for the periods indicated.

<TABLE>

<CAPTION>

	Year ended December 31,		
	1998	1997	1996
	-----	-----	-----
	(Dollars in millions)		
<S>	<C>	<C>	<C>
Research and development	\$77.8	\$59.6	\$52.5
Percent of revenue	6.7%	5.5%	5.6%

</TABLE>

Ceridian's research and development efforts are generally described earlier in this Item in the description of Ceridian's businesses, and in Part II, Item 7 of this Report.

EMPLOYEES. As of December 31, 1998, Ceridian and its subsidiaries employed approximately 9,600 people on a full- or part-time basis. None of Ceridian's employees are covered by a collective bargaining agreement.

EXECUTIVE OFFICERS OF THE REGISTRANT. The executive officers of Ceridian as of March 1, 1999, are as follows:

<TABLE>

<CAPTION>

Name (Age)	Position	Executive Officer Since
-----	-----	-----
<S>	<C>	<C>

Lawrence Perlman (60)	Chairman and Chief Executive Officer	1980
Ronald L. Turner (52)	President and Chief Operating Officer	1993
John R. Eickhoff (58)	Executive Vice President and Chief Financial Officer	1989
Loren D. Gross (53)	Vice President and Corporate Controller	1993
Tony G. Holcombe (43)	Vice President, and President of Comdata	1997
Shirley J. Hughes (53)	Senior Vice President of Human Resources	1998
Carl O. Keil (57)	Vice President, and President of Ceridian Employer Services	1997
Stephen B. Morris (55)	Executive Vice President, and President of Arbitron	1992
Gary M. Nelson (47)	Vice President, General Counsel and Secretary	1997
Linda Hall Whitman (50)	Vice President, and President of Ceridian Performance Partners	1998

</TABLE>

The executive officers of Ceridian are elected by the Board of Directors and serve at the pleasure of the Board of Directors and the Chief Executive Officer. They are customarily elected each year at the meeting of the Board of Directors held in conjunction with the annual meeting of stockholders.

Lawrence Perlman has been Chief Executive Officer of Ceridian since January 1990, and was appointed Chairman in November 1992. Mr. Perlman was President of Ceridian from January 1990 to April 1998. He is a director of Seagate Technology, Inc., The Valspar Corporation, Computer Network Technology Corporation and Amdocs Limited. Mr. Perlman has been a director of Ceridian since 1985.

Ronald L. Turner has been President and Chief Operating Officer of Ceridian since April 1998. He was Executive Vice President of Operations of Ceridian from March 1997 to April 1998; an Executive Vice President of Ceridian and President and Chief Executive Officer of Ceridian's Computing Devices International division from January 1996 to March 1997; and Vice President of Ceridian and President of Computing Devices International from January 1993 to January 1996. Mr. Turner was President and Chief Executive Officer of GEC-Marconi Electronics Systems Corporation, a defense electronics company, from March 1987 to January 1993. Mr. Turner is a director of FLIR Systems, Inc. and BTG, Inc. Mr. Turner has been a director of Ceridian since July 1998.

John R. Eickhoff has been Executive Vice President and Chief Financial Officer of Ceridian since May 1995, and was Vice President and Chief Financial Officer of Ceridian from June 1993 to May 1995. Mr. Eickhoff was Vice President and Corporate Controller of Ceridian from July 1989 to June 1993.

Loren D. Gross has been Vice President and Corporate Controller of Ceridian since July 1993. Mr. Gross was Assistant Corporate Controller of Ceridian from March 1987 to July 1993.

Tony G. Holcombe has been Vice President of Ceridian and President of Comdata since May 1997. Mr. Holcombe was President and Chief Executive Officer of National Processing, Inc., which provides transaction processing services and customized processing solutions, from October 1994 to March 1997, and was Executive Vice President, Corporate Services for National Processing from 1991 through 1994.

Shirley J. Hughes has been Senior Vice President of Human Resources of Ceridian since June 1998. Ms. Hughes was Vice President of Human Resources of Mercy Health Services from October 1994 to June 1998. From 1992 to 1994, she served as Vice President of Human Resources and Administrative Services of Ceridian, and from 1991 to 1992, she served as Vice President of Human Resources for the Information Services Group of Ceridian.

Carl O. Keil has been Vice President of Ceridian and President of Ceridian Employer Services since April 1997. Mr. Keil was President and Chief Executive Officer of EduServ Technologies, Inc., which originates, services and securitizes student loans, from March 1992 to January 1997; Executive Vice President and Chief Operating Officer of International Telecharge, Inc., which provides telecommunications and operator services, from January 1991 to March 1992; and Senior Vice President of Marketing for the Employer Services Group of Automatic Data Processing, Inc. from August 1987 to January 1991.

Stephen B. Morris has been Executive Vice President of Ceridian and President of Arbitron since January 1996. Mr. Morris was Vice President of Ceridian and President of Arbitron from December 1992 to January 1996. He was President and Chief Executive Officer of Vidcode, Inc., which electronically monitors, verifies and reports the broadcast of television commercials, from August 1990 to December 1992; and Director and co-founder of Spectra Marketing Systems, a micro-marketing firm, from March 1987 to March 1992. Prior to that time, he spent seventeen years at General Foods Corporation, the last three as General Manager/President of the Maxwell House Division.

Gary M. Nelson has been Vice President and General Counsel of Ceridian since July 1997 and Secretary of Ceridian since October 1998. From 1983 to July 1997, Mr. Nelson was a partner in the Oppenheimer Wolff & Donnelly LLP law firm.

Linda Hall Whitman has been Vice President of Ceridian since October 1998 and President of Ceridian Performance Partners since April 1996. From October 1995 to March 1996, she was Vice President of Business Integration of Ceridian. Prior to joining Ceridian, Ms. Whitman spent fifteen years at Honeywell, Inc., serving most recently as Vice President of the Home and Building Control consumer business group from 1993 to September 1995.

## ITEM 2. PROPERTIES.

At March 1, 1999, Ceridian's principal computer and office facilities were located in the metropolitan areas of Minneapolis, Minnesota; Atlanta, Georgia; Columbia, Maryland; New York, New York; Los Angeles and San Francisco, California; Nashville, Tennessee; Dallas, Texas; Boston, Massachusetts; Winnipeg, Calgary, Toronto and Ottawa, Canada; and London, England.

The following table summarizes the usage and location of Ceridian's facilities as of March 1, 1999:

FACILITIES  
(In thousands of square feet)

<TABLE>  
<CAPTION>

Type of Property Interest	U.S.	Non-U.S.	Worldwide
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Leased	2,767	270	3,037
	-----	---	-----
Total Square Feet	2,767	270	3,037
	=====	===	=====
Utilization			
-----			
Office, Computer Center & Other	2,037	270	2,307
Leased or Subleased to Others	730	--	730
	-----	---	-----
Total Square Feet	2,767	270	3,037
	=====	===	=====

</TABLE>

The 3.0 million square feet of aggregate space leased worldwide remained consistent with the total last year. There was a 0.2 million square feet decrease in space leased in the U.S. which was offset by an increase in space leased in Canada due to the acquisition of the Canadian payroll operations. Ceridian conducts a substantial portion of its operations in leased facilities. Most of these leases contain renewal options and require payments for taxes, insurance and maintenance. Space subject to assigned leases is not included in the table above, and Ceridian remains secondarily liable under all such leases. As of December 31, 1998, the assigned leases involved 0.6 million square feet of space and future rental obligations totaling \$13.4 million. The principal elements of these amounts are 0.4 million square feet and \$7.9 million related to the 1989 sale of Imprimis Technology, Incorporated to Seagate Technology, Inc. and 0.05 million square feet and \$3.4 million related to the 1998 sale of Resumix, Inc. Ceridian does not anticipate any material non-performance by the assignees of these leases.

No facilities owned by Ceridian or its subsidiaries are subject to any major encumbrances. Ceridian believes that the facilities it currently utilizes in its continuing operations are adequate for their intended purposes, are adequately maintained and are reasonably necessary for current and anticipated output levels of those businesses.

ITEM 3. LEGAL PROCEEDINGS.

Information regarding legal proceedings involving Ceridian and its subsidiaries is incorporated herein by reference from Note L, LEGAL MATTERS, on page 40 of Ceridian's 1998 Annual Report to Stockholders. Note L is part of the consolidated financial statements contained in Ceridian's 1998 Annual Report to Stockholders, which are attached hereto as Exhibit 13.03.

14

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of Ceridian's stockholders during the fourth quarter 1998.

PART II

All information incorporated by reference into Items 5 through 8 below is contained in the financial portions of Ceridian's 1998 Annual Report to Stockholders (the "Annual Report"), which are filed with this Report as Exhibits 13.01 through 13.04.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Ceridian's common stock, par value \$.50 per share, is listed and trades on the New York Stock Exchange as well as on The Chicago Stock Exchange and The Pacific Exchange. The following table sets forth the high and low sales prices for a share of Ceridian's common stock on the New York Stock Exchange, as adjusted to reflect a two-for-one stock split in the form of a 100% stock dividend effected in February 1999.

<TABLE>

<CAPTION>

	1998		1997	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
1st Quarter	\$ 27.8125	\$21.75	\$ 21.25	\$ 16.125
2nd Quarter	30.875	25.3125	21.8125	14.75
3rd Quarter	32.25	24.2188	22.8125	16.0625
4th Quarter	36.0	24.0	23.875	17.625

</TABLE>

The number of holders of record of Ceridian common stock on March 1, 1999 was 12,661. No cash dividends have been declared or paid on the Ceridian's common stock since 1985, it has no present intention of paying

such dividends. Ceridian did not issue any unregistered securities during the quarter ended December 31, 1998.

ITEM 6. SELECTED FINANCIAL DATA.

See "Selected Five-Year Data" on the inside front cover of the Annual Report, which is attached to the Report as Exhibit 13.01 and incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

See "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 8 through 17 of the Annual Report, which is attached to this Report as Exhibit 13.02 and incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

See the section entitled "Market Risk Disclosure" on page 13 of the Annual Report within the "Management's Discussion and Analysis of Results of Operation and Financial Condition," which is attached to this Report as Exhibit 13.02 and incorporated herein by reference.

15

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Ceridian's consolidated financial statements described in Item 14.(a)1 of this Report are attached to this Report as Exhibit 13.03 and are incorporated herein by reference. As for certain required supplementary financial information, see "Supplementary Quarterly Data (Unaudited)" on page 41 of the Annual Report, which is attached to this Report as Exhibit 13.04 and incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

See information regarding the directors and nominees for director of Ceridian under the heading "Nominees for Director" in the Proxy Statement for the Annual Meeting of Stockholders, May 20, 1999 (the "Proxy Statement"), which is incorporated herein by reference.

See the information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement, which is incorporated herein by reference.

Information regarding the executive officers of Ceridian is on pages 12 and 13 of this Report, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

See information under the headings "Director Compensation" and "Executive Compensation" in the Proxy Statement, which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

See information under the heading "Share Ownership Information" in the Proxy Statement, which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. FINANCIAL STATEMENTS OF REGISTRANT

Ceridian's consolidated financial statements included in its 1998 Annual Report to Stockholders, which are attached to this Report as Exhibit 13.03 and have been incorporated by reference into Part II, Item 8 of this Report, are listed below (with the corresponding page numbers in the 1998 Annual Report to Stockholders):

<TABLE>

<CAPTION>

	Page
	----
<S>	<C>
Report of Management.....	18
Independent Auditors' Report.....	19
Consolidated Statements of Operations for the years ended December 31, 1998, 1997 and 1996.....	20
Consolidated Balance Sheets as of December 31, 1998 and 1997.....	21
Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996.....	22
Consolidated Statements of Stockholders'	



Equity for the years ended December 31, 1998, 1997 and 1996.....	23
---	----

Notes to Consolidated Financial Statements for the three years ended December 31, 1998.....	24-40
--	-------

</TABLE>

(a) 2. FINANCIAL STATEMENT SCHEDULES OF REGISTRANT

Attached to this Report on pages 24 through 26 is Financial Statement Schedule II - "Ceridian Corporation and Subsidiaries Valuation and Qualifying Accounts," together with the Independent Auditors' report thereon.

(a) 3. EXHIBITS

The following is a complete list of Exhibits filed or incorporated by reference as part of this Report.

<TABLE>

<CAPTION>

Exhibit	Description
-----	-----

<C>

<S>

- |      |  |
|------|--|
| 2.01 | Asset Purchase Agreement, dated as of November 3, 1997, by and between Ceridian Corporation and General Dynamics Corporation (exhibits and schedules omitted) (incorporated by reference to Exhibit 2.1 to Ceridian's Current Report on Form 8-K dated December 31, 1997 (File No. 1-1969)).   |
| 2.02 | Closing Agreement, dated as of December 31, 1997, between and among Ceridian Corporation, General Dynamics Corporation, General Dynamics Information Systems, Inc. and CDI Acquisition Company (exhibits and schedules omitted) (incorporated by reference to Exhibit 2.2 to Ceridian's Current Report on Form 8-K dated December 31, 1997 (File No. 1-1969)).   |
| 2.03 | Exchange Agreement, dated as of January 17, 1998, among First Data Corporation, Integrated Payment Systems Inc., NTS, Inc., First Data Financial Services, L.L.C., Ceridian Corporation, Comdata Network, Inc. and Permicom Permits Services, Inc. (exhibits and schedules omitted) (incorporated by reference to Exhibit 2.03 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)). |
| 2.04 | Share Purchase Agreement, dated as of January 26, 1998, among The Toronto-Dominion Bank, Business Windows Inc., 3454916 Canada Inc., Ceridian Corporation, Ceridian Canada Ltd. and Ceridian Canada Holdings, Inc. (exhibits and schedules omitted) (incorporated by reference to Exhibit 2.04 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).                                 |
| 2.05 | Agreement for the Purchase and Sale of Certain of the Assets of Comcheq Services Limited, dated as of March 10, 1998, among the  |

Canadian Imperial Bank of Commerce, Comcheq Services Limited and Ceridian Canada Ltd. (exhibits and schedules omitted) (incorporated by reference to Exhibit 2.1 to Ceridian's Current Report on Form 8-K dated March 10, 1998 (File No. 1-1969)).

- 2.06 Asset Purchase Agreement, dated as of November 17, 1998, among Ceridian Corporation, Ceridian Performance Partners Ltd., Letter Allied Limited, Work/Family Directions, Inc., Canadian Work/Family Directions Co., WFD, Francene S. Rodgers, Charles S. Rodgers and the Other Shareholders Party Thereto (exhibits and schedules omitted).
- 3.01 Restated Certificate of Incorporation of Ceridian Corporation (incorporated by reference to Exhibit 4.01 to Ceridian's Registration Statement on Form S-8 (File No. 33-54379)).
- 3.02 Certificate of Amendment of Restated Certificate of Incorporation of Ceridian Corporation (incorporated by reference to Exhibit 3 to Ceridian's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 (File No. 1-1969)).
- 3.03 Bylaws of Ceridian Corporation, as amended (incorporated by reference to Exhibit 3.01 to Ceridian's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File No. 1-1969)).

</TABLE>

18

<TABLE>

<C>

<S>

- 10.01\* Amended and Restated Executive Employment Agreement between Ceridian Corporation and Lawrence Perlman, dated as of November 8, 1996 (incorporated by reference to Exhibit 10.01 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-1969)).
- 10.02\* Executive Employment Agreement between Ceridian Corporation and Ronald L. Turner, dated as of July 1, 1997 (incorporated by reference to Exhibit 10.02 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.03\* Executive Employment Agreement between Ceridian Corporation and Stephen B. Morris, dated as of July 1, 1997 (incorporated by reference to Exhibit 10.03 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.04\* Executive Employment Agreement between Ceridian Corporation and John R. Eickhoff, dated as of July 1, 1997 (incorporated by reference to Exhibit 10.04 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.05\* Executive Employment Agreement between Ceridian Corporation and Carl O. Keil, dated as of October 22, 1997 (incorporated by reference to Exhibit 10.05 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.06\* Executive Employment Agreement between Ceridian Corporation and Tony G. Holcombe, dated as of May 13, 1997.

- 10.07\* Form of Amendment to Executive Employment Agreement (applicable to agreements between Ceridian and Lawrence Perlman, Ronald L. Turner, Stephen B. Morris, John R. Eickhoff, Carl O. Keil and Tony G. Holcombe filed as Exhibits 10.01, 10.02, 10.03, 10.04, 10.05 and 10.06, respectively) (incorporated by reference to Exhibit 10.01 to Ceridian's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (File No. 1-1969)).
- 10.08\* Ceridian Corporation 1993 Long-Term Incentive Plan (Amended and Restated as of May 14, 1997) (incorporated by reference to Appendix A to Ceridian's Proxy Statement for Annual Meeting of Stockholders, May 14, 1997 (File No. 1-1969)).
- 10.09\* Form of Ceridian Corporation Employee Non-Statutory Stock Option Award Agreement (under 1993 Long-Term Incentive Plan) (incorporated by reference to Exhibit 10.12 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.10\* Form of Ceridian Corporation Performance-Based Stock Option Award Agreement, dated October 22, 1997 (under the 1993 Long-Term Incentive Plan) (incorporated by reference to Exhibit 10.13 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.11\* Form of Ceridian Corporation Performance-Based Stock Option Award Agreement, dated July 22, 1998 (under the 1993 Long-Term Incentive Plan).
- 10.12\* Form of Ceridian Corporation Performance-Based Stock Option Award Agreement, dated October 21, 1998 (under the 1993 Long-Term Incentive Plan).

</TABLE>

<TABLE>

<C>

<S>

- 10.13\* Form of Ceridian Corporation Performance Restricted Stock Award Agreement (under the 1993 Long-Term Incentive Plan) (incorporated by reference to Exhibit 10.17 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-1969)).
- 10.14\* Ceridian Corporation 1990 Long-Term Incentive Plan (1992 Restatement) (as amended through October 21, 1994) (incorporated by reference to Exhibit 10.12 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-1969)).
- 10.15\* Ceridian Corporation Benefit Equalization Plan, as amended (effective generally as of January 1, 1994) (incorporated by reference to Exhibit 10.14 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-1969)).
- 10.16\* Ceridian Corporation Employees' Benefit Protection Trust Agreement, dated as of December 1, 1994, between Ceridian Corporation and First Trust National Association (incorporated by reference to Exhibit 10.15 to Ceridian's Annual Report on Form 10-K for the year ended December

31, 1994 (File No. 1-1969)).

- 10.17\* Ceridian Corporation Executive Investment Plan.
- 10.18\* Ceridian Corporation 1993 Non-Employee Director Stock Plan (incorporated by reference to Exhibit 2 to Ceridian's Proxy Statement for Annual Meeting of Stockholders, May 12, 1993 (File No. 1-1969)).
- 10.19\* Ceridian Corporation 1996 Director Performance Incentive Plan (as amended through December 15, 1997) (incorporated by reference to Exhibit 10.22 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.20\* Ceridian Corporation Employee Stock Purchase Plan (as amended through May 22, 1998) (incorporated by reference to Exhibit 99.01 to Ceridian's Registration Statement on Form S-8 (File No. 333-58143)).
- 10.21\* Form of Indemnification Agreement between Ceridian Corporation and its Directors (incorporated by reference to Exhibit 10.16 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-1969)).
- 10.22 Amended and Restated Credit Agreement, dated as of July 31, 1997, among Ceridian Corporation, Bank of America National Trust and Savings Association as Agent, and the Financial Institutions Parties Thereto (exhibits and schedules omitted) (incorporated by reference to Exhibit 10.1 to Ceridian's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 (File No. 1-1969)).
- 10.23 Waiver and First Amendment to Credit Agreement, dated as of December 2, 1997, among Ceridian Corporation, Bank of America National Trust and Savings Association as Agent, and the Financial Institutions Parties Thereto (incorporated by reference to Exhibit 10.25 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.24 Credit Agreement, dated as of January 30, 1998, between The Toronto-Dominion Bank and Ceridian Canada Ltd. (exhibits and schedules omitted) (incorporated by reference to Exhibit 10.26 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 1-1969)).

</TABLE>

20

<TABLE>

<C>

<S>

- 10.25 Guarantee Agreement, dated as of January 30, 1998, between Ceridian Corporation and The Toronto-Dominion Bank (incorporated by reference to Exhibit 10.27 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.26 Credit Agreement, dated as of March 2, 1998, between Canadian Imperial Bank of Commerce and Ceridian Canada Ltd. (exhibits and schedules omitted) (incorporated by reference to Exhibit 10.28 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).

- 10.27 Guarantee Agreement, dated as of March 2, 1998, between Ceridian Corporation and Canadian Imperial Bank of Commerce (incorporated by reference to Exhibit 10.29 o Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.28 Letter Agreement dated as of December 16, 1997, between Comdata Network, Inc. and International Business Machines Corporation pertaining to the Amended and Restated Agreement for Systems Operations Services dated May 1, 1995 between Comdata Network, Inc. and Integrated Systems Solutions Corporation n.k.a. International Business Machines Corporation (exhibits and schedules omitted) (incorporated by reference to Exhibit 10.30 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 10.29 Amended and Restated Agreement for Systems Operations Services dated May 1, 1995 between Comdata Network, Inc. and Integrated Systems Solutions Corporation n.k.a. International Business Machines Corporation (exhibits and schedules omitted) (incorporated by reference to Exhibit 10.20 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1995 (File No. 1-1969)).
- 10.30 Telecommunications Services Agreement, dated as of September 1, 1997, among WorldCom Network Services, Inc. d.b.a. WilTel, Comdata Network, Inc. and Comdata Telecommunications Services, Inc., including Program Enrollment Terms, as amended (exhibits and schedules omitted) (incorporated by reference to Exhibit 10.32 to Ceridian's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 1-1969)).
- 13.01 Selected Five-Year Data (inside front cover of Ceridian's 1998 Annual Report to Stockholders).
- 13.02 Management's Discussion and Analysis of Results of Operations and Financial Condition (pages 8 through 17 of Ceridian's 1998 Annual Report to Stockholders).
- 13.03 Consolidated Financial Statements of Ceridian Corporation (pages 24 through 40 of Ceridian's 1998 Annual Report to Stockholders).
- 13.04 Supplementary Quarterly Data (Unaudited) (page 41 of Ceridian's 1998 Annual Report to Stockholders).
- 21.01 Subsidiaries of Ceridian.
- 23.01 Consent of Independent Auditors - KPMG Peat Marwick LLP.
- 24.01 Power of Attorney.
- 27.01 Financial Data Schedule.
- </TABLE>

\* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Report.

If requested, Ceridian will provide copies of any of the exhibits listed above upon payment of its reasonable expenses in furnishing such exhibits. Ceridian will provide to the Securities and Exchange Commission, upon request, any exhibit or schedule to any of the foregoing exhibits which has not been filed. Neither Ceridian nor its subsidiaries has outstanding as of the date of this Report any securities authorized pursuant to long-term debt instruments.

(b) REPORTS ON FORM 8-K

Ceridian filed no reports on Form 8-K during the quarter ended December 31, 1998.

22

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, as of March 25, 1999.

CERIDIAN CORPORATION

By /s/ Lawrence Perlman

-----  
Lawrence Perlman  
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated as of March 25, 1998.

/s/ Lawrence Perlman  
-----  
Lawrence Perlman  
Chairman and Chief Executive Officer  
(Principal Executive Officer) and  
Director

/s/ J. R. Eickhoff  
-----  
J. R. Eickhoff  
Executive Vice President and Chief  
Financial Officer  
(Principal Financial Officer)

/s/ Loren D. Gross  
-----  
Loren D. Gross  
Vice President and Corporate  
Controller (Principal Accounting  
Officer)

/s/ Ronald L. Turner  
-----  
Ronald L. Turner  
President, Chief Operating Officer  
and Director

/s/ Bruce R. Bond  
-----

/s/ Nicholas D. Chabraja  
-----

Bruce R. Bond, Director

Nicholas D. Chabraja, Director

/s/ Ruth M. Davis

/s/ Robert H. Ewald

-----  
Ruth M. Davis, Director

-----  
Robert H. Ewald, Director

/s/ Richard G. Lareau

/s/ Ronald T. LeMay

-----  
Richard G. Lareau, Director

-----  
Ronald T. LeMay, Director

/s/ George R. Lewis

/s/ Charles Marshall

-----  
George R. Lewis, Director

-----  
Charles Marshall, Director

/s/ Ronald A. Matricaria

/s/ Carole J. Uhrich

-----  
Ronald A. Matricaria, Director

-----  
Carole J. Uhrich, Director

/s/ Richard W. Vieser

/s/ Paul S. Walsh

-----  
Richard W. Vieser, Director

-----  
Paul S. Walsh, Director

23

SCHEDULE II

CERIDIAN CORPORATION AND SUBSIDIARIES  
VALUATION AND QUALIFYING ACCOUNTS  
(Dollars in millions)

Restructure and Discontinued Operations Reserves

<TABLE>

<CAPTION>

	Arbitron TV	Employer Services Consolidation	Other	Total
<S>	<C>	<C>	<C>	<C>
Reserve Balance 12/31/95	\$ 7.5	\$ 11.7	\$ 51.2	\$ 70.4
Cash Payments (1)	(1.6)	(2.6)	(10.7)	(14.9)
Other Non-cash Items (2)	(0.5)	0.2	1.7	1.4
Reserve Balance 12/31/96	\$ 5.4	\$ 9.3	\$ 42.2	\$ 56.9
Cash Payments (1)	(1.1)	(3.2)	(16.8)	(21.1)
Other Non-cash Items (2)	(0.5)	0.3	0.2	--
Reserve Balance 12/31/97	\$ 3.8	\$ 6.4	\$ 25.6	\$ 35.8
Cash Payments (1)	(0.5)	(1.2)	(1.2)	(2.9)
Other Non-cash Items (2)	(0.5)	0.4	0.3	0.2
Reserve Balance 12/31/98 (3)	\$ 2.8	\$ 5.6	\$ 24.7	\$ 33.1



</TABLE>

- (1) Primarily related to legal and environmental matters, vacant space and employee terminations.
- (2) Primarily proceeds from sale of idled assets that have been reclassified as cash inflow from investing activities.
- (3) Primarily related to vacant space and legal and environmental matters.

24

SCHEDULE II (CONT.)

CERIDIAN CORPORATION AND SUBSIDIARIES  
VALUATION AND QUALIFYING ACCOUNTS  
(Dollars in millions)

Allowance for Doubtful Accounts Receivable

<TABLE>

<CAPTION>

	Year Ended December 31,		
	1998	1997	1996
	----	----	----
<S>	<C>	<C>	<C>
Balance at beginning of year	\$ 10.5	\$ 11.2	\$ 11.7
Additions charged to costs and expenses	15.0	7.9	5.5
Write-offs and other adjustments (1)	(3.8)	(8.6)	(5.8)
Balance at end of year	\$21.7	\$ 10.5	\$ 11.2

</TABLE>

- (1) Other adjustments include the effect of acquisitions and dispositions of businesses.

25

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULE

THE BOARD OF DIRECTORS AND STOCKHOLDERS  
CERIDIAN CORPORATION:

Under date of January 20, 1999, we reported on the consolidated balance sheets of Ceridian Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended

December 31, 1998, as contained in Ceridian's 1998 Annual Report to Stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the Annual Report on Form 10-K for the year 1998. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index (see Item 14.(a)2.). This financial statement schedule is the responsibility of Ceridian's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG Peat Marwick LLP

Minneapolis, Minnesota  
January 20, 1999

ASSET PURCHASE AGREEMENT

DATED AS OF NOVEMBER 17, 1998

BY AND AMONG

CERIDIAN CORPORATION,  
 CERIDIAN PERFORMANCE PARTNERS LTD.,  
 LETTERALLIED LIMITED,  
 WORK/FAMILY DIRECTIONS, INC.,  
 CANADIAN WORK/FAMILY DIRECTIONS CO.,  
 WFD,  
 FRANCENE S. RODGERS,  
 CHARLES S. RODGERS  
 AND  
 THE OTHER SHAREHOLDERS  
 PARTY HERETO

TABLE OF CONTENTS

<TABLE>

<S> <C>

	<C>
1. DEFINITIONS . . . . .	2
1.1. "Affiliate". . . . .	2
1.2. "Assets" . . . . .	2
1.3. "Assumed Liabilities". . . . .	2
1.4. "Best Knowledge of Sellers" or "Sellers' Best Knowledge" . . . . .	2
1.5. "Business Condition" . . . . .	2
1.6. "Business Days". . . . .	2
1.7. "Buyer's Report" . . . . .	2
1.8. "Canadian Purchased Assets". . . . .	3

1.9.	"Ceridian Performance Partners"	3
1.10.	"Closing"	3
1.11.	"Closing Balance Sheet"	3
1.12.	"Closing Book Value"	3
1.13.	"Closing Date"	3
1.14.	"Closing Payment"	3
1.15.	"COBRA"	3
1.16.	"Code"	3
1.17.	"Company Purchased Assets"	3
1.18.	"Company Facility"	3
1.19.	"Company Products"	3
1.20.	"Company Software Products"	3
1.21.	"Company Tax Returns"	3
1.22.	"Company Tax"	3
1.23.	"Consulting/Community Development Business"	4
1.24.	"Contracts"	4
1.25.	"Corporate Sellers"	4
1.26.	"Customer Contracts"	4
1.27.	"Deciding Accounting Firm"	4
1.28.	"Dispute Resolution"	4
1.29.	"Disposal Site"	4
1.30.	"Effective Time"	4
1.31.	"Encumbrance"	4
1.32.	"Environmental Laws"	4
1.33.	"Environmental Permit"	4
1.34.	"Equipment Leases"	4
1.35.	"ERISA"	5
1.36.	"ERISA Benefit Plan"	5
1.37.	"Escrow Agent"	5
1.38.	"Escrow Agreement"	5
1.39.	"Excluded Assets"	5
1.40.	"Excluded Liabilities"	5
1.41.	"First Measurement Date"	6
1.42.	"GAAP"	6
1.43.	"Governmental Entity"	6
1.44.	"Hazardous Material"	6
1.45.	"Hazardous Materials Activity"	6
1.46.	"Intellectual Property Rights"	6

1.47.	"Law(s)"	6
1.48.	"Leased Real Property"	7
1.49.	"Liabilities"	7
1.50.	"Losses"	7
1.54.	"Office Leases"	7
1.55.	"Ordinary Course"	7
1.56.	"Other Agreements"	8
1.57.	"Owned Real Property"	8

1.58.	"Permitted Encumbrances"	8
1.59.	"Person"	8
1.60.	"Personal Property"	8
1.61.	"Purchase Price"	8
1.62.	"Purchased Assets"	8
1.63.	"Records"	9
1.64.	"Related Party"	9
1.65.	"Second Measurement Date"	9
1.66.	"Seller's Report"	9
1.67.	"Software"	9
1.68.	"Subsidiary"	9
1.69.	"Tax" or "Taxes"	10
1.70.	"Tax Agreement"	10
1.71.	"Tax Return"	10
1.72.	"Third Party Software"	10
1.73.	"Top Twenty Customers"	10
1.74.	"Transactions"	10
1.76.	"U.K. Purchased Assets"	10
1.77.	"Work/Family Business"	10
2.	THE TRANSACTIONS	11
2.1.	The Transactions	11
2.2.	The Purchase Price	11
2.3.	Adjustments to Purchase Price	14
2.4.	Assignment of Customer Contracts	16
2.5.	Assignment of Office Leases	16
2.6.	Assignment of Equipment Leases	16
2.7.	Assignment of Intellectual Property Rights	16
2.8.	Assignment of Licenses, Permits, and Other Governmental Authorizations	16
2.9.	Transfer of Assets	16
2.10.	Assumption of Liabilities	17
3.	CERTAIN TAX MATTERS	17
3.1.	Responsibility for Taxes	17
3.2.	Allocation of Purchase Price; Other Tax Matters	17
4.	REPRESENTATIONS AND WARRANTIES OF SELLERS	19
4.1.	Authority, Validity of Agreement	19
4.2.	No Violations	19
4.3.	Consents and Approvals of Governmental Authorities	19
4.4.	Other Consents	20
4.5.	Absence of Certain Changes	20
4.6.	Financial Statements	20
4.7.	Absence of Undisclosed Liabilities	21
4.8.	Purchased Assets	21

4.9.	Plant, Property, and Equipment.. . . . .	.21
4.10.	Orders, Commitments and Returns.. . . . .	.22
4.11.	Defects in Products, Warranties.. . . . .	.22
4.12.	Real Property.. . . . .	.22
4.13.	Contracts.. . . . .	.23
4.14.	Litigation. . . . .	.25
4.15.	Compliance with Laws; Licenses. . . . .	.25
4.16.	Computer Software and Intellectual Property.. . . . .	.26
4.17.	Environmental Matters.. . . . .	.28
4.18.	Employee Plans and Arrangements.. . . . .	.29
4.19.	Employees.. . . . .	.31
4.20.	Compensation. . . . .	.32
4.21.	All Compensation and Benefit Data.. . . . .	.32
4.22.	Insurance.. . . . .	.32
4.23.	Taxes.. . . . .	.32
4.24.	Insider Transactions. . . . .	.33
4.25.	Powers of Attorney. . . . .	.33
4.26.	No Brokerage or Other Fees. . . . .	.33
4.27.	Business Generally. . . . .	.33
4.28.	Inventories.. . . . .	.34
4.29.	Year 2000.. . . . .	.34
4.30.	Receivables and Payables. . . . .	.34
5.	REPRESENTATIONS AND WARRANTIES OF BUYER . . . . .	.35
5.1.	Organization and Good Standing of Ceridian Entities. . . . .	.35
5.2.	Authority, Validity of Agreement.. . . . .	.35
5.3.	No Violations. . . . .	.35
5.4.	Consents and Approvals of Governmental Authorities.. . . . .	.36
5.5.	Other Consents.. . . . .	.36
5.6.	Litigation.. . . . .	.36
5.7.	No Brokerage Fees. . . . .	.36
6.	CERTAIN AGREEMENTS. . . . .	.36
6.1.	Employee Benefit Plans.. . . . .	.36
6.2.	Personnel Matters for U.S. Employees.. . . . .	.36
6.3.	Escrow Agreement.. . . . .	.37
6.4.	Assignments of Office Lease. . . . .	.37
6.5.	[Intentionally Omitted]. . . . .	.37
6.6.	Assignment and Assumption Agreement. . . . .	.37
6.7.	Bills of Sale. . . . .	.37
6.8.	Trademark Assignment.. . . . .	.37
6.9.	Copyright Assignments. . . . .	.37
6.10.	Transitional Services Agreement.. . . . .	.38
6.11.	F. Rodgers Consulting Agreement.. . . . .	.38
6.12.	William Helm Consulting Agreement.. . . . .	.38
6.13.	Bulk Sales. . . . .	.38
6.14.	U.K. Employees. . . . .	.38

6.15.	Canadian Pension and Benefit Plans. . . . .	.38
6.16.	U.K. Lease Assignment.. . . . .	.39
6.17.	Canadian Seller Employees.. . . . .	.39
6.18.	Trademark License Agreement.. . . . .	.39
6.19.	Purchase of Ceridian Community Resource Development Business. . . . .	.39
6.20.	Accounts Receivable Guaranty. . . . .	.40
7.	THE CLOSING	
7.1.	Time and Place.. . . . .	.40
7.2.	Sellers' Obligations at Closing. . . . .	.40
7.3.	Buyer's Obligations at Closing.. . . . .	.41
7.4.	Instruments. . . . .	.42
8.	OBLIGATIONS AFTER CLOSING . . . . .	.42
8.1.	Further Assurances.. . . . .	.42
8.2.	Notices and Consents.. . . . .	.42
8.3.	Tax Returns. . . . .	.43
8.4.	Access to Properties and Records.. . . . .	.43
8.5.	Post-Closing Confidentiality.. . . . .	.43
8.6.	Power of Attorney. . . . .	.43
8.7.	[INTENTIONALLY OMITTED]. . . . .	.43
8.8.	Covenant Not to Compete. . . . .	.44
8.9.	Use of Work/Family Directions Name.. . . . .	.45
8.10.	Wire of Cash included in Purchased Assets.. . . . .	.46
8.11.	CRD Materials.. . . . .	.46
9.	SURVIVAL OF REPRESENTATIONS, WARRANTS AND COVENANTS . . . . .	.46
9.1.	Survival.. . . . .	.46
10.	INDEMNIFICATION . . . . .	.47
10.1.	Indemnification by Sellers. . . . .	.47
10.2.	Indemnification by Buyer. . . . .	.47
10.3.	Limitation on Indemnification.. . . . .	.47
10.4.	Defense Against Asserted Claims.. . . . .	.48
10.5.	Other.. . . . .	.48
11.	GENERAL PROVISIONS. . . . .	.49
11.1.	No Publicity, Advertisement Without Prior Consultation. . . . .	.49
11.2.	Severability. . . . .	.49
11.3.	Article and Section Headings, Schedules and Exhibits. . . . .	.49
11.4.	Counterparts. . . . .	.49
11.5.	Gender and Number.. . . . .	.49
11.6.	Expenses. . . . .	.49
11.7.	Notices.. . . . .	.49
11.8.	No Third Party Beneficiaries. . . . .	.50
11.9.	Governing Law.. . . . .	.51
11.10.	Modifications, Amendments or Waivers.. . . . .	.51
11.11.	Remedies Exclusive.. . . . .	.51
11.12.	Assignment, Successors and Assigns.. . . . .	.51
11.13.	Equitable Remedies.. . . . .	.51

11.14. Joint Preparation. . . . .	.51
11.15. Attorneys' Fees. . . . .	.51
11.16. Entire Agreement.. . . .	.51
11.17. Dollars. . . . .	.52
11.18. Stamp Duty.. . . .	.52

</TABLE>

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("Agreement") is made and entered into as of this 17th day of November, 1998, by and among Ceridian Corporation, a Delaware corporation ("Ceridian"), Ceridian Performance Partners Ltd., a corporation incorporated under the laws of Canada ("Canadian Buyer"), LETTER ALLIED Limited, a private limited company which is to be renamed Ceridian Performance Partners Limited and which is registered in England and Wales as company number 3658400 and having its registered office at 165 Queen Victoria Street, London EC4V 4DD ("U.K. Buyer") (Ceridian, Canadian Buyer and U.K. Buyer are collectively referred to herein as "Buyer" and each of Ceridian, Canadian Buyer and U.K. Buyer being sometimes referred to as a "Ceridian Entity"), Work/Family Directions, Inc. a Massachusetts corporation (the "Company"), Canadian Work/Family Directions Co., a Nova Scotia unlimited liability company ("Canadian Seller"), WFD, an unlimited private company registered in England and Wales under number 3265909 and having its registered office at Barrington House 59-67 Gresham Street, London EC2V 7JA ("U.K. Seller"), Francene S. Rodgers ("F. Rodgers"), Charles S. Rodgers ("C. Rodgers") and the other shareholders of the Company listed on Schedule A hereto (the "Other Shareholders") (the Company, Canadian Seller, U.K. Seller, F. Rodgers, C. Rodgers and the Other Shareholders are also individually referred to herein as a "Seller" and collectively referred to herein as "Sellers").

INTRODUCTION  
 RECITALS

A. The Canadian Buyer and U.K. Buyer are wholly-owned direct or indirect subsidiaries of Ceridian. The Canadian Seller and U.K. Seller are Affiliates (as hereinafter defined) of the Company.

B. Buyer wishes to purchase the Work/Family Business (as hereinafter defined) and Sellers wish to retain the Consulting/Community Development Business (as hereinafter defined). The Work/Family Business and the Consulting/Community Development Business is conducted: in the United States through the Company; in Canada through the Canadian Seller; and in the United



Kingdom through the U.K. Seller.

C. To implement the foregoing, the Company will sell the Company Purchased Assets (as hereinafter defined) to Ceridian; the Canadian Seller will sell the Canadian Purchased Assets (as hereinafter defined) to the Canadian Buyer; and the U.K. Seller will sell the U.K. Purchased Assets (as hereinafter defined) to the U.K. Buyer. In addition, (i) Ceridian will assume the Assumed Liabilities to the extent associated with the Company Purchased Assets, (ii) the Canadian Buyer will assume the Assumed Liabilities to the extent associated with the Canadian Purchased Assets, and (iii) the U.K. Buyer will assume the Assumed Liabilities to the extent associated with the U.K. Purchased Assets.

1

D. F. Rodgers and C. Rodgers, as the holders, collectively, of a majority of the outstanding capital stock of the Company, will benefit from the transactions contemplated by this Agreement.

E. The parties hereto wish to make certain representations, warranties, covenants and agreements in connection herewith and also to prescribe various conditions to such transaction.

Accordingly, and in consideration of the representations, warranties, covenants, agreements and conditions herein contained, the parties hereto agree as follows:

## ARTICLE

### 1.

## DEFINITIONS

The following terms have the following meanings when used in this Agreement, unless otherwise specified in the context:

1.1. "AFFILIATE" shall have the meaning assigned to such term in Rule 405, as presently promulgated under the Securities Act of 1933, as amended.

1.2. "ASSETS" means all properties and assets (real, personal or mixed, tangible or intangible).

1.3. "ASSUMED LIABILITIES" means only (a) liabilities arising under the Customer Contracts with respect to performance due after the Effective Time; (b) liabilities arising under licenses to Third-Party Software with respect to performance due after the Effective Time; (c) liabilities arising under the Office Leases with respect to performance due after the Effective Time; (d) liabilities arising under the Equipment Leases with respect to performance due after the Effective Time; (e) liabilities described in Schedule 1.3; and (f) liabilities incurred in the Ordinary Course and accrued on the Closing Balance Sheet, including trade accounts payable, rent, salaries and wages (other than

bonuses), deferred revenue and other accrued expenses, PROVIDED, that the aggregate liabilities assumed pursuant to clause (f) of this Subsection 1.3 shall not exceed the amount that is accrued therefor on the Closing Balance Sheet, as defined in Section 2.3(b).

1.4. "BEST KNOWLEDGE OF SELLERS" OR "SELLERS' BEST KNOWLEDGE" means actual knowledge of any individual listed on SCHEDULE 1.4;

1.5. "BUSINESS CONDITION" means, with respect to any corporation, association or other business entity (and treating the Work/Family Business as a separate business entity), the business, financial condition, operations, assets and liabilities of such entity and its Subsidiaries taken as a whole.

1.6. "BUSINESS DAYS" means any day other than a Saturday, Sunday or a Massachusetts or Federal holiday or a day when banks are generally closed in Massachusetts.

1.7. "BUYER'S REPORT" shall have the meaning ascribed thereto in Section 2.3.

2

1.8. "CANADIAN PURCHASED ASSETS" means all Assets of the Canadian Seller (including without limitation the Purchased Assets of the Canadian Seller) other than the Excluded Assets.

1.9. "CERIDIAN PERFORMANCE PARTNERS" means any division, Affiliate or subsidiary of Ceridian conducting the Work/Family Business.

1.10. "CLOSING" means the completion of the delivery on the Closing Date of all of the documents described or referred to in Article 7 of this Agreement and performance of all of the actions described in Article 7 of this Agreement.

1.11. "CLOSING BALANCE SHEET" shall have the meaning ascribed thereto in Section 2.3(b).

1.12. "CLOSING BOOK VALUE" means the amount by which the Net Book Value of the Purchased Assets included on the Closing Balance Sheet exceeds the Assumed Liabilities.

1.13. "CLOSING DATE" means the date and time as of which the Closing takes place.

1.14. "CLOSING PAYMENT" means the amounts payable pursuant to Section 2.2(a), as adjusted pursuant to Section 2.3(a).

1.15. "COBRA" means Section 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA.

1.16. "CODE" means the Internal Revenue Code of 1986, as amended.

1.17. "COMPANY PURCHASED ASSETS" means all Assets of the Company other than the Excluded Assets.

1.18. "COMPANY FACILITY" means the leased premises scheduled on Schedule 4.12(b).

1.19. "COMPANY PRODUCTS" means all products, software, services and technology of the Work/Family Business as presently conducted.

1.20. "COMPANY SOFTWARE PRODUCTS" means all Software that is used internally or has been offered or provided, or is contemplated to be offered or provided, by the Work/Family Business under license for use by Work/Family Business's customers. Company Software Products does not include Third Party Software.

1.21. "COMPANY TAX RETURNS" means all Tax Returns filed or required to be filed by Sellers or their Affiliates with respect to the Work/Family Business (including any consolidated, combined or unitary Tax Returns to the extent they relate thereto).

1.22. "COMPANY TAX" means all liability (including, without limitation, any contingent liability) for any Tax imposed on, relating or attributable to, or otherwise payable by or with respect to the Work/Family Business or its Assets in respect of the period prior to the Closing.

1.23. "CONSULTING/COMMUNITY DEVELOPMENT BUSINESS" means all workplace-related consulting and/or community investment strategy services, worldwide, which are provided to businesses on a limited, one-time, or specified-term basis, rather than on a continuing basis, including, without limitation, (i) workplace diagnostics and assessments, multi-company research and pilot program

3

development, business measurement and analysis, custom designed manager and employee interventions in respect of specified issues, consultation, and implementation services concerning the foregoing, (ii) executive and/or manager briefings and education, (iii) training services to business executives and/or managers, (iv) training services to employees, and (v) community investment strategies and the implementation thereof.

1.24. "CONTRACTS" means, except as otherwise provided to the contrary in this Agreement, all contracts and agreements (written or oral), contract rights, license agreements, purchase and sales orders, and other executory commitments.

1.25. "CORPORATE SELLERS" means the Company, the Canadian Seller and the

U.K. Seller.

1.26. "CUSTOMER CONTRACTS" means, except as otherwise provided to the contrary in this Agreement, all customer Contracts of the Work/Family Business.

1.27. "DECIDING ACCOUNTING FIRM" means PriceWaterhouseCoopers LLC.

1.28. "DISPUTE RESOLUTION" means the following process: if Sellers and Buyer are unable to resolve any dispute relating to the information contained in the Buyer's Report, Sellers and Buyer shall submit any disputed items to the Deciding Accounting Firm, which shall then make a determination as soon as practicable with respect to the issue or issues so submitted and shall furnish a written copy of such determination to each of Sellers and Buyer, which determination shall be binding on Sellers and Buyer.

1.29. "DISPOSAL SITE" means a landfill, disposal agent, waste hauler, or recycler of Hazardous Materials.

1.30. "EFFECTIVE TIME" means 11:59 P.M. (Eastern Standard Time) on November 15, 1998.

1.31. "ENCUMBRANCE" means any security interest, mortgage, lien, charge, assessment, adverse claim, restriction, easement or other encumbrance of any kind, including, but not limited to, with respect to real property, any exceptions to title, recorded and unrecorded.

1.32. "ENVIRONMENTAL LAWS" means all laws, rules, regulations, orders, treaties, statutes, and codes promulgated by any Governmental Entity which prohibits, regulates or controls any Hazardous Material or any Hazardous Materials Activity, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Resource Recovery and Conservation Act of 1976, the Federal Water Pollution Control Act, the Clean Air Act, comparable laws, rules, regulations, orders, treaties, statutes and codes of other Governmental Entities, and the regulations and publications promulgated pursuant to any of the foregoing, and all amendments and modifications of any of the foregoing now or hereafter enacted.

1.33. "ENVIRONMENTAL PERMIT" means any approval, permit, license, clearance or consent required to be obtained from any Governmental Entity with respect to a Hazardous Materials Activity which is or was conducted by Sellers or any of their Subsidiaries, or any of their respective predecessors, or otherwise with respect to the Work/Family Business.

1.34. "EQUIPMENT LEASES" means the equipment leases of the Work/Family Business listed in Schedule 4.13(b).

1.35. "ERISA" means the Employee Retirement Income Security Act of 1974,

as amended.

1.36. "ERISA BENEFIT PLAN" means any "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject to any provision of ERISA.

1.37. "ESCROW AGENT" means National City Bank of Minneapolis, Minnesota, or other such other National banking association as may be designated by agreement of Sellers and Buyer.

1.38. "ESCROW AGREEMENT" means the Escrow Agreement substantially in the form attached hereto AS SCHEDULE 1.38.

1.39. "EXCLUDED ASSETS" means cash in excess of Two Million Five Hundred Forty-seven Thousand Nine Hundred Eighty-two Dollars (\$2,547,982), the names "Work/Family Directions", "WFD" and their derivatives, and those items listed on SCHEDULE 1.39.

1.40. "EXCLUDED LIABILITIES" means all Liabilities, other than the Assumed Liabilities, including, without limitation, the following:

- (a) Any debts, obligations or liabilities of Sellers or their Affiliates, whether absolute, accrued, contingent or otherwise, for (i) Taxes arising with respect to the operation of the Work/Family Business and/or the Consulting/Community Development Business on or prior to the Effective Time other than non-delinquent accrued payroll Taxes or (ii) Taxes in respect of goods and services taxes ("GST") in Canada or VAT in the United Kingdom, as a result of the transactions contemplated by this Agreement or sales taxes in the United States, Canada or the United Kingdom as a result of the transactions contemplated by this Agreement or (iii) the costs of providing a surety or other guaranty in respect of any Encumbrance imposed by a Governmental Entity upon any of the Purchased Assets as a result of Sellers' failure to pay any Taxes referred to in clause (a) (i) above;
- (b) Any Liabilities of Sellers or their Affiliates with respect to litigation which is, as of the Closing, pending, or which relates to any act, omission, or event arising prior to Closing;
- (c) Any Liabilities of Sellers or their Affiliates of any kind or nature, whether absolute, accrued, contingent or otherwise, which, directly or indirectly, arises under or relates to any Company ERISA Benefit Plan, Company Non-ERISA Benefit Arrangement or Employee Agreement (other than any Employee Agreement listed on Schedule 1.40(c)), as such terms are defined in Section 4.18, including, without limitation, any liabilities of Sellers or their Affiliates of any kind or nature, whether absolute,

accrued, contingent or otherwise, which directly or indirectly relate to the Work/Family Directions, Inc. Performance Shares Plan adopted and effective January 1, 1995;

- (d) Any Liabilities of Sellers or their Affiliates of any kind or nature, whether absolute, accrued, contingent or otherwise, relating to the environment, including, without limitation, Liabilities arising under Environmental Laws or arising from any Hazardous Materials Activity;

5

- (e) Any Liabilities of Sellers or their Affiliates of any kind or nature related to any debt to any bank or other financial institution;
- (f) Any Liabilities of Sellers or their Affiliates in respect of notes payable or accrued earnings interest;
- (g) Any Liabilities of Sellers or their Affiliates to any broker, finder, accountant, or attorney for fees due arising from, or with respect to work performed in connection with, this Agreement or the Transaction; and
- (h) Any Liability not previously paid, satisfied or discharged related to the provision of services by CSC Consulting Corp. to Sellers.

1.41. "FIRST MEASUREMENT DATE" shall mean the date which is eighteen (18) months from the Closing Date.

1.42. "GAAP" means generally accepted accounting principles in effect in the United States at the time when and for the period as to which such accounting principles are to be applied.

1.43. "GOVERNMENTAL ENTITY" means any local, state, provincial, federal, foreign or international governmental authority, agency or other entity, including, but not limited to, any court, tribunal or panel.

1.44. "HAZARDOUS MATERIAL" means any material or substance (except for materials or substances commonly used or managed in connection with an office building and in compliance with Environmental Laws) that is prohibited or regulated by any Environmental Law or that has been designated by any Governmental Entity with competent jurisdiction to be radioactive, toxic, hazardous, a pollutant or otherwise a danger to health, reproduction or the environment.

1.45. "HAZARDOUS MATERIALS ACTIVITY" means the possession,

transportation, transfer, recycling, storage, use, treatment, manufacture, investigation, removal, remediation, release, exposure of others to, sale, or distribution of, any Hazardous Material or any product containing a Hazardous Material.

1.46. "INTELLECTUAL PROPERTY RIGHTS" means all of the Corporate Sellers' rights, title and interest in and to all: (a) United States and foreign patents and patent applications related to the Work/Family Business; (b) copyrights in computer programs, databases and other works of authorship related to the Work/Family Business; (c) trade secrets and proprietary or confidential business and technical information related to the Work/Family Business; (d) proprietary "know-how," whether or not protectable by patent, copyright or trade secret right related to the Work/Family Business; (e) United States and foreign trademarks, service marks, trade names and associated goodwill, and registrations or applications for registration of any such marks or names related to the Work/Family Business; (f) Company Software Products related to the Work/Family Business; and (g) Third-Party Software related to the Work/Family Business.

1.47. "LAW(s)" means all applicable laws, statutes, ordinances, rules, regulations, judgments, administrative requirements, injunctions, stipulations, decrees and orders of any Governmental Entity.

6

1.48. "LEASED REAL PROPERTY" means all real property (other than Owned Real Property) leased, occupied, operated or controlled by the Corporate Sellers or their Affiliates and used in connection with the Work/Family Business.

1.49. "LIABILITIES" means any and all claims, assessments, charges, indebtedness or obligations of any nature whatsoever, whether absolute, accrued, contingent or otherwise, and whether due or to become due.

1.50. "LOSSES" means all Liabilities, losses, damages (but expressly excluding incidental, consequential and special damages), costs and expenses (including, without limitation, reasonable attorneys' and accountants' fees and expenses) incurred in connection with the investigation, evaluation, settlement, defense or prosecution of Liabilities, and shall specifically include any and all claims, costs, damages, fines, penalties, or liabilities which arise from or in connection with any Environmental Law. If and to the extent a claim for indemnification under this Agreement is based upon payments to a third party, Losses shall also include interest thereon from the date the payments were made until the same have been reimbursed. Interest as described in this section shall be the publicly announced prime rate (or reference rate) of interest charged by the principal banker to the party to whom the interest is to be paid, as in effect from time to time during the period for which interest is payable.

1.51. "MATERIAL ADVERSE EFFECT" means an event, circumstance, fact, or condition which individually or in the aggregate, would result in a Liability or



Loss as it relates to the Work/Family Business of One Hundred Fifty Thousand Dollars (\$150,000).

1.52. "NET BOOK VALUE" shall mean (a) the gross book value of the Purchased Assets (except for those Purchased Assets classified as intangible assets), less (b) reserves for depreciation, shrinkage and obsolescence.

1.53. "NON-ERISA BENEFIT ARRANGEMENTS" means any policy, practice, program, arrangement, agreement, plan, trust or other method of contribution or compensation that (a) provides benefits, perquisites or remuneration, other than current cash compensation, to an employee, former employee or other individual who provides or provided personal services other than as an employee or to the dependent or beneficiary of such an employee, former employee or other individual and (b) is not an ERISA Benefit Plan. Non-ERISA Benefit Arrangement includes, without limitation, any policy, practice, program, arrangement, agreement, plan, trust or other method of contribution or compensation providing for the grant award or sale of stock, stock options, phantom stock or stock appreciation or depreciation rights; direct or indirect extensions of credit; health, life or disability benefits; retirement, profit sharing or deferred compensation benefits; severance and separation benefits; workers' compensation; vacation and other paid time off; cafeteria and flexible benefits; and incentive and fringe benefits.

1.54. "OFFICE LEASES" means the current leases scheduled on Schedule 4.12(b).

1.55. "ORDINARY COURSE" means the ordinary course of business of the respective Corporate Sellers as it relates to the Work/Family Business, consistent with past practice.

1.56. "OTHER AGREEMENTS" means (a) the Escrow Agreement described in Section 6.3; (b) the Assignments of Office Leases described in Section 6.4; (c) the Assignment and Assumption Agreement described in Section 6.6; (d) the Bills of Sale described in Section 6.7; (e) the Trademark Assignments described in Section 6.8; (f) the Copyright Assignments described in Section 6.9; (g) the Transitional Services Agreement described in Section 6.10; (h) the F. Rodgers Consulting Agreement described in Section 6.11; (i) the William Helm Consulting Agreement described in Section 6.12; (j) the U.K. Lease

7

Assignment described in Section 6.16; (k) the Assignment of intellectual property rights in the U.K. database and the U.K. pamphlets; and (l) the Trademark License Agreement referred to in Section 6.18.

1.57. "OWNED REAL PROPERTY" means all real property in which the Company or its Affiliates has any fee or other direct or indirect ownership interest and which is used in connection with the Work/Family Business.

1.58. "PERMITTED ENCUMBRANCES" means:

- (a) Encumbrances in favor of the Buyer or any of its Affiliates;
- (b) Encumbrances existing as of the date of this Agreement and disclosed in SCHEDULE 1.58(b) hereto;
- (c) Encumbrances for Taxes, to the extent that payment of the same may be postponed or is not required to be paid prior to the Effective Time in accordance with the provisions of the Agreement (provided, however, this clause Section 1.58(c) shall not be construed to limit Sellers' obligations with respect to Sections 1.40(a) and 10.1 (b));
- (d) landlords' and lessors' liens in respect to rent not in default or Encumbrances in respect of pledges or deposits under workmen's compensation, unemployment insurance, social security laws, or similar legislation (other than ERISA) or in connection with appeal and similar bonds incidental to litigation; mechanics', laborers' and materialmen's and similar Encumbrances, if the obligations secured by such Encumbrances are not then delinquent; liens securing the performance of bids, tenders, or contracts (other than for the payment of money); and statutory obligations incidental to the conduct of its business and that do not in the aggregate materially detract from the value of its property or materially impair the use thereof in the operation of its business;
- (e) rights of lessors under capital leases; and
- (f) easements, rights of way, restrictions or Encumbrances relating to real property and not interfering in a material way with the Ordinary Course.

1.59. "PERSON" means any natural person, firm, unlimited liability company, limited liability company, limited liability partnership, corporation, company (as defined by Companies Act 1985), partnership, association, trust, or governmental body.

1.60. "PERSONAL PROPERTY" means all inventory, machinery, parts, equipment, supplies, furniture, computer hardware, automobiles and vehicles and other tangible personal property.

1.61. "PURCHASE PRICE" means the total amount of money to be paid by Buyer for the Purchased Assets in accordance with Section 2.2 of this Agreement.

1.62. "PURCHASED ASSETS" means all Assets of the Corporate Sellers, including, without limitation, the following:

- (a) All of the Corporate Sellers' rights under the Contracts associated with the Work/Family Business, Office Leases and Equipment Leases arising after the Effective Time;
- (b) All of the Corporate Sellers' rights in the Intellectual Property Rights;
- (c) All of the Corporate Sellers' owned Personal Property, including, without limitation, the tangible personal property listed on Schedule 4.9;
- (d) All of the Corporate Sellers' licenses, permits, and other governmental authorizations related to the Work/Family Business, to the extent assignable;
- (e) Goodwill of the Work/Family Business;
- (f) All Records; and
- (g) All accounts receivable with respect to the Work/Family Business.

provided, however, in no event shall the Purchased Assets include any of the Excluded Assets.

1.63. "RECORDS" means originals or duplicate copies of all documents, records, and files, in whatever form, related to the Purchased Assets, or to employees of the Work/Family Business whose employment transfers to Buyer.

1.64. "RELATED PARTY" means any company (whether or not incorporated) which is considered a single employer with the Company under Section 414(b), (c), (m) or (o) of the Code or Title I or IV of ERISA.

1.65. "SECOND MEASUREMENT DATE" shall mean the date which is twenty-seven (27) months from the Closing Date.

1.66. "SELLER'S REPORT" shall have the meaning ascribed thereto in Section 2.3.

1.67. "SOFTWARE" means computer programs and databases in any form (including source code and binary code), and in any stage of development, test and release, together with all related technical documentation, user manuals, data files, databases and other works of authorship, and all information and materials necessary or required for the effective installation, maintenance, use and support of such computer programs.

1.68. "SUBSIDIARY" of a designated entity means any corporation or other

entity of which securities (or other ownership interests) having ordinary voting power to elect a majority of the board of directors (or other persons performing similar functions) are at the time directly or indirectly owned by the designated entity.

1.69. "TAX" OR "TAXES" means any tax or other levy, assessment, tariff, duty or deficiency imposed or collected by any Governmental Entity, including, without limitation, all federal, state, provincial, county, local, and foreign income, profits, franchise, gross receipts, payroll, sales, employment, use, occupation, property, excise, value added, goods and services and other taxes, duties or assessments (including the recapture of any tax items such as investment tax credits), together with any related interest, penalties and additions and shall include any transferee or secondary liability for a Tax

9

and any Tax liability arising as a result of being (or ceasing to be) a member of any affiliated, consolidated, combined, or unitary group or being included (or required to be included) in any Tax Return relating thereto.

1.70. "TAX AGREEMENT" means any sharing, allocation, indemnity or other agreement or arrangement (written or unwritten) with any Affiliate relating to Taxes (other than this Agreement).

1.71. "TAX RETURN" means any return, report, information return or other documents (including any related or supporting schedules, statements or information) filed or required to be filed with any Tax authority or Governmental Entity in connection with the determination, assessment or collection of any Taxes of any Person or the administration or any Laws relating to any Taxes.

1.72. "THIRD PARTY SOFTWARE" means all Software licensed, leased or loaned by third party vendors or contractors for use by any Seller in connection with the internal business operations of the Work/Family Business, or for distribution by the Work/Family Business under sublicense for use by customers, either on a stand-alone basis or in combination with Company Software Products.

1.73. "TOP TWENTY CUSTOMERS" shall mean the customers of the Work/Family Business listed on SCHEDULE 1.73 hereto, comprising the twenty (20) largest customers of the Work/Family Business under written Contract with the Company as of the Closing Date, based on annualized revenues from January 1, 1998 through the Closing Date (or such portion of that period during which such customer was under Contract with the Company).

1.74. "TRANSACTIONS" means the transactions contemplated by this Agreement.

1.75. "U.K. LEASE" means a lease of the premises at 4th Floor, Celcon House, 289- 293 High Holburn, London WC1V 7HU and made between Kingsway Group

1.76. "U.K. PURCHASED ASSETS" means all Assets of the U.K. Seller (including without limitation the Purchased Assets of the U.K. Seller) other than the Excluded Assets.

1.77. "WORK/FAMILY BUSINESS" means:

- (a) All services, worldwide, which support broad groups of employees and managers in respect of work/life issues and which are delivered, as part of a generally available assistance or managerial coaching program, to employees in person or via mail, audio tape, video tape, e-mail, intranet, internet, or through a program of education seminars; such services include, without limitation, referrals to care or other professional resources, non-clinical consultations, employee assistance programs, general managerial coaching, information on life transitions, and personal concierge services; and
- (b) the Consulting/Community Development Business conducted in Canada and in the United Kingdom.

10

## ARTICLE

### 2.

#### THE TRANSACTIONS

2.1. THE TRANSACTIONS. Subject to the terms and conditions herein, as of the Effective Time, (i) the Corporate Sellers shall sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase and acquire from the Corporate Sellers, all of the Purchased Assets free and clear of all Encumbrances other than Permitted Encumbrances and (ii) Buyer shall assume from the Corporate Sellers all of the Assumed Liabilities. In furtherance of the foregoing: (i) the Company shall sell, transfer, assign, convey and deliver to Ceridian the Company Purchased Assets free and clear of all Encumbrances other than Permitted Encumbrances, and Ceridian shall purchase and acquire from the Company all of the Company Purchased Assets free and clear of all Encumbrances other than Permitted Encumbrances; (ii) the Canadian Seller shall sell, transfer, assign, convey and deliver to the Canadian Buyer the Canadian Purchased Assets free and clear of all Encumbrances other than Permitted Encumbrances, and the Canadian Buyer shall purchase and acquire from the Canadian Seller all of the Canadian Purchased Assets free and clear of all Encumbrances other than Permitted Encumbrances; and (iii) the U.K. Seller shall sell, transfer, assign, convey and deliver to the U.K. Buyer the U.K. Purchased Assets with full title guarantee (including, without limitation, free and clear of all Encumbrances, except Permitted Encumbrances), the U.K. Buyer shall purchase and acquire from the U.K. Seller all of the U.K. Purchased Assets and

the U.K. Buyer will acquire the Work/Family Business in the United Kingdom as a going concern and will carry it on in succession to the U.K. Seller.

2.2. THE PURCHASE PRICE.

- (a) GENERAL. Subject to the adjustment described in Section 2.3, the Purchase Price for the Transactions shall be the sum of the following:
- (i) In respect of the Company:
    - (A) Seventy-nine Million Six Hundred Twenty-five Thousand Dollars (\$79,625,000), Seventy-eight Million Six Hundred Twenty-five Thousand Dollars (\$78,625,000) of which shall be paid in cash or immediately available funds to the Company and One Million Dollars (\$1,000,000) of which shall be paid in cash or immediately available United States funds to the Escrow Agent, in each case by Ceridian; and
    - (B) The contingent payments described in Section 2.2(b)
  - (ii) In respect of the Canadian Seller, Forty-six Thousand Canadian Dollars (C\$46,000) payable by the Canadian Buyer to the Canadian Seller via check; and
  - (iii) In respect of the U.K. Seller, Two Hundred Three Thousand British Pound Sterling (L203,000) payable by the U.K. Buyer to the U.K. Seller in cash or immediately available British funds;

11

(b) Contingent Payments.

- (i) FIRST MEASUREMENT PAYMENT. On the first business day of the first calendar month following the First Measurement Date, Ceridian shall make a payment (the "First Contingent Payment") to the Company in cash or immediately available United States funds,

determined as follows: if at least the respective number set forth below of the Top Twenty Customers remain as customers of Ceridian Performance Partners as of the First Measurement Date, then the amount of the First Contingent Payment shall be as set forth below:

<TABLE>  
<CAPTION>

Number of Top Twenty Customers -----	First Contingent Payment Amount -----
<S>	<C>
At least 19	\$3,000,000
At least 18	\$2,250,000
At least 17	\$1,500,000
At least 16	\$750,000
Fewer than 16	\$0

</TABLE>

So, by way of example, if the number of Top Twenty Customers remaining as of the First Measurement Date is 18, the amount of the First Contingent Payment would be Two Million Two Hundred Fifty Thousand Dollars (\$2,250,000). Notwithstanding the foregoing, for the purposes of this subsection 2.2(b)(i), any Top Twenty Customer who, following the Closing and prior to the First Measurement Date, terminates its relationship with Ceridian Performance Partners primarily as a result of Ceridian Performance Partners' failure to perform its obligations to such customer pursuant to applicable Contracts, shall be deemed to have remained as a customer of Ceridian Performance Partners as of the First Measurement Date; and, PROVIDED FURTHER, that if any two or more Top Twenty Customers merge or consolidate with one another and Ceridian Performance Partners continues to service the employees of the combined entity, then the number of such Top Twenty Customers shall not be deemed reduced as a result of such merger or consolidation, and, PROVIDED FURTHER, that if a Contract with a Top Twenty Customer is renewed or rewritten in the name of Ceridian Performance Partners, such Top Twenty Customer shall continue to be deemed a Top Twenty Customer for purposes of this Section 2.2(b); and



PROVIDED FURTHER, HOWEVER, that in the event that, following the Closing and prior to the First Measurement Date, all or substantially all of the assets or more than fifty percent (50%) of the equity of any Top Twenty Customers is acquired by a third party and, as a result, the business of such Top Twenty

12

Customer no longer remains with Ceridian Performance Partners (each such customer, an "Acquired Customer"), then (i) if, following the Closing and prior to the First Measurement Date, Ceridian Performance Partners obtains a new customer or customers principally as a result of the efforts of F. Rodgers, and (ii) such customer or customers enter into a Contract (or Contracts) with Ceridian Performance Partners pursuant to which Ceridian Performance Partners' projected aggregate annual revenues for the twelve (12) months following such Contract (or Contracts) can reasonably be expected to be in excess of the annualized revenues generated by the Acquired Customer (or Acquired Customers, as the case may be) during the period from January 1, 1998 through the Closing Date (or for such portion thereof during which such Acquired Customer was under Contract with the Company), then such newly obtained customer, or such newly obtained customers in the aggregate, as the case may be, shall be deemed to have been a Top Twenty Customer as of the Closing for purposes of this subsection 2.2(b)(i).

- (ii) SECOND MEASUREMENT PAYMENT. On the first business day of the first calendar month following the Second Measurement Date, Ceridian shall make a payment (the "Second Contingent Payment") to the Company in cash or immediately available United States funds, determined as follows: if at least the respective number set forth below of the Top Twenty Customers remain as customers of Ceridian Performance Partners as of the Second Measurement Date, then the amount of the Second Contingent Payment shall be as set

forth below:

<TABLE>  
<CAPTION>

Number of Top Twenty Customers -----	Second Contingent Payment Amount -----
<S>	<C>
At least 19	\$2,000,000
At least 18	\$1,000,000
At least 17	\$500,000
Fewer than 17	\$0

</TABLE>

So, by way of example, if the number of Top Twenty Customers remaining as of the Second Measurement Date is 18, the amount of the Second Contingent Payment would be One Million Dollars (\$1,000,000). Notwithstanding the foregoing, for the purposes of this subsection 2.2(b)(ii), any Top Twenty Customer who, following the Closing and prior to the Second Measurement Date, terminates its relationship with Ceridian Performance Partners primarily as a result of Ceridian Performance Partners' failure to perform its obligations to such customer pursuant to applicable

13

Contracts, shall be deemed to have remained as a customer of Ceridian Performance Partners as of the Second Measurement Date; and, PROVIDED FURTHER, that if any two or more Top Twenty Customers merge or consolidate with one another and Ceridian Performance Partners continues to service the employees of the combined entity, then the number of such Top Twenty Customers shall not be deemed reduced as a result of such merger or consolidation, and, PROVIDED FURTHER, that if a Contract with a Top Twenty Customer is renewed or rewritten in the name of Ceridian Performance Partners, such Top Twenty Customer shall continue to be deemed a Top Twenty Customer for purposes of this Section 2.2(b); and PROVIDED FURTHER, HOWEVER, that in the event that following the Closing and

prior to the Second Measurement Date, all or substantially all of the assets or more than fifty percent (50%) of the equity of any Top Twenty Customers is acquired by a third party and, as a result, the business of such Top Twenty Customer no longer remains with Ceridian Performance Partners (each such customer, a "Second Measurement Acquired Customer"), then (i) if, following the Closing and prior to the Second Measurement Date, Ceridian Performance Partners obtains a new customer or customers principally as a result of the efforts of F. Rodgers, and (ii) such customer or customers enter into a Contract (or Contracts) with Ceridian Performance Partners pursuant to which Ceridian Performance Partners' projected aggregate annual revenues for the twelve (12) months following such Contract (or Contracts) can reasonably be expected to be at least one hundred fifteen percent (115%) of the annualized revenues generated by the Second Measurement Acquired Customer (or Second Measurement Acquired Customers, as the case may be) during the period from January 1, 1998 through the Closing Date (or for such portion thereof during which such Second Measurement Acquired Customer was under Contract with the Company), then such newly obtained customer, or such newly obtained customers in the aggregate, as the case may be, shall be deemed to have been a Top Twenty Customer as of the Closing for purposes of this subsection 2.2(b) (ii).

### 2.3. ADJUSTMENTS TO PURCHASE PRICE.

- (a) Not later than two business days prior to the Closing Date, Sellers shall deliver to Buyer their good faith estimate of the Closing Book Value. If the estimated Closing Book Value is less than Six Million Dollars (\$6,000,000), the Closing Date Payment shall be reduced by an amount (the "Closing Adjustment") equal to (a) Six Million Dollars (\$6,000,000) less (b) the estimated Closing Book Value.

14

- (b) Within 120 days following the Closing Date, Buyer will prepare and deliver to Sellers a consolidated

balance sheet (the "Closing Balance Sheet") of the Work/Family Business, prepared in accordance with GAAP as utilized by the Corporate Sellers on a consolidated basis prior to Closing, consistently applied with the pro forma balance sheet attached as Schedule 2.3(b), showing, except as noted below, the Purchased Assets and assumed Liabilities as of the Effective Time, together with a calculation of the "Closing Book Value" reflected on the Closing Balance Sheet ("Buyer's Report"); provided, however, that for purposes of this subsection 2.3(b) the Closing Balance Sheet will not include (i) any Purchased Asset which comprises an intangible asset, (ii) any Excluded Asset or (iii) any Liability which is not an Assumed Liability. Notwithstanding the foregoing or anything else in this Agreement to the contrary, the Closing Balance Sheet shall be prepared using the same exchange rates (One Pound Sterling equals \$1.70 U.S. Dollar and One Canadian Dollar equals \$.65 U.S. Dollar). In addition, notwithstanding anything to the contrary in this Agreement, for all purposes including tax and accounting, the profits or losses of the Work/Family Business from and after the Effective Time shall accrue for the benefit of, or be to the detriment of, as the case may be, the Buyer.

- (c) Sellers shall have the right to have auditors or other representatives of their choosing audit the Buyer's Report and the Buyer shall cooperate with such audit. Within 60 days after delivery to Sellers of the Buyer's Report Sellers shall have the right to object to the information contained in the Buyer's Report and in such event:
- (i) Sellers shall provide Buyer with a written statement (the "Sellers' Report"), setting forth an itemized list of Sellers' objections;
  - (ii) Sellers and Buyers and their respective independent accountants, shall attempt to resolve any dispute as to the information contained in the Buyer's Report; and
  - (iii) if the parties and their independent accountants are unable to reach agreement within 30 days following delivery of the Sellers' Report, the parties shall submit to Dispute Resolution. The fees, costs and expenses of the Deciding Accounting Firm

shall be paid by the party or parties who do not prevail in the Dispute Resolution (as determined by the Deciding Accounting Firm).

- (d) Within ten (10) Business Days following the resolution by the parties of any dispute with respect to the Buyer's Report or the date on which Buyer actually receives written determination of the Deciding Accounting Firm with respect to any such dispute, as the case may be:
- (i) if the Closing Book Value is less than the remainder of (a) Six Million Dollars (\$6,000,000) minus (b) the Closing Adjustment (if any), then' the Sellers shall make, or cause the Corporate Sellers to make, a cash payment to Buyer in an amount equal to such shortfall; or
  - (ii) if the Closing Book Value is greater than the remainder of (a) Six Million Dollars (\$6,000,000) minus (b) the Closing Adjustment (if any),

15

then Buyer shall make a cash payment to the Company in an amount equal to such overage.

2.4. ASSIGNMENT OF CUSTOMER CONTRACTS. At the Closing, with respect to all Customer Contracts: (a) each of the Corporate Sellers shall assign all of its right, title and interest in and to these Customer Contracts (to which it is a party) (apart from Customer Contracts which relate to the Work/Family Business in the UK (the "UK Customer Contracts")) to Buyer notwithstanding any provision in such Customer Contract purporting to prohibit or limit such assignment without consent or to require the satisfaction of any conditions in order to effect such assignment (other than conditions relating to the Corporate Sellers' obligations under such Customer Contracts relating to any matters other than assignment of such Customer Contracts) and the U.K. Customer Contracts which are capable of assignment or in relation to which the party to such Customer Contract other than the U.K. Seller agrees to such assignment shall be assigned by the U.K. Seller to the U.K. Buyer and for the avoidance of doubt this Agreement shall constitute an assignment of such Customer Contracts to the U.K. Buyer; (b) the parties shall jointly communicate with the customers concerning such assignment; (c) in the event any such customer objects to such assignment and insists that the Customer Contract continue to be performed by a Corporate Seller, until the end of the minimum remaining term of such agreement, Sellers shall at Buyer's expense (with respect to Sellers' out-of-pocket expense, including reasonable attorneys' fees) provide their full cooperation and

assistance in the resolution of such situation, including by way of causing such work to be performed by Buyer on a subcontract basis, and in such event, Buyer shall insure that continued service is provided to the customer under such contract and any services so provided shall be performed at Buyers cost and for its benefit; and (d) to the extent that any U.K. Customer Contracts are not assigned to the U.K. Buyer at Closing, the U.K. Seller will use all reasonable endeavors to ensure that the benefits of any such contracts be assigned to the U.K. Buyer as soon as possible after the Closing provided that the Buyer shall fully indemnify the U.K. Seller in respect of any costs, liabilities or expenses arising in connection with the assignment of such Customer contracts and which are incurred by the U.K. Seller and shall cooperate fully with the U.K. Seller in obtaining such assignments; and (e) for the avoidance of doubt, the U.K. Seller shall incur no liability in connection with any failure to obtain consent to the assignment of a U.K. Customer Contract and shall be fully indemnified by the Buyer in connection with any liabilities arising in connection therewith.

2.5. ASSIGNMENT OF OFFICE LEASES. At the Closing, the Corporate Sellers shall assign to Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, all rights in the Office Leases (other than with respect to leased property in the United Kingdom).

2.6. ASSIGNMENT OF EQUIPMENT LEASES. At the Closing, the Corporate Sellers shall assign to Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, all rights in the Equipment Leases.

2.7. ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS. At the Closing, the Corporate Sellers shall, to the extent assignable, assign to Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, all rights in the Intellectual Property Rights (other than any Intellectual Property Rights which comprise Excluded Assets).

2.8. ASSIGNMENT OF LICENSES, PERMITS, AND OTHER GOVERNMENTAL AUTHORIZATIONS. At the Closing, the Corporate Sellers shall, to the extent assignable, assign to Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, the licenses, permits, and other authorizations related to the Work/Family Business, including those listed in Schedule 4.15(b).

2.9. TRANSFER OF ASSETS.

16

- (a) At the Closing, the Corporate Sellers shall deliver possession of the tangible Purchased Assets to Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, such delivery to take place at the locations where such assets have been located in the Ordinary Course prior to the Closing.
- (b) To the extent that any of the rights assigned to Buyer

hereunder are governed by Contracts that also govern comparable rights of the Corporate Sellers relating to assets or operations of the Corporate Sellers not included in the Purchased Assets or the Work/Family Business, Buyer shall, upon written request of the Corporate Sellers, use reasonable commercial efforts to enforce each such Contract against any other parties to such Contract for the benefit of the Corporate Sellers as a third party beneficiary, to the extent such Contract affects or applies to assets or operations of the Corporate Sellers other than the Work/Family Business or the Purchased Assets.

2.10. ASSUMPTION OF LIABILITIES. At the Closing, Buyer shall assume and agree to pay, perform and discharge when due, all of the Assumed Liabilities. In no event shall Buyer have any obligation to pay, perform and discharge the Excluded Liabilities. In furtherance of the foregoing; (i) Ceridian shall assume the Assumed Liabilities associated with the Company Purchased Assets; (ii) the Canadian Buyer shall assume the Assumed Liabilities associated with the Canadian Purchased Assets; and (iii) the U.K. Buyer shall assume the Assumed Liabilities associated with the U.K. Purchased Assets.

## ARTICLE

### 3.

#### CERTAIN TAX MATTERS

3.1. RESPONSIBILITY FOR TAXES. The Corporate Sellers shall be responsible for all sales, transfer, and similar taxes or duties, imposed on, or resulting from, the sale or transfer of the Purchased Assets pursuant to this Agreement.

#### 3.2. ALLOCATION OF PURCHASE PRICE; OTHER TAX MATTERS.

- (a) At or prior to Closing, the Company, Sellers and Buyer shall allocate the Purchase Price (and all other capitalized costs) among the Company Purchased Assets as set forth on SCHEDULE 3.2(a). Such allocation shall be made as provided in Section 1060 of the Code. Buyer and Sellers shall report or cause the Company to report (including the filing of Form 8594 to the Internal Revenue Service) the sale and purchase of the Purchased Assets for all Tax purposes in a manner consistent with such allocation. Schedule 3.2(a) also includes the aggregate fair market value of each class of assets described in the regulations promulgated pursuant to Section 1060 of the Code. Buyer and the Company shall file on a timely basis any amendments required to Form 8594 as a result of a subsequent increase or decrease-of the Purchase Price. The Company's United States Federal Employee Identification Number is 04-2921926. Ceridian's United States Federal Employee Identification Number is 52-0278528.



- (b) The Purchase Price for the Canadian Purchased Assets shall be allocated in accordance with Schedule 3.2(b). The Canadian Buyer and Canadian Seller shall follow the agreed allocation in Schedule 3.2(b) in determining and reporting

17

their liabilities for any Taxes and, without limitation, shall file their respective Canadian tax returns prepared in accordance with such allocations. The Canadian Buyer and Canadian Seller shall execute jointly an election in the prescribed form under Section 22 of the INCOME TAX ACT (Canada) in respect of the accounts receivable of the Canadian Seller and shall file such election with their respective Canadian tax returns for their respective taxation years that include the Effective Time. The Canadian Buyer and Canadian Seller shall execute jointly an election in the prescribed manner under subsection 20(24) of the INCOME TAX ACT (Canada) in respect of all deposits and other prepayments received by the Canadian Seller from customers of its Work/Family Business. At the Closing, the Canadian Seller and Canadian Buyer shall execute jointly an election under Section 167 of the EXCISE TAX ACT (Canada) to have the sale of the Canadian Purchased Assets take place on a GST-free basis under Part IX of the EXCISE TAX ACT (Canada) and the Canadian Buyer shall file such election with its GST return for the reporting period in which the sale of the Canadian Purchased Assets takes place.

- (c) The Purchase Price for the U.K. Purchased Assets shall be allocated in accordance with Schedule 3.2(c). The U.K. Seller and U.K. Buyer shall follow the agreed allocation in Schedule 3.2(c) in determining and reporting their liabilities for any Taxes and, without limitation, shall file their respective United Kingdom tax returns prepared in accordance with such allocations. The Sellers and the Buyer intend that, and shall use all reasonable efforts to ensure that, the sale and transfer of the UK Purchased Assets pursuant to this Agreement shall be treated as neither a supply of goods nor a supply of services for the purposes of the UK Value Added Tax and accordingly the U.K. Seller and the U.K. Buyer shall when required to do so give notice of such sale and transfer to H.M. Customs and Excise pursuant to paragraph 11 of Schedule 1 to the Value Added Tax Act 1994 ("VATA") or regulation 6 of the Value Added

Tax Regulations 1995 or as otherwise required by law and the U.K. Seller shall apply (before or as soon as reasonably practicable after Closing) to H.M. Customs and Excise and obtain a direction that all records referred to in Section 49 VATA may be retained by it and the U.K. Seller undertakes to preserve those records in such a manner and for such periods as may be required by law and during such period to give to the U.K. Buyer (on reasonable prior notice) reasonable access during normal business hours to such records. If and to the extent that VAT is determined by H.M. Customs and Excise to be payable on the sale, such VAT shall be for the account of the U.K. Seller and (for the avoidance of doubt) any amounts expressed in this Agreement to be payable by Buyer shall be inclusive of VAT. The U.K. Buyer warrants that it is or will at Closing be a taxable person for VAT purposes and that it intends to use the U.K. Purchased Assets after Closing in carrying on the same kind of business as that carried on by the U.K. Seller.

18

#### ARTICLE

#### 4.

#### REPRESENTATIONS AND WARRANTIES OF SELLERS

As an inducement to Buyer to enter into this Agreement and consummate the Transactions, Sellers hereby jointly and severally make to Buyer the representations and warranties contained in this Article 4.

4.1. AUTHORITY, VALIDITY OF AGREEMENT. Each of the Corporate Sellers has full power and authority to carry on the Work/Family Business as currently conducted. Each Seller has all requisite corporate power and authority to enter into this Agreement and the Other Agreements (to the extent such Seller is a party thereto) and to perform the obligations hereunder and thereunder and to consummate the transactions contemplated by this Agreement and the Other Agreements (to the extent such Seller is a party thereto). The execution and delivery by each Seller of this Agreement and the Other Agreements (to the extent Seller is a party thereto) and the consummation of the Transactions have been duly authorized by all necessary action on the part of each Seller and no other corporate approval is required for the performance by any Seller of his, her or its obligations hereunder or thereunder. This Agreement has been, and when executed and delivered on or prior to the Closing each of the Other Agreements (to the extent such Seller is a party to any Other Agreement) will have been, duly executed and delivered by each Seller. This Agreement constitutes, and when executed and delivered at or prior to the Closing each of the Other Agreements (to the extent such a Seller is a party to the Other Agreements) will constitute, assuming due authorization, execution and delivery by Buyer, a valid and binding obligation of each Seller, enforceable in

accordance with its terms (subject to the effect of applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights and to general principles of equity).

4.2. NO VIOLATIONS. Except as set forth on Schedule 4.2, neither (i) the execution and delivery of this Agreement and, to the extent any Seller is a party to the Other Agreements, such Other Agreements, by each such Seller nor (ii) the consummation of the Transactions will: (a) violate any provisions of the Restated Articles of Organization or Bylaws of the Company, the articles of association and the memorandum of association of the U.K. Seller, or the memorandum and articles of association of the Canadian Seller; (b) violate, or be in conflict with, or constitute a default (or an event which, with or without due notice or lapse of time, or both, would constitute a default) under, or cause or permit the acceleration of the maturity of or give rise to any right of termination, cancellation, imposition of fees or penalties under, any note, debt, debt instrument, indenture, security agreement, option to purchase, lease, deed of trust or license, or any other Contract to which any Seller or any of their Affiliates is a party or by which any of them or any of their Assets is or may be bound; (c) result in the creation of imposition of any Encumbrance (other than a Permitted Encumbrance) of any kind upon any of the Purchased Assets under any debt, obligation, or Contract to which any Seller is a party or by which it or its Assets is or may be bound; or (d) violate any Laws to which any Seller may be subject.

4.3. CONSENTS AND APPROVALS OF GOVERNMENTAL AUTHORITIES. Except for applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), no consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required with respect to any Seller in connection with the execution, delivery and performance of this Agreement and the Other Agreements by any Seller (which is a party thereto) or the consummation by any Seller of the Transactions.

19

4.4. OTHER CONSENTS. Except as set forth on Schedule 4.4. no consent, waiver or approval of, or notice to, any third party is required or necessary to be obtained by any Seller in connection with the execution and delivery of this Agreement or any Other Agreements to which such Seller is a party and the performance of Sellers' respective obligations hereunder and thereunder.

4.5. ABSENCE OF CERTAIN CHANGES. Except as disclosed on Schedule 4.5, since January 1, 1998, neither any of the Corporate Sellers nor their Affiliates to the extent it affects the Work/Family Business, has:

- (a) Suffered any change or changes which, individually or in the aggregate, have had or may reasonably be expected to have, a Material Adverse Effect on the Business Condition of the Work/Family Business;

- (b) Granted any increase in the compensation of officers or employees (other than normal increases to non-officer employees in the Ordinary Course);
- (c) Entered into any other transaction, Contract, commitment or arrangement other than in the Ordinary Course;
- (d) Permitted or allowed any of the Purchased Assets to be subjected to any Encumbrance other than a Permitted Encumbrance which remains in effect at the date hereof;
- (e) Sold, leased or otherwise disposed of any of its Assets, except in the Ordinary Course;
- (f) Licensed, sold, transferred, pledged, modified, disposed of or permitted to lapse any Intellectual Property Right; or
- (g) Agreed, whether in writing or otherwise, to take any action described in paragraphs (a) through (f) above.

#### 4.6. FINANCIAL STATEMENTS.

- (a) Attached as SCHEDULE 4.6 are complete copies of the following financial statements of the Corporate Sellers or the Work/Family Business, as the case may be (collectively, the "Financial Statements"): (i) audited consolidated financial statements as of December 31, 1995, December 31, 1996 and December 31, 1997 and an unaudited product line profit and loss statement for the Work/Family Business for the year ended December 31, 1997; (ii) unaudited consolidated balance sheets and income statements of the Corporate Sellers as of March 31, 1998, June 30, 1998, September 30, 1998 and October 31, 1998; and (iii) unaudited product line profit and loss statements of the Work/Family Business as of March 31, 1998, June 30, 1998, September 30, 1998 and October 31, 1998, an accrued expense reconciliation as of October 31, 1998 and an unaudited balance sheet of the Work/Family Business as of October 31, 1998 (the "October 31, 1998 Balance Sheet") (collectively, the "Unaudited Financial Statements").

- (b) Except as disclosed in the Financial Statements, the Financial Statements (i) have been prepared in accordance with GAAP consistently applied for all periods (except, with respect to the Unaudited Financial Statements, for normal recurring year-end adjustments (the effect of which will not be materially adverse) and the absence of notes

which, if presented, would not differ materially from those included in the December 31, 1997 audited financial statements included in the Financial Statements) and fairly present in all material respects the consolidated financial position of the Corporate Sellers and the Work/Family Business, as the case may be, as of the respective dates thereof, and the results of operations (or income or loss) for the Corporate Sellers and the Work/Family Business, as the case may be, and, in the case of the audited Financial Statements only, changes in shareholders' equity and changes in cash flow (or financial position) for the periods then ended.

- (c) The general ledger, accounts receivable, accounts payable, bank reconciliations and payroll records of the Corporate Sellers have been maintained in the Ordinary Course.

4.7. ABSENCE OF UNDISCLOSED LIABILITIES. Except as set forth on Schedule 4.7, the Corporate Sellers have no Liabilities (apart from obligations for future performance under the Customer Contracts, the Office Leases, and the Equipment Leases or any Contract set forth on any schedule delivered pursuant to Section 4.13) which could adversely affect the Business Condition of the Work/Family Business, except:

- (a) Liabilities that are fully accrued or reserved against in the October 31, 1998 Balance Sheet which have not been paid or discharged since the date thereof; and
- (b) Liabilities incurred since the date of the October 31, 1998 Balance Sheet in the Ordinary Course.

4.8. PURCHASED ASSETS.

- (a) TITLE. The Corporate Sellers have good and marketable title to all of the Purchased Assets. None of such Purchased Assets is subject to any Encumbrance except for Permitted Encumbrances.
- (b) GENERAL. The Purchased Assets together with the Excluded Assets constitute all of the property and assets, real, personal and mixed, tangible and intangible, presently used to carry on the Work/Family Business, and the Purchased Assets are adequate to carry on the Work/Family Business as presently conducted.

4.9. PLANT, PROPERTY, AND EQUIPMENT. Schedule 4.9 contains a true and correct list of all of the tangible Purchased Assets, except for items with an initial acquisition value of Seven Hundred Fifty Dollars (\$750) or less. The Leased Real Property, and other plant, property, equipment, leasehold improvements, and other tangible Assets of the Work/Family Business conform in all respects with all Laws, are, except as set forth in Schedule 4.9, in good

operating condition and repair (ordinary wear and tear excepted) and are adequate in all respects for the purposes for which they are being used.

4.10. ORDERS, COMMITMENTS AND RETURNS. All accepted and unfulfilled orders for the sale of Company Products were made in the Ordinary Course. There are no written claims pending and unresolved against the Company or its Affiliates with respect to the Work/Family Business relating to unsatisfactory performance of services by the Corporate Sellers.

4.11. DEFECTS IN PRODUCTS, WARRANTIES. There are no defects in the Company Products sold by the Corporate Sellers or their Affiliates which would adversely affect the performance and quality of such products or services. There are no express or implied warranties outstanding with respect to the Company Products except as set forth in SCHEDULE 4.11 hereof.

4.12. REAL PROPERTY.

- (a) OWNED REAL PROPERTY. Sellers do not own and have not in the past owned any Owned Real Property used in connection with the operation of the Work/Family Business.
- (b) LEASED REAL PROPERTY AGREEMENTS. SCHEDULE 4.12(b) sets forth a true and complete list of all Leased Real Property and a copy of all of the Office Leases relating thereto. All the Office Leases are in full force and have not been further modified, amended, or altered, in writing or otherwise. Except as expressly set forth in the Office Leases, none of the leasehold interests of the Corporate Sellers or their Affiliates in the Leased Real Property is subject to subordination, foreclosure, termination, cancellation or extinguishment, whether with notice, by way of operation of law or otherwise, absent a default under the lease by the tenant. None of the Office Leases (except as contemplated by the Transactions) is in default in any respect by any of the Corporate Sellers or, to Sellers' Best Knowledge, by other third parties thereto, and no circumstance exists (other than the need to obtain landlord consents to the Transactions), which, with notice, the passage of time or both would (i) constitute a default under the Office Leases, (ii) provide a basis for termination under such Office Leases prior to their normal expiration dates, or (iii) (except as contemplated by the Transactions) grant to a third party the right to occupy the premises subject to such Office Leases. There are no other Contracts to which any Seller is a party that concern right, title or interest in and to the Leased Real Property

or grant to a third party the right to occupy the premises used in the Work/Family Business.

- (c) LEGAL PROCEEDINGS AFFECTING PROPERTY. Except as disclosed on Schedule 4.12(c), to the Best Knowledge of the Sellers, with respect to the Work/Family Business there is not: (i) any planned public improvement which will result in any charge being levied or assessed against any Leased Real Property or which would create any Encumbrance upon such property; (ii) any condemnation proceeding pending with respect to any Leased Real Property; (iii) any proposal (of which Sellers have Best Knowledge) by a Tax authority to change materially the assessed value or assessment rates of any Leased Real Property; or (iv) any other pending claim, suit, proceeding, order or demand of any Governmental Entity or any Persons which could have an adverse impact on the value, use or condition of any Leased Real Property.

22

- (d) UTILITIES. All utilities necessary for the normal use and operation of the Leased Real Property for the purposes for which they are used by the Work/Family Business in the Ordinary Course are available at such property.
- (e) DISPUTES. No Seller has received from any third party any notice of any claim, dispute or controversy with respect to any of the Contracts of the Corporate Sellers or their Affiliates relating to the Work/Family Business which is required to be listed in any of the Schedules to this Section 4.12.

#### 4.13. CONTRACTS.

- (a) SCHEDULE 4.13(a)(i) contains a complete list of certain executory Contracts of the Corporate Sellers' with customers which Contracts, in the aggregate, comprise at least seventy percent (70%) of projected fiscal year 1998 annual revenue with respect to the Work/Family Business and a list of all customers of the Work/Family Business. For purposes of the preceding sentence a "customer" is a Person who has purchased goods or services from any of the Corporate Sellers pursuant to a Contract in connection with the Work/Family Business since January 1, 1998 or has committed to purchase goods or services after the date hereof. SCHEDULE 4.13(a)(ii) contains a list of all written proposals to customers or potential customers of the Work/Family Business currently outstanding but unaccepted. To the Best Knowledge of Sellers, SCHEDULE 4.13(a)(iii)



contains a description of all material oral proposals to customers or potential customers of the Work/Family Business currently outstanding but unaccepted. Except as set forth in SCHEDULE 4.13(a)(iv), since October 1, 1998, no customers of the Work/Family Business have canceled, terminated or failed to renew such Contracts, or notified the Company in writing of their intent to cancel or terminate or not to renew their Contracts, or, to Sellers' Best Knowledge, orally notified the Sellers of such intention, or, to Seller's Best Knowledge, put the services subject to such Contract out for bid.

- (b) SCHEDULE 4.13(b) contains a complete list of Equipment Leases.
- (c) SCHEDULE 4.13(c) contains a complete list of all suppliers of the Work/Family Business who, since January 1, 1998, have invoiced any Seller or their Affiliates with respect to the Work/Family Business for Twenty-five Thousand Dollars (\$25,000) or more, including the types of products and/or services provided by each such supplier.
- (d) SCHEDULE 4.13(d) sets forth a true and complete list of all Contracts of the types listed below to which any of the Corporate Sellers is bound (which have not expired or been terminated), or by which it or any of its Assets is in any respect bound in connection with the Work/Family Business:
  - (i) Employment agreements and any written offers of employment outstanding.
  - (ii) Royalty agreements.
  - (iii) Consulting agreements for the provisions of consulting services to any of the Corporate Sellers.
  - (iv) Joint venture or partnership agreements with any other entity.
  - (v) [INTENTIONALLY OMITTED]
  - (vi) Non-competition or similar agreements which prevent any of the Corporate Sellers (to the extent it relates to the Work/Family Business) from competing with any Person or



confidentiality or employee non-solicitation agreements with any other Person.

(vii) Capitalized leases.

(viii) Any Contract (other than a Contract with a "customer" as defined in the second sentence of Section 4.13(a)), not listed in a Schedule to this Agreement, requiring the performance by any of the Corporate Sellers (with respect to the Work/Family Business) of any obligation for a period of time extending more than ninety days from and after the date of this Agreement or requiring (with respect to the Work/Family Business) any of the Corporate Sellers after the date hereof to pay a consideration or incur costs of more than Twenty-five Thousand Dollars (\$25,000).

SCHEDULE 4.13(d) is organized by the relevant subcategory described above and sets forth, with respect to each Contract, the names of the parties thereto, the date of the Contract, and all amendments or modifications thereto.

(e) The Corporate Sellers (i) have in all respects performed, and are now performing, the obligations of the Corporate Sellers under any Contract referred to in the Schedules delivered pursuant to this Section 4.13, and (ii) are not in default (or would by the lapse of time or the giving of notice or both be in default) in respect of any Contract referred to in the Schedules delivered pursuant to this Section 4.13. Each of the Contracts shown on the Schedules delivered pursuant to this Section 4.13 is in full force and effect and is a valid and enforceable obligation against the Corporate Sellers (to the extent a Corporate Seller is a party thereto), and, to the Best Knowledge of Sellers, against the other party thereto in accordance with its terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights, and to general principles of equity). Except as set forth in Schedule 4.13(e), to the Best Knowledge of Sellers, no other parties to such Contracts is in default in any respect (or would by the lapse of time or the giving of notice or both be in default in any respect) thereunder or has breached in any respect any terms or provisions thereof.

(f) No Seller has received from any third party any notice of any claim, dispute or controversy with respect to any of the Contracts relating to the Work/Family Business, which is required to be listed in any of the Schedules delivered

pursuant to this Section 4.13, nor has any Seller or any of their Affiliates

24

received notice or warning of alleged nonperformance, delay in delivery or other noncompliance with respect to its obligations under any such Contracts.

- (g) True and complete copies of all of the original Contracts (and any current renewal letters relating thereto) referred to in the Schedules delivered pursuant to this Section 4.13 have been delivered to Buyer (or, in the case of Contracts with provider Affiliates of the Work/Family Business, true and complete copies of original Contracts or standard form contracts and a listing of material deviations therefrom).

4.14. LITIGATION. Except as described on Schedule 4.14, there are no suits, claims, actions, arbitrations, litigations, legal, administrative or other proceedings (including without limitation permit revocations, permit amendments, or administrative complaints of discrimination) or governmental investigations, pending, or to Sellers' Best Knowledge, threatened against or adversely affecting the Purchased Assets, or involving any Seller regarding the Work/Family Business or any of the Corporate Sellers. There are no judicial or administrative actions, proceedings or investigations pending or, to Sellers' Best Knowledge, threatened (or any reasonable basis therefor) that question the validity of this Agreement or the Other Agreements or any action taken or to be taken by any Seller in connection with this Agreement or the Other Agreements.

4.15. COMPLIANCE WITH LAWS; LICENSES.

- (a) The operations and business of the Work/Family Business has been conducted, and is being conducted, in all respects in compliance with all Laws and, with respect to the Work/Family Business, no Seller nor any of its Affiliates has received any notification that the Work/Family Business, or any of the Corporate Sellers or any of their Affiliates, is in violation of any Laws.
- (b) SCHEDULE 4.15(b) hereto sets forth a true and complete list of all governmental approvals, permits, licenses, certifications or other authorizations required to conduct the Work/Family Business as presently conducted. All approvals, permits, licenses, certifications or other authorizations necessary to conduct the Work/Family Business as presently conducted have been obtained and are in full force and effect, and are being complied with in all respects.

- (c) Except as set forth in SCHEDULE 4.15(c) there are no judgments, orders, injunctions, decrees, stipulations, awards (whether rendered by a Governmental Entity or by arbitration) or private settlement agreements presently in effect involving any Seller or their Affiliates with respect to the Work/Family Business or against any of their respective Assets related to the Work/Family Business. All of the foregoing set forth in Schedule 4.15(c) are being complied with in all respects.
- (d) With respect to the Work/Family Business, no Seller nor any Affiliates of any Seller nor any director, officer, employee or agent of any of them acting on their behalf, or any other Person acting on their behalf has, directly or indirectly, given or agreed to give any gift or similar benefit to any customer, supplier, competitor or governmental employee or official which would subject any of the

25

Purchased Assets or the Work/Family Business, to any damage or penalty under any Law in any civil, criminal or governmental litigation or proceeding.

#### 4.16. COMPUTER SOFTWARE AND INTELLECTUAL PROPERTY.

- (a) COMPANY SOFTWARE PRODUCTS. SCHEDULE 4.16(a) contains a complete list of all Company Software Products which support the Work/Family Business, including proprietary databases.
- (b) THIRD PARTY SOFTWARE. SCHEDULE 4.16(b) contains a complete list of all Third Party Software, and all corresponding license agreements (including title of agreement, effective date, and names of all parties thereto) under which any rights to use or distribute Third Party Software have been granted to any of the Corporate Sellers in respect of the Work/Family Business, other than license agreements included in shrink-wrapped software packages. Sellers have delivered to Buyer complete, true and correct copies of all such license agreements.
- (c) SOURCE CODE ESCROW. Schedule 4.16(c) contains a list of all agreements (including title of agreement, effective date, and names of all parties thereto) under which any of the Corporate Sellers has delivered source code for any

Company Software Product to be held in escrow and released upon the occurrence of certain events or conditions. The Corporate Sellers have delivered to Buyer complete, true and correct copies of all such source code escrow agreements.

(d) CERTAIN INTELLECTUAL PROPERTY RIGHTS. Schedule 4.16(d) contains a complete list of the following items included in the Intellectual Property Rights: (i) United States and foreign patents and patent applications; (ii) copyrights in computer programs and other works of authorship which are registered with any Governmental Entity, or for which registration applications have been filed; (iii) United States and foreign trademarks, service marks and trade names, and all registrations or applications for registration of any such marks or names; and (iv) URL sites.

(e) DISCLOSURES.

(i) The Corporate Sellers have the following rights in the Intellectual Property Rights:

(aa) SCHEDULE 4.16(e) (i) (aa) contains a list of all Intellectual Property Rights in which any of the Corporate Sellers has the exclusive and unrestricted right to possess, use, modify and prepare derivative works based on, manufacture, reproduce, license, sell, distribute and dispose, free and clear of all Encumbrances and rights of third parties; has valid and enforceable rights free and clear of all Encumbrances; and has received no claim that any Intellectual Property Right is in whole or in part invalid, unenforceable, ineffective or in violation of the rights of others.

26

(bb) SCHEDULE 4.16(e) (i) (bb) contains a list of all Intellectual Property Rights in which any of the Corporate Sellers has the right to possess, use, modify and prepare derivative works based on, manufacture, reproduce, license, sell, distribute and dispose, subject to restrictions as stated therein; and has received no claim that any Intellectual Property Right is in whole or in part invalid, unenforceable, ineffective or in violation of the rights of others. Other than any Intellectual

Property Rights specifically scheduled as Excluded Assets, the Intellectual Property Rights described on Schedule 4.16(e) (i) (aa), Schedule 4.16(e) (i) (bb) and Schedule 4.16(e) (i) (cc) constitute all of the Intellectual Property Rights used in the Work/Family Business.

(cc) SCHEDULE 4.16(e) (i) (cc) contains a list of all Intellectual Property Rights in works of authorship developed by the Consulting/Community Development Business and heretofore distributed by the Work/Family Business, in which any of the Corporate Sellers has the right to possess, use, modify and prepare derivative works based on, manufacture, reproduce, license, sell, distribute and/or dispose, subject to the restrictions as stated therein; and no Seller has received any claim that any such Intellectual Property Rights are in whole or in part invalid, unenforceable, ineffective or in violation of the rights of others.

- (ii) There is no pending claim or litigation and, to each Seller's Best Knowledge, there is no threatened claim or litigation, contesting the right to use, sell, license or dispose of any Company Software Product or Intellectual Property Right, nor is there any fact or alleged fact which would reasonably serve as a basis for any such claim that could limit the protection afforded by the Intellectual Property Rights to the use, sale, license, or disposition of the Company Software Products.
- (iii) Each Person who participated in the creation of the Work/Family Business's Company Software Products either has executed an assignment of rights of ownership to a Corporate Seller, as the case may be, or was an employee of a Corporate Seller acting within the scope of his or her employment at the time of such creation.
- (iv) Each of the Corporate Sellers is in compliance with the terms and conditions of all license agreements governing the use of Third Party Software.
- (v) All Third Party Software used by any of the Corporate Sellers for its internal business operations (including product development and testing) is licensed for use only on computer equipment located at the Corporate Sellers' sites or on computers under control of the Corporate Sellers' employees.

- (vi) Each of the Corporate Sellers has taken all reasonable steps to safeguard and maintain the secrecy and confidentiality of all trade secrets and proprietary or confidential business and technical information included in the Intellectual Property Rights, including, without limitation, entering into appropriate confidentiality or disclosure agreements with all employees, officers, directors, consultants, independent contractors and licensees that serve the Corporate Sellers, true and correct forms of which have been delivered to Buyer.
- (vii) All documents and materials containing trade secrets or proprietary or confidential business or technical information of the Corporate Sellers (including without limitation unpublished source code for the Company Software Products) are presently and as of the Effective Time will be located at one of the premises identified as Leased Real Property in SCHEDULE 4.12(b), and as applicable, at any escrow agents' sites listed on SCHEDULE 4.16(c), and to each Seller's Best Knowledge have not been used, divulged, or appropriated for the benefit of any Person other than the Corporate Sellers, or to the detriment of any of the Corporate Sellers.
- (viii) To the Sellers' Best Knowledge, no third party is infringing on any Intellectual Property Right in a manner that could limit the protection afforded by the Intellectual Property Rights to the use, sale, license or disposition of the Company Software Products.
- (ix) The execution, delivery and performance of this Agreement and the consummation of the Transactions will not breach, violate or conflict with any instrument or material agreement governing any Intellectual Property Right, will not cause the forfeiture or termination or give rise to a right of forfeiture or termination of any Intellectual Property Right or in any way impair the right of Buyer to use, sell, license or dispose of or bring any action for the infringement of, any Intellectual Property Right or any Company Software Product.

- (f) OTHER. The Intellectual Property Rights constitute all of the intellectual property used in the Work/Family Business.

#### 4.17. ENVIRONMENTAL MATTERS.

- (a) There are no underground storage tanks present on any Company Facility.
- (b) Neither the Company nor its Affiliates holds or is required to hold any Environmental Permits necessary for the continued conduct of any Hazardous Material Activity of the Work/Family Business as such activities are currently being conducted.
- (c) No Corporate Seller has transferred (other than through permitted means in accordance with Laws) or released Hazardous Materials.
- (d) The Corporate Sellers have delivered to Buyer all records concerning any Hazardous Materials Activities of the Work/Family Business and all environmental audits and environmental assessments of any Company Facility

28

conducted at the request of, or otherwise in the possession of, the Corporate Sellers or any of their Affiliates.

- (e) No Hazardous Material is present on any Company Facility in a manner which would have a Material Adverse Effect and, no reasonable likelihood exists that any Hazardous Material present on other property will come to be present on a Company Facility.
- (f) Neither any Corporate Seller nor any of their Affiliates with respect to the Work/Family Business has ever conducted any Hazardous Material Activity in violation of any applicable Environmental Law. Except as set forth in Schedule 4.17, no Corporate Seller is engaged in any Hazardous Materials Activity with respect to the Work/Family Business which has at any time caused or resulted in the exposure of any Person to a Hazardous Material in a manner which has caused or will cause an adverse health effect to said Person.
- (g) Neither Seller nor any of their Affiliates with respect to the Work/Family Business is liable for any remediation or

removal of Hazardous Materials from any Disposal Site, including the Company's Facilities, or with respect to investigation thereof.

- (h) No action, proceeding, revocation proceeding, amendment procedure, writ, injunction or claim is pending, or to Sellers' Best Knowledge threatened, concerning or relating to any Company Facility, any Environmental Permit or any Hazardous Materials Activity of the Work/Family Business. No facts or circumstances exist which could with notice, the passage of time, or both, result in such an action, proceeding or claim.

#### 4.18. EMPLOYEE PLANS AND ARRANGEMENTS.

- (a) Neither Sellers nor any Related Party sponsors, maintains, administers, contributes to or has or could reasonably be expected to have any Liability with respect to any ERISA Benefit Plan other than an ERISA Benefit Plan specifically listed on SCHEDULE 4.18(a) (a "Company ERISA Benefit Plan"). No Company ERISA Benefit Plan is subject to Code Section 412 or Part 3 of Subtitle B of Title I of ERISA or Title IV of ERISA. Schedule 4.18(a) also lists the outstanding balances as of the Effective Time of any loans under the Company's 40 1 (k) Plan.
- (b) No Corporate Seller nor any Related Party sponsors, maintains, administers, contributes to, is a party to or has or could reasonably be expected to have any Liability with respect to (i) any Non-ERISA Benefit Arrangement other than a Non-ERISA Benefit Arrangement specifically listed on SCHEDULE 4.18(b) (a "Company Non-ERISA Benefit Arrangement"), or (ii) employment agreement, collective bargaining agreement, consulting agreement, confidentiality agreement, agreement not to compete or other labor agreement between Seller or a Related Party and any individual who provides or provided personal services to either Seller or a Related Party as an employee or otherwise or such individual's employer or agent (an "Employee Agreement") other than an Employee Agreement specifically listed on Schedule 4.18(b).

- (c) True and complete copies of each of the following documents have been delivered to Buyer: (i) each Non-ERISA Benefit Arrangement operated by any of the Corporate Sellers or, a complete description of any Non-ERISA Benefit Arrangement



that is not in writing and a complete and accurate description of the individuals covered by each such arrangement; (ii) all written documents of any nature establishing the terms and conditions of each Employee Agreement or a complete description of any Employee Agreement that is not in writing; (iii) all written documents of any nature establishing the terms and conditions of each Company ERISA Benefit plan and related trust or insurance agreements or contracts evidencing any funding vehicle with respect thereto; (iv) the three most recent annual reports on Treasury Form 5500, including all schedules and attachments, with respect to any plan for which such a report is required; (v) the form of summary plan description, including any summary of material modifications thereto or other modifications communicated to participants; and (vi) the most recent determination letter with respect to each Company ERISA Benefit Plan intended to qualify under Section 401(a) of the Code and the full and complete application therefor submitted to the Internal Revenue Service.

- (d) There are no facts or circumstances relating to any Company ERISA Benefit Plan that could, directly or indirectly, subject Company or any Related Party to any liability pursuant to COBRA.
- (e) There are no facts or circumstances relating to any Company ERISA Benefit Plan, Non-ERISA Benefit Arrangement operated by any of the Corporate Sellers or Employee Agreement that could, directly or indirectly, subject the Buyer or any of its Affiliates to any Liability.
- (f) [INTENTIONALLY OMITTED]
- (g) Neither the Canadian Seller, nor any related party sponsors, maintains, administers or contributes to or has or could reasonably be expected to have any Liability with respect to any "registered pension plan" as that term is defined in subsection 248(1) of the INCOME TAX ACT (Canada) or with respect to any plans, arrangements, agreements, programs, policies or practices, whether oral or written, formal or informal, funded or unfunded, relating to retirement savings or pensions, including, without limitation, any group registered retirement savings plan, or supplemental pension or retirement plan; any bonus, profit sharing, deferred compensation, incentive compensation, hospitalization, health, dental, disability, unemployment insurance, vacation pay, severance pay or other benefit plan with respect to any of the employees situated in Canada who are to become employees of the Canadian Buyer (the "Canadian Transferred Employees"),

other than: (i) all statutory plans which the Canadian Seller or any related party is required to comply with, including, without limitation, the Canada Pension Plan and plans administered pursuant to applicable provincial health tax, workers' compensation and unemployment insurance legislation; and (ii) those plans, policies and arrangements set out in Schedule 4.18(g) (the "Canadian Employee Benefit Plans").

- (h) With respect to the Canadian Employee Benefit Plans, (i) each of the Canadian Employee Benefit Plans are, and have been, established, registered, qualified,

30

administered, contributed to and invested, in compliance with the terms thereof, and all Laws; (ii) all obligations under the Canadian Employee Benefit Plans (whether pursuant to the terms thereof or Laws) have been satisfied; (iii) all contributions or premiums required to be paid to or in respect of each of the Canadian Employee Benefit Plans have been paid in a timely fashion in accordance with the terms thereof and all Laws; (iv) no Taxes, penalties or fees are owing or eligible under any Canadian Employee Benefit Plan; and (v) there is no proceeding, action, suit or claim (other than routine claims for benefits) pending or to Canadian Seller's knowledge, threatened involving any Canadian Employee Benefit Plan or its assets, and to Canadian Seller's knowledge, no facts exist which could reasonably be expected to give rise to any such proceeding, action, suit or claim (other than routine claims for benefits).

#### 4.19. EMPLOYEES.

- (a) With respect to the Work/Family Business, no Corporate Seller nor any of their Affiliates (i) is a member of any multi-employer bargaining group, (ii) has withdrawn from any multi-employer bargaining group within the past five years, or (iii) within the past three years has defeated any collective bargaining representation petition or application for certification, removed any existing collective bargaining authority, or defeated any multi-employer bargaining group or other third party with respect to employees of the Work/Family Business.
- (b) The Corporate Sellers have complied in all respects with all Laws respecting employment and employment practices,

terms and conditions of employment, and wages and hours with respect to employees of the Work/Family Business.

- (c) There is no strike, labor dispute, work slowdown or work stoppage actually pending or, to the Sellers' Best Knowledge, threatened, against any of the Corporate Sellers. No collective bargaining representation petition or application for certification or collective bargaining agreement grievance is pending or, to the Sellers' Best Knowledge, threatened against any of the Corporate Sellers or any of their Affiliates with respect to the Work/Family Business.
- (d) As of the Effective Time, the Corporate Sellers will have paid or reserved on their books any and all obligations for vacation pay, severance pay, layoff or termination, or other amounts that may be due any Person including, but not limited to, by reason of any action taken under this Agreement. For each employee of the Work/Family Business employed immediately prior to the Effective Time, Schedule 4.19(d) lists, as of October 31, 1998, the employee's accrued and unused vacation and sick time and sick leave bank time.
- (e) None of the Corporate Sellers nor any of their Affiliates with respect to the Work/Family Business is a joint employer with any other legal entity and does not control labor relations or operations of any other legal entity.
- (f) No Corporate Seller employs or otherwise obtains the services of any "leased employee" (as such term is defined in the Code).

- (g) All employees of the Work/Family Business are employees of one of the Corporate Sellers.
- (h) SCHEDULE 4.19(h) lists the names, titles, date of employment and re-employment, and current base compensation rates for each employee of the Work/Family Business as of a recent date, and the amount of bonuses paid during the most recent full fiscal year to each employee.
- (i) SCHEDULE 4.19(i) lists each Inactive Employee, within the meaning of Section 6.2, as of the Effective Time, the date on which his or her absence commenced and the reason for the absence.

4.20. COMPENSATION. Except as set forth in SCHEDULE 4.20, none of the Corporate Sellers nor any of their Affiliates with respect to the Work/Family Business is a party, or is subject, to any plan, Contract or understanding providing for any incentive compensation, bonuses, commissions, or similar obligations of any kind, including any incentive compensation, bonus, retention bonus, sale bonus, or similar obligations relating to the Transaction, and copies of all such plans, contracts, and understandings have been provided to Buyer.

4.21. ALL COMPENSATION AND BENEFIT DATA. All data furnished by any Seller to Buyer with respect to any Employee Agreements which is an Assumed Liability is accurate and complete in all respects.

4.22. INSURANCE. There has been, and there is now, insurance maintained for the benefit of the Work/Family Business with reputable and responsible insurance companies or associations, in such amounts and covering such risk as is usually carried by companies engaged in similar businesses and owning similar properties in the same general area in which the Work/Family Business operates. Except for the deductible amount, to the Sellers' Best Knowledge such insurance is adequate to cover the replacement cost of the tangible Personal Property and real property improvements of the Work/Family Business. Schedule 4.22 contains an accurate and complete description of all policies of general liability, theft, fire, flood, windstorm, earthquake, workers' compensation, life, health, dental, disability, business travel accident, directors and officers, and other forms of insurance owned or held by the Corporate Sellers or their Affiliates for the benefit of the Work/Family Business, specifying the insurer, amount of coverage, dates of coverage, type of insurance, policy number, any pending claims thereunder, and a description of whether such policies cover occurrences which took place prior to the Effective Time, regardless of whether claims therefor are made after the Effective Time. All available claims under such insurance have been properly filed by the Corporate Sellers or their Affiliates. All such policies are (i) in full force and effect and all premiums due with respect thereto are currently paid; (ii) are sufficient for compliance with all requirements of Law and of all agreements to which any of the Corporate Sellers or any of their Affiliates is a party; (iii) are valid, outstanding and enforceable policies; and (iv) provide in the reasonable judgment of the Corporate Sellers adequate insurance coverage for the assets and operations of the Work/Family Business as presently conducted. None of the Corporate Sellers nor any of their Affiliates has, during the last three fiscal years, been denied or had revoked or rescinded any policy of insurance except as set forth in Schedule 4.22. Listed on Schedule 4.22 are all outstanding bonds required by any customer.

4.23. TAXES.

- (a) Neither Buyer nor the Purchased Assets will suffer or be adversely affected by any Losses or Liabilities arising from or related to any Taxes by reason of any action taken or not taken or arising from or related to the activities of the Work/Family Business, the Sellers, or their Affiliates for the period prior to the Effective Time.
- (b) To the extent requested in writing by Buyer, there have been delivered to Buyer true and complete copies of all Company Tax Returns and Tax workpapers and all Revenue agent (or other) reports, findings, proposed assessments, deficiency (or other) notices, opinions, letters, agreements (including any Tax Agreement), elections, claims or demands and all other items relating to Taxes.
- (c) The Canadian Seller is not a non-resident of Canada for the purposes of the Income Tax Act (Canada).
- (d) The Canadian Seller is a "registrant" under Part IX of the Excise Tax Act (Canada). The Canadian Seller's GST registration number is 886404797RT.
- (e) None of the U.K. Purchased Assets is a capital item for purposes of Part XV of the U.K. Value Added Tax Regulations 1995.

4.24. INSIDER TRANSACTIONS. No Person related to any Seller has any interest in (a) any Purchased Asset, or (b) any creditor, supplier, customer, manufacturer, distributor or reseller of products of the Work/Family Business; PROVIDED, HOWEVER, that (1) no such other Person shall be deemed to have such an interest solely by virtue of the ownership of less than 1% of the outstanding voting stock or debt securities of any publicly held company, the stock or debt securities of which are traded on a recognized stock exchange or quoted on the National Association of Securities Dealers Automation Quotation System, and (2) no other Person shall be deemed to have such an interest solely by virtue of the ownership by a partnership in which he is a partner of less than 5% of the outstanding voting stock or debt securities of any privately held company.

4.25. POWERS OF ATTORNEY. None of the Corporate Sellers nor their Affiliates has granted, and there are not outstanding, any general or special powers of attorney or comparable delegations of authority, which would be binding upon Buyer, the Work/Family Business or any of their respective Assets, after the Closing.

4.26. NO BROKERAGE OR OTHER FEES. Except as set forth on SCHEDULE 4.26, no broker or finder has acted for any Seller in connection with this Agreement or the Transactions. No Person is entitled to any brokerage or finder fee or commission from Buyer as a result of any Seller's actions in respect to this Agreement or any such transaction.

4.27. BUSINESS GENERALLY. Other than as specifically disclosed in any

schedule called for by this Article 4, there has been no event, transaction or information which has come to the attention of the Sellers which, as it relates to the Work/Family Business, would individually, or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Business Condition of the Corporate Sellers. To the Sellers' Best Knowledge, the Corporate Sellers have a good commercial working relationship with their respective customers, dealers and suppliers. The Work/Family Business is conducted in Canada in all material respects exclusively through the Canadian Seller and in the United Kingdom in all material respects exclusively through the U.K. Seller.

4.28. INVENTORIES. All inventory of the Work/Family Business, whether reflected in the Financial Statements or otherwise, consists of a quality and quantity usable and saleable in the Ordinary Course, and the present quantities of all inventory of the Work/Family Business are reasonable in the present circumstances of the Work/Family Business as currently conducted.

4.29. YEAR 2000. Sellers have reviewed the areas within its businesses and operations which it reasonably believes could be adversely affected by, and has developed a program it reasonably believes will address and remediate on a timely basis, the so-called "Year 2000 Problem" (i.e., the risk that applications used by Sellers or its suppliers and/or providers may be unable to recognize and properly perform date-sensitive functions involving certain dates prior to and any date after December 31, 1999) with respect to the operations of the Work/Family Business. Sellers have attached hereto as Schedule 4.29 its good faith estimate as to what it would cost Sellers to remediate the Year 2000 Problem. Sellers make no other Year 2000 compliance representations or warranties, express or implied, as to any kind of costs with respect to, or affect, adverse or otherwise, upon any of Corporate Sellers' software, hardware, databases or embedded control systems (microprocessor controlled or controlled by any robotic or other device) or upon any of the Purchased Assets or Assumed Liabilities, with respect to being able to accurately process date data, including, but not limited to calculating, comparing and sequencing from, into and between the twentieth century (through year 1999), the Year 2000 and the twenty-first century, including leap year calculations.

4.30. RECEIVABLES AND PAYABLES.

- (a) Except as set forth on Schedule 4.30, (i) each of the Corporate Sellers, as the case may be, has good right, title and interest in and to all its accounts and notes receivable and trade notes and trade accounts constituting Purchased Assets; (ii) none of such accounts and notes receivable and trade notes and trade accounts is subject to any Encumbrance; (iii) each such account and note receivable and trade note and trade account arose from a bona fide transaction in the Ordinary Course; (iv) as of

October 31, 1998 no account or note debtor whose account or note balance exceeds the amount set forth in SCHEDULE 4.30 at the date set forth therein was delinquent in payment by more than ninety (90) days; and (v) as of September 30, 1998, the aging schedule of the accounts and notes receivable and trade notes and trade accounts of the Corporate Sellers previously furnished to Buyer was complete and accurate.

- (b) All accounts payable included in the Assumed Liabilities arose in bona fide transactions in the Ordinary Course and no such account payable is delinquent.

Notwithstanding anything contained in this Agreement to the contrary, except as expressly set forth in Schedule 7.2(o), Buyer acknowledges and consents to the fact that Sellers have not obtained any consents to assign any Customer Contracts or Office Leases or other Contracts to which any Corporate Seller is a party relating to the Work/Family Business or, with respect to the 926 Office Lease (as hereinafter defined), to sublet a portion of the premises subject to such Office Lease, from the other parties thereto or satisfied any conditions (other than conditions relating to the Corporate Sellers' obligations under such Customer Contracts or Office Leases or other Contracts to which any Corporate Seller is a party relating to the Work/Family Business relating to any matters other than the assignment of such Customer Contracts or Office Leases or other Contracts to which any Corporate Seller is a party relating to the Work/Family Business) with respect to the assignment of any such Customer Contract, Office Lease or other Contract or, with respect to the 926 Office Lease, to sublet a portion of the premises subject to such Office Lease, included in the Purchased Assets or Assumed Liabilities; provided, however, in the event a

Top Twenty Customer terminates, cancels or fails to renew a Contract as a result of such failure to obtain a consent or to satisfy such conditions, such customer shall be considered a lost Top Twenty Customer for purposes of Section 2.2(b).

#### ARTICLE

#### 5.

#### REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Sellers that the following statements, each of which are acknowledged to be material and relied upon by Sellers, are true and correct.

5.1. ORGANIZATION AND GOOD STANDING OF CERIDIAN ENTITIES. Ceridian is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Canadian Buyer is a corporation duly incorporated and validly existing under the laws of Canada. Each of Ceridian and Canadian



Buyer is qualified to do business and in good standing in each state, province and jurisdiction where such qualification is required and where the failure to be so qualified would have a Material Adverse Effect on Buyer. U.K. Buyer is validly incorporated as a private limited company in England and Wales.

5.2. AUTHORITY, VALIDITY OF AGREEMENT. Each of Ceridian, the Canadian Buyer and the U.K. Buyer has all requisite corporate power and authority to enter into this Agreement and the Other Agreements (to the extent such entities are a party thereto) and to perform the obligations hereunder and thereunder and to consummate the transactions contemplated by this Agreement and the Other Agreements (to the extent such entities are a party thereto). The execution and delivery of this Agreement and the Other Agreements (to the extent Ceridian, the Canadian Buyer or the UK Buyer is a party thereto), and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, and no other corporate approval is required for the performance by Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, of its obligations hereunder and thereunder. This Agreement the Other Agreements (to the extent Ceridian, the Canadian Buyer or the U.K. Buyer is a party thereto) have been, duly executed and delivered by Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be. This Agreement constitutes, and when executed and delivered at or prior to the Closing each of the Other Agreements (to the extent Ceridian, the Canadian Buyer or the U.K. Buyer is a party thereto) will constitute, assuming due authorization, execution and delivery by Sellers, a valid and binding obligation of Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, enforceable in accordance with its terms (subject to the effect of applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights and to general principles of equity).

5.3. NO VIOLATIONS. Neither the execution and delivery of this Agreement and the Other Agreements by Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, nor the consummation of the transactions contemplated hereby or thereby will (a) violate any provisions of the Certificate of Incorporation or bylaws of Ceridian, the articles of incorporation or bylaws of the Canadian Buyer or the articles of association of the U.K. Buyer, or (b) violate, or be in conflict with, or constitute a default (or an event which, with or without due notice or lapse of time, or both, would constitute a default) under, or cause or permit the acceleration of the maturity of or give rise to any right of termination, cancellation, imposition of fees or penalties under, any note, debt, debt instrument, indenture, security agreement, option to purchase, lease, deed of trust or license, or any other Contract to which Ceridian, the Canadian Buyer or the U.K. Buyer or any of their Affiliates is a party or by which

any of them or any of their Assets is or may be bound, or (c) violate any



Laws to which Ceridian, the Canadian Buyer or the U.K. Buyer may be subject.

5.4. CONSENTS AND APPROVALS OF GOVERNMENTAL AUTHORITIES. Except for applicable requirements of the HSR Act, no consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required with respect to Ceridian, the Canadian Buyer or the U.K. Buyer in connection with the execution delivery and performance of this Agreement and the Other Agreements (to the extent Ceridian, the Canadian Buyer or the U.K. Buyer is a party thereto) by Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, or the consummation by Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, of the transactions contemplated hereby and thereby.

5.5. OTHER CONSENTS. No consent, waiver or approval of, or notice to, any third party is required or necessary to be obtained solely by Ceridian, the Canadian Buyer or the U.K. Buyer, as the case may be, in connection with the execution and delivery of this Agreement or any Other Agreement (to the extent Ceridian, the Canadian Buyer or the U.K. Buyer is a party thereto) and the performance of Ceridian's, the Canadian Buyer's or the U.K. Buyer's, obligations hereunder and thereunder (other than any consent requirements contained in any Contract included in the Purchased Assets with respect to the assignability thereof).

5.6. LITIGATION. There is no litigation or governmental proceeding pending or, to the Buyer's best knowledge, threatened against Ceridian, the Canadian Buyer or the U.K. Buyer which would prevent or hinder Buyer from consummating the Transactions.

5.7. NO BROKERAGE FEES. No broker or finder has acted for Ceridian, the Canadian Buyer or the U.K. Buyer in connection with this Agreement or the transactions contemplated hereby, and no Person is entitled to any brokerage or finder fee or commission from Sellers as a result of Buyer's actions in respect to this Agreement or any such transaction.

## ARTICLE

### 6.

#### CERTAIN AGREEMENTS

The parties further agree as set forth below in this Article 6.

6.1. EMPLOYEE BENEFIT PLANS. The Company shall retain all Company ERISA Benefit Plans, Company Non-ERISA Benefit Arrangements and Employee Agreements and all Liabilities, rights, duties and obligations of any nature which, directly or indirectly, arise under or relate to any Company ERISA Benefit Plan, Company Non-ERISA Benefit Arrangement or Employee Agreement, including, without limitation, any such Liabilities, rights, duties and obligations arising under COBRA.

6.2. PERSONNEL MATTERS FOR U.S. EMPLOYEES. As of the Effective Time, Ceridian will be deemed to have offered the employees of the Company listed on Schedule 6.2 employment with Ceridian at salaries or wages which are not less

than those provided by the Company as of the date of this Agreement. Nothing herein shall limit the discretion of Ceridian to change the terms of, terminate or eliminate such employment at any time subsequent to Closing. For each employee of the Company who becomes an employee of Ceridian effective immediately after the Effective Time, Ceridian will recognize the employee's service with the Company for purposes of eligibility to participate and vesting (but not for purposes of benefit accruals) in ERISA Benefit Plans and Non-ERISA Benefit Arrangements sponsored or maintained by Ceridian. Ceridian shall allow such employees to participate in the same

ERISA Benefit Plans and Non-ERISA Benefit Arrangements sponsored or maintained by Ceridian in which similarly situated employees of Ceridian participate (except for the Ceridian Corporation Retirement Plan and the Ceridian Corporation Benefit Equalization Plan). Any group medical plan provided by Ceridian to the employees of the Company shall not contain any pre-existing condition limitation or exclusion applicable to their participation therein. Ceridian is not obligated to offer employment to any employee of the Company who, immediately prior to the Effective Time, is absent from active employment due to a paid or unpaid leave of absence (including personal leave of absence), short-term or long-term disability or occupational illness or injury (an "Inactive Employee"). If an Inactive Employee, other than an Inactive Employee on a personal leave of absence, returns to work within 12 months after the Effective Time, Ceridian will either (a) offer the Inactive Employee immediate employment in a job suitable to his or her abilities and limitations, if any, with salary or wages at a rate that is not less than the rate in effect immediately before the commencement of the absence and with recognition of such employee's service with the Company for purposes of eligibility to participate and vesting (but not for purposes of benefit accruals) or (b) reimburse Seller for the full amount of any severance benefits paid by Seller to the Inactive Employee under the Seller's generally applicable severance policy in effect at that time. The Company will cause its 401(k) Plan (the "Company 401(k) Plan") to provide that loans do not become due and will not be deemed to be in default until sixty (60) days after the Effective Time. Within sixty (60) days after the Effective Time, Ceridian will loan to each Company employee who (i) becomes an employee of Ceridian immediately after the Effective Time and remains an employee of Ceridian on the date of the loan and (ii) signs and delivers to Ceridian a promissory note in form specified by Ceridian in the amount of the employee's outstanding loan balance in the Company's 401(k) Plan in order to allow the employee to repay that loan prior to taking a distribution from the Company 401(k) Plan to Ceridian's 401(k) Plan.

6.3. ESCROW AGREEMENT. At Closing, Company, F. Rodgers, C. Rodgers and Ceridian shall execute the Escrow Agreement in substantially the form attached hereto as Schedule 1.36, and shall arrange for its execution by the Escrow Agent.

6.4. ASSIGNMENTS OF OFFICE LEASE. At Closing, the Corporate Sellers (other than the U.K. Seller) and Buyer (other than the U.K. Buyer) shall execute the Assignments of Office Lease in substantially the forms attached hereto as Schedule 6.4.

6.5. [INTENTIONALLY OMITTED]

6.6. ASSIGNMENT AND ASSUMPTION AGREEMENT. At Closing, Buyer (other than the U.K. Buyer) and the Corporate Sellers (other than the U.K. Seller) shall enter into the Assignment and Assumption Agreement substantially in the form attached hereto as Schedule 6.6.

6.7. BILLS OF SALE. At Closing, each of the Corporate Sellers (other than the U.K. Seller) shall execute and deliver the Bill of Sale substantially in the form attached hereto as Schedule 6.7.

6.8. TRADEMARK ASSIGNMENT. At Closing, the Corporate Sellers to the extent they have any interest in a trademark shall execute and deliver the Trademark Assignment substantially in the form attached hereto as Schedule 6.8.

6.9. COPYRIGHT ASSIGNMENTS. At Closing, the Corporate Sellers to the extent they have any interest in a copyright shall deliver the Copyright Assignments substantially in the forms attached hereto as Schedule 6.9.

37

6.10. TRANSITIONAL SERVICES AGREEMENT. At Closing, Buyer and the Corporate Sellers shall enter into the Transitional Services Agreement substantially in the, form attached hereto as Schedule 6.10.

6.11. F. RODGERS CONSULTING AGREEMENT. At Closing, Ceridian and F. Rodgers shall enter into the Consulting Agreement in the form of attached hereto as Schedule 6.11.

6.12. WILLIAM HELM CONSULTING AGREEMENT. At Closing, Ceridian and William Helm shall enter into the Consulting Agreement in the form attached hereto as Schedule 6.12.

6.13. BULK SALES. Each of Ceridian, the Canadian Buyer and the U.K. Buyer hereby waives compliance by any of the Corporate Sellers with any bulk sales notice requirements of any Laws, and the Sellers shall jointly and severally indemnify and hold the Buyer harmless from any Tax or other Liability which may be incurred by Ceridian, the Canadian Buyer or the U.K. Buyer for the failure to comply with such requirements, except to the extent that such liability is an Assumed Liability.

6.14. U.K. EMPLOYEES. The Sellers and the Buyer agree and acknowledge

that the Transfer of Undertakings (Protection of Employment Regulations) 1981 ("Transfer Regulations") shall at Closing be applicable in relation to the UK Employees identified on Schedule 6.14 (the "UK Employees"). The Sellers shall be responsible for and shall fully indemnify and keep indemnified the Buyer from and against all and any costs, claims, expenses, damages, demands, actions and liabilities suffered by any Ceridian Entity: arising, directly or indirectly, from any action omission obligation or liability of the UK Seller in relation to the UK Employees prior to the Closing including any act omission or liability which is deemed by virtue of the Transfer Regulations to be the responsibility of the UK Buyer after Closing; arising from any claim in respect of any person who is not a UK Employee, (including, without limitation, the dismissal of such person or employee by UK Buyer or a change in his terms of employment) which arises or is alleged to arise by reason of the operation of the Transfer Regulations; arising out of any claim made by any recognized trade union or elected representative or individual employee under Section 189 of the Trade Union and Labour Relations (Consolidation) Act 1992 (as amended) or under Regulation 11 of the Transfer Regulations for protective awards which may have arisen by virtue of the failure to and/or consult on the part of the UK Seller in respect of collective redundancies or business transfers other than pursuant to this Agreement. The Buyer shall be responsible for and shall indemnify and keep indemnified the U.K. Seller from and against all and any costs, claims, expenses, damages and liabilities suffered by the U.K. Seller: arising in respect of the U.K. Employees on or after the Closing which arise out of or are connected with any act or omission by the U.K. Buyer or any event, matter or any other occurrence having its origin on or after the Closing and which the U.K. Seller incurs in relation to any contract of employment of or collective agreement relating to one or more of the U.K. Employees pursuant to the Transfer Regulations; arising out of any act or omission by the U.K. Buyer prior to the Closing which the U.K. Seller incurs by virtue of Regulation 5(5) of the Transfer Regulations and/or Article 4(2) of Council Directive 77/187 EEC, arising out of the U.K. Buyer's failure to comply with Regulation 10(2)(d) of the Transfer Regulations. For the avoidance of doubt, the Buyer will be responsible for and will indemnify and keep the U.K. Seller indemnified against all accrued holiday pay entitlements and accrued holiday pay entitlements of the U.K. Employees prior to Closing.

#### 6.15. CANADIAN PENSION AND BENEFIT PLANS.

- (a) Effective as of the Effective Time, the Canadian Transferred Employees shall cease to participate in, and accrue benefits under the Canadian Employee Benefit Plans and shall commence participation in benefit plans established or provided by the Canadian Buyer which shall provide benefits on the same terms and

conditions, or otherwise on a basis which is substantially

similar in the aggregate, as those provided to the Canadian Transferred Employees under the Canadian Employee Benefit Plans immediately prior to the date hereof Canadian Transferred Employees who are not participants in the Canadian Employee Benefit Plans as at the Closing Date shall become participants in the benefits plans established or provided by the Canadian Buyer in accordance with, and subject to, the membership eligibility and coverage requirements thereof but their service with the Canadian Seller prior to the Effective Time will be credited by the Canadian Buyer for purposes of such eligibility and coverage requirements.

- (b) The Canadian Seller shall retain responsibility under the Canadian Employee Benefit Plans for all amounts payable by reason of or in connection with any and all reported and unreported claims incurred and filed by the Canadian Transferred Employees on or prior to the Closing Date. The Canadian Buyer shall be responsible under its benefit plans for any and all claims of the Canadian Transferred Employees which relate to claims that are incurred with respect to events after the Closing Date.
- (c) Notwithstanding Paragraphs (a) and (b) of this Section 6.15, the Canadian Buyer and the Canadian Seller agree that the Canadian Transferred Employees shall continue participation in the Canadian Employee Benefit Plans until such time as the Canadian Buyer can provide its own benefit plans for the Transferred Employees (the "Interim Period"). The Canadian Seller agrees to take such action and to make any contribution and to pay any claims on behalf of the Canadian Transferred Employees as is necessary to ensure the continued participation of the Canadian Transferred Employees in the Canadian Employee Benefit Plans during the Interim Period. The Canadian Buyer agrees to reimburse the Canadian Seller for any and all administrative costs to the Canadian Seller relating to the continued participation of the Canadian Transferred Employees in the Canadian Employee Benefit Plans during the Interim Period.

6.16. U.K. LEASE ASSIGNMENT. At Closing, U.K. Seller and U.K. Buyer shall execute and complete in duplicate the U.K. Lease Assignment in substantially the form attached hereto as Schedule 6.16.

6.17. CANADIAN SELLER EMPLOYEES. As of or prior to the Closing Date and effective immediately after the Effective Time, the Canadian Buyer will offer employment to each employee of the Canadian Seller on terms no less favorable in the aggregate than those in effect for such employee with the Canadian Seller on the date hereof. The Canadian Seller will be responsible for severance obligations with respect to employees of the Canadian Seller who do not accept the Canadian Buyer's offer of employment. The Canadian Seller and the Canadian

Buyer will provide all reasonable assistance to encourage the Canadian Seller's employees to accept an offer of employment with the Canadian Buyer.

6.18. TRADEMARK LICENSE AGREEMENT. At Closing, the Company and Ceridian shall enter into the Trademark License Agreement in substantially the form attached hereto on Schedule 6.18.

6.19. PURCHASE OF CERIDIAN COMMUNITY RESOURCE DEVELOPMENT BUSINESS. Ceridian and Company agree to negotiate in good faith for a period of sixty (60) days following the Closing Date to

39

reach a definitive agreement whereby the Company will purchase Ceridian's Community Resource Development business on commercially reasonable terms. If Ceridian and the Company are unable to reach a written agreement on such proposed transaction prior to the end of such sixty (60) day period, the Company and Ceridian will have no further obligations to each other under this Section whatsoever.

6.20. ACCOUNTS RECEIVABLE GUARANTY. Ceridian shall use commercially reasonable efforts (consistent with such efforts previously used by Corporate Sellers) to collect all accounts receivable listed on SCHEDULE 4.24 hereto to the extent not collected by the Closing Date (the "Guaranteed Accounts Receivable"), but such efforts shall not include litigation or the use of collection agencies. All amounts collected after the Effective Date with respect to such Guaranteed Accounts Receivable shall be applied as directed by the account debtor and if no direction is so given, then first to the oldest Guaranteed Account Receivable from such account debtor. In the event that any such Guaranteed Accounts Receivable remain uncollected one hundred twenty (120) days after the Effective Date, Ceridian shall promptly notify Sellers within fifteen (15) Business Days after the expiration of such one hundred twenty (120)-day period and within five (5) Business Days thereafter assign to the Company such of those uncollected Guaranteed Accounts Receivable (without recourse or warranty) as Ceridian shall elect against payment of the purchase price therefor as described in the next sentence. The Company shall purchase from Ceridian all uncollected Guaranteed Accounts Receivable which Ceridian assigns to Seller pursuant to this Section 6.20, for a purchase price, in cash, equal to the aggregate amount of such assigned Guaranteed Accounts Receivable (less reserves accrued on the Closing Balance Sheet). Following payment therefor as provided herein, such uncollected Guaranteed Accounts Receivable shall be the Company's property and thereafter the Company shall be free to collect such Guaranteed Accounts Receivable in its sole and absolute discretion. Neither the Company nor any Seller shall have any further obligations under this Section 6.20 with respect to any uncollected Guaranteed Accounts Receivable to the extent not so assigned to the Company.

ARTICLE

7.  
THE CLOSING

7.1. TIME AND PLACE. The Closing shall take place on November 17, 1998, at the offices of Sellers' Counsel, or such other date or place as the parties may agree. All actions taken at the Closing shall be deemed to occur simultaneously.

7.2. SELLERS' OBLIGATIONS AT CLOSING. At the Closing, Sellers shall execute and/or deliver to Buyer, against execution and/or delivery by Buyer of the items specified in Section 7.3:

- (a) A certificate by each Seller certifying that the representations and warranties of Sellers are true and correct as of the Closing and that Seller has performed the obligations required to be performed by it at or prior to the Closing;
- (b) The Escrow Agreement described in Section 6.3;
- (c) The Assignments of Office Leases described in Section 6.4;
- (d) The Assignments and Assumption Agreements described in Section 6.6;
- (e) The Bills of Sale described in Section 6.7;
- (f) The Trademark Assignments described in Section 6.8;

40

- (g) The Copyright Assignments described in Section 6.9;
- (h) The Transitional Services Agreement described in Section 6.10
- (i) The F. Rodgers Consulting Agreement described in Section 6.11;
- (j) The William Helm Consulting Agreement described in Section 6.12;
- (k) The U.K. Lease Assignment described in Section 6.16 (executed in duplicate);
- (l) A certified copy of the Resolution of the Company's Board of Directors or an authorized committee thereof approving the Transaction;



- (m) A certified copy of the Resolution of the Company's and Canadian Seller's shareholders approving the Transaction;
- (n) The legal opinion of Goodwin, Procter & Hoar LLP, counsel to Seller, in substantially the form attached hereto as Schedule 7.2(n);
- (o) The consents, approvals or waivers listed on Schedule 7.2(o).
- (p) A certified copy of board meeting minutes of U.K. Seller approving the sale of the U.K. Purchased Assets; and
- (q) Assignment of intellectual property rights in the U.K. database and U.K. pamphlets.
- (r) The Trademark License Agreement described in Section 6.18.
- (s) Original versions of the license, Underlet of the leasehold Premises made between Pensions Management (WF Scottish Widow Fund) Limited, Kingsway Group Plc, WFD and Work/Family Directions, Inc., the Agreement for lease for the leasehold Premises made between Kingsway Group Plc, WFD and Work/Family Directions, Inc. and the U.K. lease and License to Alter made between Kingsway Group Plc, WFD and Work/Family Directions.
- (t) All other certificates, Schedules, Exhibits, and attachments, in completed form, which are required by the provisions of this Agreement.

7.3. BUYER'S OBLIGATIONS AT CLOSING. At the Closing, Buyer shall execute and/or deliver to Sellers, against execution and/or delivery by Seller of the items specified in Schedule 7.2:

- (a) A certificate by Buyer certifying that the representations and warranties of Buyer are true and correct as of the Closing and that Buyer has performed the obligations required to be performed by it at or prior to the Closing;
- (b) The Escrow Agreement described in Section 6.3;
- (c) The Assignments of Office Leases described in Section 6.4;
- (d) The Assignment and Assumption Agreements described in Section 6.6;



- (e) The Transitional Services Agreement described in Section 6.7;
- (f) The F. Rodgers Consulting Agreement described in Section 6.12;
- (g) The William Helm Consulting Agreement described in Section 6.12;
- (h) A certified copy of the Resolution of Ceridian's and Canadian Buyer's Board of Directors or an authorized committee thereof approving the Transaction;
- (i) The Closing Payment, One Million Dollars (\$1,000,000) of which shall be delivered to the Escrow Agent;
- (j) The legal opinion of the General Counsel of Ceridian, counsel to Buyer, in substantially the form attached hereto as Schedule 7.30);
- (k) a certified copy of board meeting minutes of the U.K. Buyer approving the purchase of the U.K. Purchased Assets;
- (l) All other certificates, Schedules, Exhibits, and attachments, in completed form, which are required by the provisions of this Agreement; and
- (m) The U.K. Lease Assignment described in Section 6.16 (executed in duplicate).

7.4. INSTRUMENTS. All instruments delivered at Closing shall be dated as of November 17, 1998 and shall be reasonably satisfactory to the party receiving the benefit thereof.

#### ARTICLE

#### 8.

#### OBLIGATIONS AFTER CLOSING

8.1. FURTHER ASSURANCES. At or after the Closing Date, Sellers and Buyer shall prepare, execute and deliver, with each to bear its own expenses thereof, such further instruments of conveyance, sale, assignment or transfer, and shall take or cause to be taken such other or further action, as Sellers and Buyer shall reasonably request at any time or from time to time in order to perfect, confirm or evidence the Transactions or to give effect to the provisions of this Agreement. Each Seller and Buyer further agree that after the Closing they will hold and will promptly transfer and deliver to the other (at such intervals as are mutually agreed between the parties), any cash, checks with appropriate endorsements (using their commercially reasonable efforts not to convert such checks into cash) or other property that it may receive on or

after the Closing which properly belongs to the other party, and will account to the other for all such receipts. Further, Buyer shall, to the extent possible, work with Seller to facilitate the use by Seller of any phone numbers used by Seller prior to the Effective Time in the Consulting/Community Development Business.

8.2. NOTICES AND CONSENTS. Following the Closing and notwithstanding any provision in this Agreement to the contrary, the Sellers shall cooperate with and assist Buyer at Buyer's expense (with respect to Seller's out-of-pocket expenses) in obtaining any consents, notices, novations or waivers that are necessary or helpful in connection with the transfer and assignment of the Purchased Assets to Buyer. For the avoidance of doubt, and in relation only to the U.K. Lease, in providing such assistance the Sellers should not be obliged to pay any costs or suffer any guarantees (financial or otherwise); however, they shall pursue appropriate Court proceedings in assisting the U.K. Buyer to obtain consent to the

42

assignment of the U.K. Lease, such costs reasonably and properly incurred by the Sellers to be borne by the U.K. Buyer.

8.3. TAX RETURNS. Sellers shall, with respect to the Work/Family Business, continue to timely file all income Tax Returns which are required to be filed covering the pre-Closing Period, and shall pay all such income Taxes when due. Buyer shall cause its employees to cooperate in any manner reasonably requested by Sellers in the preparation of such Tax Returns or with respect to any subsequent audit thereof.

8.4. ACCESS TO PROPERTIES AND RECORDS. Subject to consummation of the Closing, for a period of one year after the Closing Date, upon reasonable prior notice and during normal business hours as requested by any Seller, Buyer will afford to such Seller access to such records of the Work/Family Business as Buyer has and such cooperation of employees of the Work/Family Business and/or Buyer as is reasonably necessary to enable the Company to prepare timely audited financial statements and federal, state and local Tax Returns and similar matters. In addition during the period commencing one year after the Closing Date and ending on the date twenty-seven (27) months after the Closing Date, upon reasonable prior notice and during normal business hours as requested by Sellers, Buyer will afford to a certified public accountant retained by Sellers and approved by Buyer (which approval shall not be unreasonably withheld) access to customer Contracts and customer records of the Work/Family Business as is reasonably necessary to enable such accountant to determine whether the First Contingent Payment or Second Contingent Payment is due and owing, subject to such accountant agreeing in a writing reasonably acceptable to Buyer to disclose to Sellers only whether the First Contingent Payment or Second Contingent is due and owing, and if so the amount so owing.

8.5. POST-CLOSING CONFIDENTIALITY. After the Closing, Sellers will not use or disclose to third parties any confidential information relating to the Work/Family Business, and Buyer will not use or disclose to third parties any confidential information of Sellers that is not related to the Work/Family Business, provided that, in either case (a) either party may use or disclose any such information which has been publicly disclosed (other than by such party after the date hereof) and (b) to the extent that the party may become legally compelled to disclose any of such information, the party may disclose such information if such party shall have afforded the other party the opportunity to obtain an appropriate protective order, or other satisfactory assurance of confidential treatment, for the information required to be so disclosed.

8.6. POWER OF ATTORNEY. Effective as of the Closing, each of the Corporate Sellers appoints the Buyer and its successors and assigns, the true and lawful attorney or attorneys of the Corporate Sellers, with full power of substitution, in the name of the Corporate Sellers but on behalf and for the benefit of and at the expense of Buyer solely to the extent required: (A) to collect in the name of the Corporate Sellers for the account of Buyer all receivables and other items to be sold and transferred to Buyer as provided herein; (B) to institute and prosecute, in the name of each of the Corporate Sellers or otherwise, all proceedings which Buyer may deem necessary or desirable in order to collect, assert or enforce any claim, right or title of any kind in or to the Purchased Assets; and (C) to do all such acts and things in relation thereto as Buyer may deem advisable. The foregoing power is coupled with an interest and shall be irrevocable by each of the Corporate Sellers or by their dissolution in any manner or for any reason. Buyer shall retain for its own account any amounts collected pursuant to the foregoing power, including any sums payable as interest in respect thereof, and each of the Corporate Sellers shall pay to Buyer, when received, any amounts which shall be received by each of the Corporate Sellers in respect of any receivables or other assets or properties related to the Purchased Assets.

8.7. [INTENTIONALLY OMITTED]

43

8.8. COVENANT NOT TO COMPETE.

- (a) In order to induce Buyer to enter into and consummate this Agreement, and in further consideration thereof, the Sellers are willing to provide to Buyer certain noncompetition covenants for the benefit of Buyer upon the terms and conditions of this Section.
- (b) Each Seller severally agrees that for the Restricted Period (as hereinafter defined), such Seller shall not compete in any manner, directly or indirectly (whether through an Affiliate or otherwise), with Buyer, or any Affiliate of

Buyer, in any business activities in any city, county, or other governmental jurisdiction in North America or Europe which are in competition with the Work/Family Business, whether alone or as a partner, officer, director, shareholder, creditor or employee of any firm or entity (other than Buyer). For purposes of this section, "shareholder" shall not include the beneficial ownership of less than five percent (5%) of the combined voting power of all issued and outstanding voting securities of a publicly held corporation whose stock is traded on a major stock exchange. For purposes of this Agreement, the term "Restricted Period" means the five (5) year period after the Closing Date.

- (c) Each Seller further severally agrees that, for the Restricted Period, such Seller will not, directly or indirectly, solicit for hire as an employee or independent contractor, any person currently employed by any of the Corporate Sellers who has become and remains an employee of Buyer; provided, however, that this provision shall not prevent the Sellers from hiring any such person who responds to an advertisement or to a nondirected executive search inquiry or who makes an unsolicited contact for employment with Seller.
- (d) This Section 8.8 shall not apply to, and it is agreed that the following activities shall not be deemed to be in violation of this Section 8.8(b):
  - (i) Consulting/Community Development Business conducted in Canada and the United Kingdom;
  - (ii) any activity engaged in by Sellers to fulfill their obligations contained in the Transitional Services Agreement or any written Contract with Buyer (including, without limitation, F. Rodgers' Consulting Agreement); or
  - (iii) Any of the following workplace-related consulting and/or community investment strategies:
    - (aa) workplace diagnostics and assessments, multi-company research and pilot program development, business measurement and analysis, custom designed manager and employee interventions in respect of specified issues, consultation, and implementation services concerning the foregoing;
    - (bb) executive and/or manager briefings and education;

- (cc) training services to business executives and/or managers;
  - (dd) training services to employees relating to workplace flexibility or women's advancement; or
  - (ee) community investment strategies and the implementation thereof.
- (e) If any of the restrictions set forth in this Section should, for any reason whatsoever, be declared invalid by a court of competent jurisdiction, the validity or enforcement of the remainder of such restrictions and covenants shall not thereby be adversely affected. Each of Sellers and Buyer agree that, if any provision of this Section should be adjudicated to be invalid or unenforceable, such provision shall be deemed deleted herefrom with respect and only with respect to the operation of such provision in the particular jurisdiction in which such adjudication was made; provided, however, that to the extent any such provision may be made valid and enforceable in such jurisdiction by limitations on the scope of the activities, geographical area or time period covered, each of Sellers and Buyer agrees that such provision instead shall be deemed limited to the extent, and only to the extent, necessary to make such provision enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction.
- (f) Sellers hereby acknowledge that in the event of their breach of the provisions of this Section, money damages would be an inadequate remedy. Accordingly, without prejudice to the rights of Buyer also to seek such damages or other remedies by it, Buyer may seek, and Sellers acknowledge and covenant that they will not contest the availability of, injunctive or other equitable relief in any proceeding which Buyer may bring to enforce the provisions of this Section on their respective express and explicit terms. No waiver of any breach of the foregoing covenants shall be implied from any forbearance or failure of Buyer to take action thereon.

8.9. USE OF WORK/FAMILY DIRECTIONS NAME. Except as specifically set forth below, the Sellers shall make no further use of the WORK/FAMILY DIRECTIONS mark or the Work/Family Directions trade name or any confusingly similar trademark or trade name (it being expressly agreed, however, that the name "WFD"

is not in violation of the foregoing provisions). Notwithstanding the foregoing, the Company may retain the trade name Work/Family Directions, Inc. (the "Trade Name"), provided it uses the Trade Name: (i) only when it is required to identify itself by its corporate name in connection with the execution of corporate contracts or other legal documents, or as a party to litigation; or (ii) to deplete existing quantities of any Excluded Assets which contain the Trade Name. Buyer may only use the WORK/FAMILY DIRECTIONS mark or the Trade Name to deplete any Purchased Assets which contain such mark or Trade Name. Under no circumstances may Sellers or Buyer use or display such mark or Trade Name on or in connection with any products or services, or in any advertising or other promotional materials, or for any other commercial purpose except as specifically permitted by this Section 8.9.

45

8.10. WIRE OF CASH INCLUDED IN PURCHASED ASSETS. On the Closing Date, the Company shall wire to Ceridian immediately available United States funds in the amount of Two Million Five Hundred Forty-seven Thousand Nine Hundred Eighty-two dollars (\$2,547,982).

8.11. CRD MATERIALS. Sellers and Buyer acknowledge that certain materials owned by the Corporate Sellers and identified on Schedule 4.16(e)(i)(cc) hereto (the "Retained Materials") which are used in the Work/Family Business are not being transferred to Buyer hereunder. Notwithstanding the foregoing, the Corporate Sellers hereby grant to Buyer a perpetual royalty free license to use, sell and distribute the Retained Materials throughout the world. Further, the Corporate Sellers agree not to sell or distribute the Retained Materials, or grant any license, or other right in the Retained Materials, to any competitor of the Work/Family Business.

## ARTICLE

### 9.

#### SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

9.1. SURVIVAL. The representations and warranties of the parties contained in Articles 4 and 5 of this Agreement shall survive the Closing; provided, however, that:

- (a) subject to Sections 9.1(b) and 9.1(c) below, no claim may be made based upon a breach or other inaccuracy, incompleteness or untruth of such representations or warranties unless the Indemnified Party (as hereinafter defined) gives written notice thereof (describing the specific claim in reasonable detail) to the Indemnifying Party (as hereinafter defined) on or prior to May 31, 2000;
- (b) no claim may be made based upon a breach of or other

inaccuracy, incompleteness or untruth of such representations and warranties to the extent relating to employee benefit matters, Taxes, and environmental matters unless the Indemnified Party gives written notice thereof (describing the specific claim in reasonable detail) to the Indemnifying Party prior to sixty (60) days after the expiration of the applicable statute of limitation; and

- (c) claims for violations of representations and warranties concerning title to Assets will survive without limitation.

The covenants and agreements contained herein shall survive the Closing forever unless the covenant or agreement specifies a term in which case such covenant or agreement shall survive for the term specified. Notwithstanding anything in this Agreement to the contrary, the applicable representations, warranties, covenants and agreements shall survive and be deemed extended until final resolution of the claim relating thereto pursuant to Article 10 hereof (but such representations, warranties, covenants and agreements shall not be extended with respect to any claim discovered during such extension with respect to matters other than employee benefit matters, Taxes or environmental matters, as the case may be), the notice of which was given on or before the relevant Expiration Date (as hereinafter defined) and the covenants and indemnification obligations relating to Assumed Liabilities or Excluded Liabilities shall survive forever. The respective expiration dates for the survival of the representations and warranties and the covenants shall be referred to herein as the relevant "Expiration Date."

ARTICLE  
10.  
INDEMNIFICATION

10.1. INDEMNIFICATION BY SELLERS. Sellers, jointly and severally, shall and hereby agree to indemnify and hold Buyer (and its Affiliates and the directors, officers, employees, agents, attorneys and shareholders of Buyer and its Affiliates) harmless at all times against and in respect of any Liabilities and Losses arising out of, relating to, or resulting from: (a) any breach by any Seller of any representation, warranty, covenant or agreement made by any Seller in this Agreement; (b) the Excluded Liabilities; or (c) the nonperformance of any obligations to be performed on the part of any Seller under any agreement executed pursuant hereto or in conjunction herewith.

10.2. INDEMNIFICATION BY BUYER. Buyer shall and hereby agrees to indemnify and hold Sellers harmless at all times against and in respect of any



Liabilities and Losses arising out of, relating to, or resulting from (a) any breach by Buyer of any representation, warranty, covenant or agreement made by Buyer in this Agreement; (b) the Assumed Liabilities; or (c) the nonperformance of any obligations to be performed on the part of Buyer under this Agreement or any agreement executed pursuant hereto or in conjunction herewith. In addition, Buyer shall and hereby agrees to indemnify and hold Sellers harmless at all times against any Liabilities and Losses (other than any Losses attributable to such customer being a lost customer for purposes of Section 2.2(b) hereof) to the extent such Liabilities and Losses arise out of (1) the failure of any Corporate Seller to obtain any consent to assign any Customer Contract or Office Lease (except as set forth on Schedule 4.4) or any other Contract to which any Corporate Seller is a party relating to the Work/Family Business, or, with respect to the Office Lease relating to 926-928 Commonwealth Avenue in Brookline, Massachusetts (the "926 Office Lease"), to sublet a portion of the premises subject to such Office Lease or (2) the failure of any Corporate Seller to satisfy any conditions with respect to the assignment of any such Customer Contract, Office Lease or other Contract (other than conditions relating to the Corporate Sellers' obligations under any such Customer Contract, Office Lease or other Contract relating to any matters other than the assignment thereof) or, with respect to the 926 Office Lease, to sublet a portion of the premises subject to such Office Lease. Notwithstanding anything in this Agreement to the contrary (but subject to the provisions of Section 2.2(b)), Buyer expressly covenants and agrees that it shall not be entitled to any indemnification under Section 10.1 to the extent that any Losses or Liabilities arise out of any termination of or other loss of benefits under or pursuant to, any Customer Contract or Office Lease (except as set forth on Schedule 4.4) or other Contract to which any Corporate Seller is a party to the extent arising out of (1) the failure of any Corporate Seller to obtain any consent to assign any such Customer Contract, Office Lease or other Contract, or, with respect to the 926 Office Lease, to sublet a portion of the premises subject to such Office Lease or (2) the failure of any Corporate Seller to satisfy any conditions with respect to the assignment of any such Customer Contract, Office Lease or other Contract (other than conditions relating to the Corporate Sellers' obligations under any such Customer Contract, Office Lease or other Contract relating to any matters other than the assignment thereof) or, with respect to the 926 Office Lease, to sublet a portion of the premises subject to such Office Lease.

### 10.3. LIMITATION ON INDEMNIFICATION.

- (a) BASKET. In the event of any claim for indemnity under Section 10.1(a) or 10.2(a), the Indemnified Party (as hereinafter defined) shall not be entitled to indemnification therefor unless the Indemnified Party has sustained Losses or Liabilities in excess of Three Hundred Thousand Dollars (\$300,000) in the aggregate (the "BASKET AMOUNT"), in which event the Indemnified Party shall be



entitled to indemnification for the full amount of all Losses or Liabilities suffered or incurred in excess of the Basket Amount.

- (b) CAP. In no event shall the aggregate liability of Sellers or Buyer, as the case may be under Sections 10.1(a), 10.1(c), 10.2(a) or 10.2(c) (except with respect to the payment of the Purchase Price) exceed Forty Million Dollars (\$40,000,000).
- (C) NO SET-OFF. In no event shall Buyer be permitted to set-off against any payments due Sellers except as provided in the Escrow Agreement.

10.4. DEFENSE AGAINST ASSERTED CLAIMS. If any claim or assertion of liability is made or asserted by a third party against a party indemnified pursuant to this Article 10 ("Indemnified Party") which might give rise to a right to indemnification under this Agreement, the Indemnified Party shall, with reasonable promptness, give to the other party ("Indemnifying Party") written notice of the claim or assertion of liability and request of the Indemnifying Party to defend the same, provided that any delay or failure to notify the Indemnifying Party shall not relieve it from any liability which it may have to the Indemnified Party except to the extent of any prejudice resulting directly from such delay or failure. The Indemnifying Party shall, at the Indemnifying Party's expense, assume the defense of such claim or assertion with counsel chosen by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. The Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless (a) the employment thereof has been specifically authorized by the Indemnifying Party in writing, or (b) the Indemnifying Party has failed to assume the defense of such action, or (c) if the named parties to the action or proceeding include both the Indemnifying and the Indemnified Party and the Indemnified Party is advised in an opinion of its counsel that representation of both parties by the same counsel would be inappropriate under the applicable standards of professional conduct. The Indemnifying Party shall not be permitted to enter into any settlement or compromise involving affirmative action or forbearance by the Indemnified Party unless the Indemnified Party shall have been notified in writing of the proposed settlement or compromise and shall have consented in writing thereto, which consent shall not be unreasonably withheld. The parties will cooperate with each other in the defense of any such action and the relevant records and personnel of each shall be available to the other with respect to such defense. If the Indemnifying Party assumes the defense of a third party claim, (a) no compromise or settlement thereof may be effected by the Indemnifying Party without the Indemnifying Party's consent unless (i) there is no finding or admission of an' violation of Law or any violation of the rights of any Person and no effect on any other claim that may be made against the Indemnified Party, (ii) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party and (iii) the compromise or

settlement includes, as an unconditional ten-n thereof, the giving by the claimant or the plaintiff to the Indemnified Party of a release, in form and substance reasonably satisfactory to the Indemnified Party, from all liability in respect of such third party claim, and (b) the Indemnified Party shall have no liability with respect to any compromise or settlement thereof effected without its consent.

10.5. OTHER. The right to indemnification or any other remedy based on representations, warranties, covenants and obligations in this Agreement will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to

48

indemnification or any other remedy based on such representations, warranties, covenants and obligations.

## ARTICLE

### 11.

#### GENERAL PROVISIONS

11.1. NO PUBLICITY, ADVERTISEMENT WITHOUT PRIOR CONSULTATION. Neither Sellers nor Buyer shall, and each of the parties shall cause its officers, directors, employees, agents or advisors not to publicize, advertise, announce or describe to any Governmental Entity or other third person, the terms of this Agreement, the parties hereto or the transactions contemplated hereby, except as required by Law, the rules of any stock exchange or court order.

11.2. SEVERABILITY. Any portion or provision of this Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining portions or provisions hereof in such jurisdiction or, to the extent permitted by law, rendering that or any other portion or provision hereof invalid, illegal or unenforceable in any other jurisdiction.

11.3. ARTICLE AND SECTION HEADINGS, SCHEDULES AND EXHIBITS. The Article and Section headings included in this Agreement are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement. Schedules and Exhibits referred to in this Agreement are an integral part of this Agreement.

11.4. COUNTERPARTS. This Agreement and any documents executed pursuant

hereto may be executed in any number of counterparts, each one of which shall be an original and all of which shall constitute one and the same document.

11.5. GENDER AND NUMBER. In this Agreement (unless the context requires otherwise), the masculine, feminine and neuter genders and the singular and the plural include one another.

11.6. EXPENSES. Sellers and Buyer shall each bear their own fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby (including, without limitation, all fees and expenses of investment advisors, accountants, and counsel).

11.7. NOTICES. All notices given pursuant to this Agreement shall be in writing and be personally delivered or mailed with postage prepaid, by registered or certified mail, return receipt requested to the address set forth below or such other address as a party may from time to time specify in writing to the other party. If so mailed and also sent by telegram or facsimile machine, the notice will conclusively be deemed to have been received on the business day next occurring 24 hours after the latest to occur of such mailing and telegraphic or facsimile communication; otherwise, no notice shall be deemed given until it actually arrives at the address in question. The addressees to which notice are initially to be sent are as follows:

(a) If to Buyer to:

Ceridian Corporation  
8100 34th Avenue South  
Bloomington, Minnesota 55425-1640

49

Attention: President/Ceridian Performance Partners  
Facsimile No.: (612) 853-5270

with a copy to:

Ceridian Corporation  
8100 34th Avenue South  
Bloomington, Minnesota 55425-1640  
Attention: Office of General Counsel  
Facsimile No: (612) 853-3413

(b) If to any of the Corporate Sellers, to:

Work/Family Directions, Inc.  
928 Commonwealth Avenue  
Boston, Massachusetts 02215  
Attention: President

Facsimile No.: (617) 566-2806

with copy to:

Goodwin, Procter & Hoar LLP  
Exchange Place  
Boston, Massachusetts 02109-2881  
Attention: F. Beirne Lovely, Jr., P.C.  
Facsimile No.: (617) 523-1231

(c) If to F. Rodgers and C. Rodgers, to:

72 Evans Road  
Brookline, Massachusetts 02146  
Facsimile No.: (617) 232-1124

with copy to:

Goodwin, Procter & Hoar LLP  
Exchange Place  
Boston, Massachusetts 02109-2881  
Attention: F. Beirne Lovely, Jr., P.C.  
Facsimile No.: (617) 523-1231

11.8. NO THIRD PARTY BENEFICIARIES. No employee of the Work/Family Business or former employee thereof (or his/her spouse or beneficiary, other than employees or former employees who are parties to this Agreement), or any other Person not a party to this Agreement, shall be entitled to assert any claim hereunder. In no event shall this Agreement constitute a third party beneficiary Contract.

50

11.9. GOVERNING LAW. This Agreement is governed by and is to be construed and interpreted in accordance with the laws of The Commonwealth of Massachusetts, without giving effect to the conflict of law principles thereof, as to all matters, including without limitation matters of validity, construction, effect, performance and remedies, unless otherwise required by mandatory provisions of the laws of England or Canada.

11.10. MODIFICATIONS, AMENDMENTS OR WAIVERS. Except as otherwise provided herein, provisions of this Agreement may be modified, amended or waived only by a written document specifically identifying this Agreement and signed by a duly authorized executive officer of each of the parties.

11.11. REMEDIES EXCLUSIVE. Except for remedies based on fraud, equitable remedies (including, but not limited to, specific performance) and the remedies provided for in Article 2 of this Agreement, the remedies provided in Article 10

and in the Escrow Agreement constitute the sole and exclusive remedies for recovery against the Sellers based upon the inaccuracy, untruth, incompleteness or breach of any representation or warranty of any Seller contained in this Agreement or in any certificate, schedule or exhibit furnished by any Seller hereunder or in any Contract or instrument delivered in connection with the Transactions, or based upon the failure of any Seller to perform any covenant, agreement or undertaking required by the terms hereof or by any of the certificates, schedules, exhibits, Contracts or instruments referred to above to be performed by any Seller.

11.12. ASSIGNMENT, SUCCESSORS AND ASSIGNS. Without the other party's written consent, this Agreement and the rights and obligations hereunder, shall not be assignable by any party hereto, except that no such consent shall be required for such assignment by Buyer of all or any portion of its rights and obligations under this Agreement to any direct or indirect subsidiary of Ceridian, or to the purchaser of all or substantially all of the assets of the Work/Family Business or all or substantially all of the assets of the Ceridian Performance Partners division provided that Ceridian continues to guaranty all obligations of Buyer hereunder and no such assignment shall adversely affect Sellers' rights hereunder. This Agreement shall be binding upon, and inure to the benefit of, the respective successors and permitted assigns of the parties hereto.

11.13. EQUITABLE REMEDIES. The obligations of Buyer and Sellers under this Agreement are unique. The parties acknowledge that it would be extremely impracticable to measure damages resulting from any default under this Agreement. Accordingly, it is agreed that a party not in default under this Agreement may sue in equity for specific performance or injunctive relief.

11.14. JOINT PREPARATION. This Agreement has been jointly prepared by the parties and the provisions of this Agreement shall not be construed more strictly against any party hereto as a result of its participation in such preparation.

11.15. ATTORNEYS' FEES. If any party to this Agreement initiates any legal action against any other party relating to this Agreement or any agreement executed pursuant hereto, the prevailing party in such action shall be entitled to receive reimbursement from the other party for all reasonable attorneys' fees, expert fees and other costs and expenses incurred by the prevailing party in respect of such proceeding.

11.16. ENTIRE AGREEMENT. This Agreement (including the Schedules and Exhibits hereto) constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all

prior written or oral and all contemporaneous oral agreements, understandings

and negotiations between the parties with respect to the subject matter hereof.

11.17. DOLLARS. Unless otherwise specified, "Dollars" shall mean United States Dollars.

11.18. STAMP DUTY. The parties to this Agreement:

- (a) hereby certify that the Transactions effected by this Agreement do not form part of a larger transaction or series of transactions and that the correct amount of UK stamp duty will be applied when the amount or value, or aggregate amount or value, of the consideration for the purposes of UK stamp duty (which is ascertainable but not yet ascertained at the date hereof) is determined;
- (b) shall execute this Agreement and all transfers, assignments and other documents to be entered into pursuant to this Agreement (together the "Transfer Documents") and retain the same outside the United Kingdom; and
- (c) agree that they shall not at any time cause or knowingly permit any signed or executed original or counterpart of any Transfer Document to be brought into the United Kingdom unless (A) the parties to this Agreement so agree in writing or (B) it is necessary (i) to produce the same in any judicial, arbitration or administrative proceedings in which a certified copy thereof is not accepted in evidence, (ii) for the purpose of registering title to any Asset or (iii) to comply with any legal requirement or the requirement or request of any Governmental Entity in the United Kingdom, provided that each party to this Agreement shall first have used reasonable endeavors to avoid any such necessity and shall have consulted with the other parties as to the possibility of not bringing any such Transfer Document into the United Kingdom, and provided further that any party hereto permitted to bring a Transfer Document into the United Kingdom pursuant to this Section 11.18(c) shall notify the other parties to this Agreement at least fifteen (15) Business Days in advance of so doing.

IN WITNESS WHEREOF, this Agreement has been executed as a sealed instrument on behalf of each of the parties hereto as of the day and year first above written.

CERIDIAN CORPORATION

CANADIAN WORK/FAMILY  
DIRECTIONS CO.

By: /s/ A. Reid Shaw

By: /s/ Francene S. Rodgers

-----  
Name: \_\_\_\_\_  
-----  
Its: \_\_\_\_\_  
-----

WORK/FAMILY DIRECTIONS, INC.

By: /s/ Francene S. Rodgers  
-----  
Name: \_\_\_\_\_  
-----  
Its: \_\_\_\_\_  
-----

/s/ Francene S. Rodgers  
-----  
Francene S. Rodgers

/s/ Charles S. Rodgers  
-----  
Charles S. Rodgers

THE RODGERS FAMILY IRREVOCABLE  
TRUST OF 1998

By: /s/ Charles S. Rodgers  
-----  
Solely in his/her capacity as  
Trustee of said Trust, and not  
Individually

By: /s/ Charles T. O'Neill, Trustee  
-----  
Solely in his/her capacity as  
Trustee of said Trust, and not  
Individually

FRANCENE S. RODGERS 1998 RETAINED

-----  
Name: \_\_\_\_\_  
-----  
Its: \_\_\_\_\_  
-----

WFD

By: /s/ Francene S. Rodgers  
-----  
Name: \_\_\_\_\_  
-----  
Its: \_\_\_\_\_  
-----

CERIDIAN PERFORMANCE  
PARTNERS LTD.

52

By: /s/ A. Reid Shaw  
-----  
Name: \_\_\_\_\_  
-----  
Its: \_\_\_\_\_  
-----

LETTERALLIED LIMITED

By: /s/ A. Reid Shaw  
-----  
Name: \_\_\_\_\_  
-----  
Its: \_\_\_\_\_  
-----

ANNUITY TRUST

By: /s/ Charles S. Rodgers

-----  
Solely in his/her capacity as  
Trustee of said Trust, and not  
Individually

By: /s/ Charles T. O'Neill, Trustee

-----  
Solely in his/her capacity as  
Trustee of said Trust, and not  
Individually



CERIDIAN CORPORATION  
EXECUTIVE EMPLOYMENT AGREEMENT

PARTIES

CERIDIAN CORPORATION (A DELAWARE CORPORATION)  
8100 34TH AVENUE SOUTH  
MINNEAPOLIS, MINNESOTA 55425-1640

AND

TONY HOLCOMBE

DATE: JUNE 1, 1997

RECITALS

- A. Ceridian wishes to obtain the services of Executive for at least the duration of this Agreement, and the Executive wishes to provide his or her services for such period.
- B. Ceridian desires reasonable protection of Ceridian's Confidential Information (as defined below).
- C. Ceridian desires assurance that Executive will not compete with Ceridian or engage in recruitment of Ceridian's employees for a reasonable period of time after termination of employment, and Executive is willing to refrain from competition and recruitment.
- D. Executive desires to be assured of a minimum Base Salary (as defined below) from Ceridian for Executive's services for the term of this Agreement (unless terminated earlier pursuant to the terms of this Agreement).
- E. It is expressly recognized by the parties that Executive's acceptance of, and continuance in, Executive's position with Ceridian and agreement to be bound by the terms of this Agreement represents a substantial commitment to Ceridian in terms of Executive's personal and professional career and a foregoing of present and future career options by Executive, for all of which Ceridian receives substantial value.
- F. The parties recognize that a Change of Control (as defined below) may result in material alteration or diminishment of Executive's position and responsibilities and substantially frustrate the purpose of Executive's commitment to Ceridian and forbearance of options.

- G. The parties recognize that in light of the above-described commitment and forbearance of options, it is essential that, for the benefit of Ceridian and its stockholders, provision be made for a Change of Control Termination (as defined below) in order to enable Executive to accept and effectively continue in Executive's position in the face of inherently disruptive circumstances arising from the possibility of a Change of Control of the Parent Corporation (as defined below), although no such change is now contemplated or foreseen.
- H. The parties wish to replace any and all prior agreements and undertakings with respect to the Executive's employment and Change of Control occurrences and compensation.

NOW, THEREFORE, in consideration of Executive's acceptance of and continuance in Executive's employment for the term of this Agreement and the parties' agreement to be bound by the terms contained herein, the parties agree as follows:

## ARTICLE I

### DEFINITIONS

- 1.01 "BASE SALARY" shall mean regular cash compensation paid on a periodic basis exclusive of benefits, bonuses or incentive payments.
- 1.02 "BOARD" shall mean the Board of Directors of Ceridian Corporation (the "Parent Corporation").
- 1.03 "CERIDIAN" shall mean Ceridian Corporation and, except as otherwise provided in Article VIII and Section 9.02 of Article IX,
- (a) any Subsidiary (as that term is defined in Section 1.07); and
  - (b) any successor in interest by way of consolidation, operation of law, merger or otherwise.
- 1.04 "CONFIDENTIAL INFORMATION" shall mean information or material which is not generally available to or used by others, or the utility or value of which is not generally known or recognized as standard practice, whether or not the underlying details are in the public domain, including:
- (a) information or material relating to Ceridian and its business as conducted or anticipated to be conducted; business plans; operations; past, current or anticipated software, products or services; customers or prospective customers; or research,

engineering, development, manufacturing, purchasing, accounting, or marketing activities;

2

- (b) information or material relating to Ceridian's inventions, improvements, discoveries, "know-how," technological developments, or unpublished writings or other works of authorship, or to the materials, apparatus, processes, formulae, plans or methods used in the development, manufacture or marketing of Ceridian's software, products or services;
- (c) information which when received is marked as "proprietary," "private," or "confidential;"
- (d) trade secrets;
- (e) software in various stages of development, including computer programs in source code and binary code form, software designs, specifications, programming aids (including "library subroutines" and productivity tools), programming languages, interfaces, visual displays, technical documentation, user manuals, data files and databases; and
- (f) any similar information of the type described above which Ceridian obtained from another party and which Ceridian treats as or designates as being proprietary, private or confidential, whether or not owned or developed by Ceridian.

Notwithstanding the foregoing, "Confidential Information" does not include any information which is properly published or in the public domain; provided, however, that information which is published by or with the aid of Executive outside the scope of employment or contrary to the requirements of this Agreement will not be considered to have been properly published, and therefore will not be in the public domain for purposes of this Agreement.

- 1.05 "DISABILITY" shall mean the inability of Executive to perform his or her duties under this Agreement because of illness or incapacity for a continuous period of five months.
- 1.06 "PARENT CORPORATION" shall mean Ceridian Corporation and, except as otherwise provided in Article VIII and Section 9.02 of Article IX, any successor in interest by way of consolidation, operation of law, merger or otherwise. "Parent Corporation" shall not include any Subsidiary.
- 1.07 "SUBSIDIARY" shall mean: (a) any corporation at least a majority of whose securities having ordinary voting power for the election of directors (other than securities having such power only by reason of the

occurrence of a contingency) is at the time owned by Parent Corporation and/or one or more Subsidiaries; and (b) any division or business unit (or portion thereof) of Parent Corporation or a corporation described in clause (a) of this Section 1.07.

## ARTICLE II

### EMPLOYMENT, DUTIES AND TERM

- 2.01 EMPLOYMENT. Upon the terms and conditions set forth in this Agreement, Ceridian hereby employs Executive, and Executive accepts such employment. Except as expressly provided herein, termination of this Agreement by either party shall also terminate Executive's employment by Ceridian.
- 2.02 DUTIES. Executive shall devote his or her full-time and best efforts to Ceridian and to fulfilling the duties of his or her position which shall include such duties as may from time to time be assigned him or her by Ceridian, provided that such duties are reasonably consistent with Executive's education, experience and background. Executive shall comply with Ceridian's policies and procedures to the extent they are not inconsistent with this Agreement in which case the provisions of this Agreement prevail.
- 2.03 TERM. Subject to the provisions of Articles IV, VII, and VIII, Executive's employment shall continue until the later of: (a) June 30, 1999; and (b) two years after a Change of Control which occurs prior to June 30, 1999. In any event, the Agreement shall automatically terminate without notice when Executive reaches 65 years of age. If employment is continued after the age of 65 by mutual agreement, it shall be terminable at will by either party.

## ARTICLE III

### COMPENSATION AND EXPENSES

- 3.01 BASE SALARY. For all services rendered under this Agreement during the term of Executive's employment, Ceridian shall pay Executive a minimum Base Salary at the annual rate currently being paid or, if Executive is not currently in Ceridian's employ, at the annual rate specified in the written offer of employment. If Executive's salary is increased from time to time during the term of this Agreement, the increased amount shall be the Base Salary for the remainder of the term and any extensions.
- 3.02 BONUS AND INCENTIVE. Bonus or incentive compensation shall be in the sole discretion of Ceridian. Except as otherwise provided in Article

VII, Ceridian shall have the right in accordance with their terms to alter, amend or eliminate any bonus or incentive plans, or Executive's participation therein, without compensation to Executive.

4

3.03 BUSINESS EXPENSES. Ceridian shall, in accordance with, and to the extent of, its policies in effect from time to time, bear all ordinary and necessary business expenses incurred by Executive in performing his or her duties as an employee of Ceridian, provided that Executive accounts promptly for such expenses to Ceridian in the manner prescribed from time to time by Ceridian.

#### ARTICLE IV

##### EARLY TERMINATION

4.01 EARLY TERMINATION. Subject to the respective continuing obligations of the parties pursuant to Articles V, VI, and IX, this Article sets forth the terms for early termination of this Agreement; provided, however, that this Article shall not apply to a Change of Control Termination which is governed solely by the provisions of Article VII.

4.02 TERMINATION FOR CAUSE. Ceridian may terminate this Agreement immediately for cause. For the purpose hereof "cause" means (a) fraud, (b) misrepresentation, (c) theft or embezzlement of Ceridian assets, (d) intentional violations of law involving moral turpitude, (e) the continued failure by Executive to satisfactorily perform his or her duties as reasonably assigned to Executive pursuant to Section 2.02 of Article II of this Agreement for a period of 60 days after a written demand for such satisfactory performance which specifically identifies the manner in which it is alleged Executive has not satisfactorily performed such duties. In the event of termination for cause pursuant to this Section 4.02, Executive shall be paid at the usual rate of Executive's annual Base Salary through the date of termination specified in any notice of termination.

4.03 TERMINATION WITHOUT CAUSE. Either Executive or Ceridian may terminate this Agreement and Executive's employment without cause on at least 75 days' written notice. In the event of termination of this Agreement and of Executive's employment pursuant to this Section 4.03, compensation shall be paid as follows:

- (a) if the notice of termination is given by Executive at any time Executive shall be paid at the usual rate of his or her annual Base Salary through the date of termination specified in such notice (but not to exceed 75 days);

- (b) if the notice of termination is given by Ceridian and effective prior to Executive's 65th birthday, (1) Executive shall be paid at the usual rate of his or her annual Base Salary through the date of termination specified in the notice provided, however, Ceridian shall have the option of making termination of the Agreement and Executive's employment effective immediately upon notice in which case Executive shall be paid a lump sum representing the value of 75 days worth of salary; and (2) Executive shall receive, starting within 15 days following termination, a payment equivalent to one years' Base Salary payable, at the sole

5

discretion of Ceridian, in either the form of a lump sum payment or on a regular payroll period basis. In addition, the Executive shall receive the bonus, if any, to which Executive would otherwise have become entitled under all Ceridian bonus plans in effect at the time of termination of this Agreement had Executive remained continuously employed for the full fiscal year in which termination occurred and continued to perform his or her duties in the same manner as they were performed immediately prior to termination, multiplied by a fraction, the numerator of which shall be the number of whole months Executive was employed in the year in which termination occurred and the denominator of which is 12. This bonus amount shall be paid within 15 days after the date such bonus would have been paid had Executive remained employed for the full fiscal year.

- (c) If the event that termination occurs pursuant to Section 4.03(b), in addition to the payments specified in said Section, Ceridian shall pay to Executive an amount equal to one years' Base Salary payable, at the sole discretion of Ceridian, in either the form of a lump sum payment or on a regular payroll period basis, provided the Executive executes a release, similar to that attached as Exhibit A, of all claims against the Company.
- (d) If the notice of termination is given by Ceridian to be effective on or after Executive's 65th birthday, Executive shall be paid at the usual rate of his or her annual Base Salary through the date of termination specified in any notice. In addition, Executive will be paid the bonus, if any, to which Executive would otherwise have become entitled under all Ceridian bonus plans in effect at the time of termination of this Agreement had Executive remained continuously employed for the full fiscal year in which termination occurred and continued to perform his or her duties in the same manner as they were performed immediately prior to termination, multiplied by a fraction, the numerator of which shall be the number of whole months Executive was employed in the

year in which termination occurred and the denominator of which is 12. The amount payable pursuant to this Section 4.03(d) shall be paid within 15 days after the date such bonus would have been paid had Executive remained employed for the full fiscal year.

4.04 TERMINATION IN THE EVENT OF DEATH OR DISABILITY. This Agreement shall terminate in the event of death or disability of Executive.

(a) In the event of Executive's death, Ceridian shall pay an amount equal to 12 months of Base Salary at the rate in effect at the time of Executive's death plus the amount Executive would have received in annual incentive plan bonus for the year in which termination occurs had "target" goals been achieved. Such amount shall be paid (1) to the beneficiary or beneficiaries designated in writing to Ceridian by Executive, (2) in the absence of such designation to the surviving spouse, or (3) if there is no surviving spouse, or such surviving spouse disclaims all or any part, then the full amount, or such disclaimed portion, shall be paid to

6

the executor, administrator or other personal representative of Executive's estate. The amount shall be paid as a lump sum as soon as practicable following Ceridian's receipt of notice of Executive's death. All such payments shall be in addition to any payments due pursuant to Section 4.04(c) below.

(b) In the event of disability, Base Salary shall be terminated as of the end of the month in which the last day of the five-month period of Executive's inability to perform his or her duties occurs.

(c) In the event of termination by reason of Executive's death or disability, Ceridian shall pay to Executive any amount equal to (1) the amount Executive would have received in annual incentive plan bonus for the year in which termination occurs had "target" goals been achieved, multiplied by (2) a fraction, the numerator of which shall be the number of whole months Executive was employed in the year in which the death or disability occurred and the denominator of which is 12. The amount payable pursuant to this Section 4.04(c) shall be paid within 15 days after the date such bonus would have been paid had Executive remained employed for the full fiscal year.

4.05 ENTIRE TERMINATION PAYMENT. The compensation provided for in this Article IV for early termination of this Agreement and termination pursuant to this Article IV shall constitute Executive's sole remedy for such termination. Executive shall not be entitled to any other

termination or severance payment which may be payable to Executive under any other agreement between Executive and Ceridian.

## ARTICLE V

### CONFIDENTIALITY, DISCLOSURE AND ASSIGNMENT

- 5.01 CONFIDENTIALITY. Executive will not, during the term or after the termination or expiration of this Agreement, publish, disclose, or utilize in any manner any Confidential Information obtained while employed by Ceridian. If Executive leaves the employ of Ceridian, Executive will not, without Ceridian's prior written consent, retain or take away any drawing, writing or other record in any form containing any Confidential Information.
- 5.02 BUSINESS CONDUCT AND ETHICS. During the term of employment with Ceridian, Executive will engage in no activity or employment which may conflict with the interest of Ceridian, and will comply with Ceridian's policies and guidelines pertaining to business conduct and ethics.
- 5.03 DISCLOSURE. Executive will disclose promptly in writing to Ceridian all inventions, discoveries, software, writings and other works of authorship which are conceived, made,

7

discovered, or written jointly or singly on Ceridian time or on Executive's own time, providing the invention, improvement, discovery, software, writing or other work of authorship is capable of being used by Ceridian in the normal course of business, and all such inventions, improvements, discoveries, software, writings and other works of authorship shall belong solely to Ceridian.

- 5.04 INSTRUMENTS OF ASSIGNMENT. Executive will sign and execute all instruments of assignment and other papers to evidence vestiture of Executive's entire right, title and interest in such inventions, improvements, discoveries, software, writings or other works of authorship in Ceridian, at the request and the expense of Ceridian, and Executive will do all acts and sign all instruments of assignment and other papers Ceridian may reasonably request relating to applications for patents, patents, copyrights, and the enforcement and protection thereof. If Executive is needed, at any time, to give testimony, evidence, or opinions in any litigation or proceeding involving any patents or copyrights or applications for patents or copyrights, both domestic and foreign, relating to inventions, improvements, discoveries, software, writings or other works of authorship conceived, developed or reduced to practice by Executive, Executive agrees to do so, and if Executive leaves the employ of Ceridian, Ceridian shall pay Executive at a rate mutually



agreeable to Executive and Ceridian, plus reasonable traveling or other expenses.

5.05 INVENTIONS DEVELOPED ON EXECUTIVE'S OWN TIME. The two immediately preceding sections entitled "Disclosure" and "Instruments of Assignment" do not apply to inventions in which a Ceridian claim of any rights will create a violation of Chapter 47 Minnesota Revised Statutes, Section 1-181.78, reproduced below and constituting the written notification of its Subdivision 3.

181.78 Agreements relating to inventions

Subdivision 1.

Any provision in an employment agreement which provides that an Executive shall assign or offer to assign any of his rights in an invention to his employer shall not apply to an invention for which no equipment, supplies, facility or trade secret information of the employer was used and which was developed entirely on the employee's own time, and (1) which does not relate (a) directly to the business of the employer or (b) to the employer's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of this state and is to that extent void and unenforceable.

Subdivision 2.

No employer shall require a provision made void and unenforceable by subdivision 1 as a condition of employment or continuing employment.

8

Subdivision 3.

IF AN EMPLOYMENT AGREEMENT ENTERED INTO AFTER AUGUST 1, 1977, CONTAINS A PROVISION REQUIRING THE EMPLOYEE TO ASSIGN OR OFFER TO ASSIGN ANY OF HIS RIGHTS IN ANY INVENTION TO HIS EMPLOYER, THE EMPLOYER MUST ALSO, AT THE TIME THE AGREEMENT IS MADE, PROVIDE A WRITTEN NOTIFICATION TO THE EMPLOYEE THAT THE AGREEMENT DOES NOT APPLY TO AN INVENTION FOR WHICH NO EQUIPMENT, SUPPLIES, FACILITY OR TRADE SECRET INFORMATION OF THE EMPLOYER WAS USED AND WHICH WAS DEVELOPED ENTIRELY ON THE EMPLOYEE'S OWN TIME, AND (1) WHICH DOES NOT RELATE (a) DIRECTLY TO THE BUSINESS OF THE EMPLOYER OR (b) TO THE EMPLOYER'S ACTUAL OR DEMONSTRABLY ANTICIPATED RESEARCH OR DEVELOPMENT, OR (2) WHICH DOES NOT RESULT FROM ANY WORK PERFORMED BY THE EMPLOYEE FOR THE EMPLOYER.

5.06 EXECUTIVE'S DECLARATION. Executive has no inventions, improvements, discoveries, software, writings or other works of authorship useful to

Ceridian in the normal course of business, which were conceived, made or written prior to the date of this Agreement and which are excluded from this Agreement.

5.07 SURVIVAL. The obligations of this Article V shall survive the expiration or termination of this Agreement.

## ARTICLE VI

### NON-COMPETITION, NON-RECRUITMENT

6.01 GENERAL. The parties hereto recognize and agree that (a) Executive is a senior executive of Ceridian and is a key Executive of Ceridian, (b) Executive has received, and will in the future receive, substantial amounts of Confidential Information, (c) Ceridian's business is conducted on a worldwide basis, and (d) provision for non-competition and non-recruitment obligations by Executive is critical to Ceridian's continued economic well-being and protection of Ceridian's Confidential Information. In light of these considerations, this Article VI sets forth the terms and conditions of Executive's obligations of non-competition and non-recruitment subsequent to the termination of this Agreement and/or Executive's employment for any reason.

6.02 NON-COMPETITION.

(a) Unless the obligation is waived or limited by Ceridian in accordance with subsection (b) of this Section 6.02, Executive agrees that for a period of two years following termination of employment for any reason, Executive will not directly

9

or indirectly, alone or as a partner, officer, director, shareholder or employee of any other firm or entity, engage in any commercial activity in competition with any part of Ceridian's business as conducted as of the date of such termination of employment or with any part of Ceridian's contemplated business with respect to which Executive has Confidential Information as governed by Article V of this Agreement. For purposes of this subsection (a), "shareholder" shall not include beneficial ownership of less than five percent (5%) of the combined voting power of all issued and outstanding voting securities of a publicly held corporation whose stock is traded on a major stock exchange. Also for purposes of this subsection (a), "Ceridian's business" shall include business conducted by Ceridian or its affiliates and any partnership or joint venture in which Ceridian or its affiliates is a partner or joint venturer; provided that, "affiliate" as used in this sentence

shall not include any corporation in which Ceridian has ownership of less than fifteen percent (15%) of the voting stock.

- (b) At its sole option Ceridian may, by written notice to Executive within 30 days after the effective date of termination of Executive's employment, waive or limit the time and/or geographic area in which Executive cannot engage in competitive activity.
- (c) During the term of the non-competition obligation, prior to accepting employment with, or agreeing to provide consulting services to, any firm which offers products or services in the fields of electronics or information processing, Executive shall give 30 days prior written notice to Ceridian. Such written notice shall describe the proposed employment or consulting services and the firm to which they will be rendered. Ceridian's failure to respond or object to such notice shall not in any way constitute acquiescence or waiver of Ceridian's rights under this Article VI.
- (d) During any period of non-competition pursuant to this Article VI Ceridian shall pay Executive an amount equal to the usual rate of Executive's Base Salary in effect at the time of termination. There shall be credited against Ceridian's obligation to make such payments any other payments made by Ceridian to Executive pursuant to Article IV of this Agreement. In the event that Ceridian elects, pursuant to subsection (b) of this Section 6.02, to waive all or any portion of the non-competition obligation, no payment shall be required by Ceridian with respect to the portion of the non-competition period which has been waived.

6.03 NON-RECRUITMENT. For a period of two years following termination of employment for any reason, Executive will not initiate or actively participate in any other employer's recruitment or hiring of Ceridian employees. This provision shall not preclude Executive from responding to a request (other than by Executive's employer) for a reference with respect to an individual's employment qualifications.

6.04 SURVIVAL. The obligations of this Article VI shall survive the expiration or termination of this Agreement.

## ARTICLE VII

### CHANGE OF CONTROL

7.01 DEFINITIONS. For purposes of this Article VII, the following definitions

shall be applied:

- (a) "BENEFIT PLAN" means any formal or informal plan, program or other arrangement heretofore or hereafter adopted by Ceridian for the direct or indirect provision of compensation to the Executive (including groups or classes of participants or beneficiaries of which the Executive is a member), whether or not such compensation is deferred, is in the form of cash or other property or rights, or is in the form of a benefit to or for the Executive.
- (b) "CHANGE OF CONTROL" shall mean any of the following events:
- (1) a merger or consolidation to which Parent Corporation is a party if the individuals and entities who were stockholders of Parent Corporation immediately prior to the effective date of such merger or consolidation have beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of less than fifty percent (50%) of the total combined voting power for election of directors of the surviving corporation immediately following the effective date of such merger or consolidation; or
  - (2) the direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) in the aggregate of securities of Parent Corporation representing twenty-five percent (25%) or more of the total combined voting power of Parent Corporation's then issued and outstanding securities by any person or entity, or group of associated persons or entities acting in concert; or
  - (3) the sale of the properties and assets of Parent Corporation, substantially as an entirety, to any person or entity which is not a wholly-owned subsidiary of Parent Corporation; or
  - (4) the stockholders of Parent Corporation approve any plan or proposal for the liquidation of Parent Corporation; or
  - (5) a change in the composition of the Board at any time during any consecutive 24 month period such that the "Continuity Directors" cease for any reason to constitute at least a seventy percent (70%) majority of the Board. For purposes of this clause, "Continuity

Directors" means those members of the Board who either (A) were directors at the beginning of such consecutive 24 month period, or (B) were elected by, or on the nomination or recommendation of, at least a two-thirds (2/3) majority of the then-existing Board.

(c) "CHANGE OF CONTROL COMPENSATION" means any payment or benefit (including any transfer of property) in the nature of compensation, to or for the benefit of a Participant under this Agreement or any Other Agreement or Benefit Plan, which is considered to be contingent on a Change of Control for purposes of Section 280G of the Code.

(d) "CHANGE OF CONTROL TERMINATION" means, with respect to Executive, either of the following events occurring within two years after a Change of Control:

- (1) Termination of Executive's employment by Ceridian for any reason other than (A) fraud, (B) theft or embezzlement of Ceridian assets, (C) intentional violations of law involving moral turpitude, or (D) the substantial and continuing failure by Executive to satisfactorily perform his or her duties as reasonably assigned to Executive pursuant to Section 2.02 of Article II of this Agreement for a period of 60 days after a written demand for such satisfactory performance which specifically identifies the manner in which it is alleged Executive has not satisfactorily performed such duties; or
- (2) Termination of employment with Ceridian by Executive pursuant to Section 7.02 of this Article VII.

A Change of Control Termination by Executive shall not, however, include termination by reason of death or Disability.

(e) "CODE" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code shall include the corresponding section of such Code as from time to time amended.

(f) "EXCISE TAX" means any applicable federal excise tax imposed by Section 4999 of the Code.

(g) "GOOD REASON" means a good faith determination by Executive, in Executive's sole and absolute judgment, that any one or more of the following events has occurred, without Executive's express written consent, after a Change of Control:

- (1) A change in Executive's reporting responsibilities, titles or offices as in effect immediately prior to

the Change of Control, or any removal of Executive from, or any failure to re-elect Executive to,

12

any of such positions, which has the effect of materially diminishing Executive's responsibility or authority;

- (2) A reduction by Ceridian in Executive's Base Salary as in effect immediately prior to the Change of Control or as the same may be increased from time to time thereafter;
- (3) Ceridian requiring Executive to be based anywhere other than within 25 miles of Executive's job location at the time of the Change of Control;
- (4) Without replacement by plans, programs, or arrangements which, taken as a whole, provide benefits to Executive at least reasonably comparable to those discontinued or adversely affected, (A) the failure by Ceridian to continue in effect, within its maximum stated term, any pension, bonus, incentive, stock ownership, purchase, option, life insurance, health, accident, disability, or any other employee compensation or benefit plan, program or arrangement, in which Executive is participating immediately prior to a Change of Control; or (B) the taking of any action by Ceridian that would materially adversely affect Executive's participation or materially reduce Executive's benefits under any of such plans, programs or arrangements;
- (5) The failure by Ceridian to provide office space, furniture, and secretarial support at least comparable to that provided Executive immediately prior to the Change of Control or the taking of any similar action by Ceridian that would materially adversely affect the working conditions in or under which Executive performs his or her employment duties;
- (6) If Executive's primary employment duties are with a Subsidiary, the sale, merger, contribution, transfer or any other transaction in conjunction with which Parent Corporation's ownership interest in such Subsidiary decreases below the level specified in

Section 1.07 of Article I unless (A) this Agreement is assigned to the purchaser/transferee with the provisions of Article VII in full force and effect and operative as if a Change of Control has occurred with respect to the purchaser/transferee as Parent Corporation immediately after the purchase/transfer becomes effective, and (B) such purchaser/transferee has a creditworthiness reasonably equivalent to Parent Corporation's; or

(7) Any material breach of this Agreement by Ceridian.

13

(h) "OTHER AGREEMENTS" means any agreement, contract or understanding heretofore or hereafter entered into between Executive and Ceridian for the direct or indirect provision of compensation to Executive.

(i) "REDUCED AMOUNT" means the largest amount that could be received by a Participant as Change of Control Compensation such that no portion of such Change of Control Compensation would be subject to the Excise Tax.

7.02 CHANGE OF CONTROL TERMINATION RIGHT. For a period of two years following a Change of Control, Executive shall have the right, at any time and within Executive's sole discretion, to terminate employment with Ceridian for Good Reason. Such termination shall be accomplished by, and effective upon, Executive giving written notice to Ceridian of Executive's decision to terminate. Except as otherwise expressly provided in this Agreement, upon the exercise of said right, all obligations and duties of Executive under this Agreement shall be of no further force and effect.

7.03 CHANGE OF CONTROL TERMINATION PAYMENT. In the event of a Change of Control Termination, and subject to the "Limitation on Change of Control Compensation" contained in Section 7.04, then, and without further action by the Board, Compensation Committee or otherwise, Parent Corporation shall, within five days of such termination, make a lump sum payment to Executive in an amount equal to one dollar (\$1.00) less than three times the average annualized compensation, as defined by Section 280G of the Code, received by Executive from Ceridian and includible in Executive's gross income for federal income tax purposes for the five most recent taxable years of the Executive ending before the date upon which the Change in Control occurred (or such portion of such period during which Executive was an employee of Ceridian).

7.04 LIMITATION ON CHANGE OF CONTROL COMPENSATION. Notwithstanding any other provisions of this Agreement or of any Other Agreement or Benefit Plan, if any Change of Control Compensation would be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Code and if,



after reduction for any Excise Tax and federal income tax imposed by the Code, Executive's net proceeds of such Change of Control Compensation would be less than the amount of Executive's net proceeds resulting from the payment of the Reduced Amount after reduction for federal income taxes, then the Change of Control Compensation payable to Executive shall be limited to the Reduced Amount. The determinations required by the preceding sentence shall be made by the firm of independent certified public accountants serving as the outside auditor of Ceridian as of the date of the applicable Change of Control, and such determinations shall be binding upon Ceridian and Executive. If Change of Control Compensation to Executive is limited to the Reduced Amount, then Executive shall have the right, in his or her sole discretion, to designate those payments or benefits under this Agreement, any Other Agreements and/or any Benefit Plans that should be reduced or eliminated so as to avoid having Executive's Change of Control Compensation be subject to the Excise Tax. If Executive fails to make such designation within 30 days of having

14

received notification that such designation is required, Ceridian shall make such designations and shall promptly inform Executive of its actions in such regard.

- 7.05 INTEREST. In the event Parent Corporation does not make timely payment in full of the Change of Control Termination payment described in Section 7.03, Executive shall be entitled to receive interest on any unpaid amount at the lower of: (a) the prime rate of interest (or such comparable index as may be adopted) established from time to time by the First Bank National Association, Minneapolis, Minnesota; or (b) the maximum rate permitted under Section 280G(d)(4) of the Internal Revenue Code."
- 7.06 ATTORNEYS' FEES. In the event Executive incurs any legal expense to enforce or defend his or her rights under this Article VII of this Agreement, or to recover damages for breach thereof, Executive shall be entitled to recover from Ceridian any expenses for attorneys' fees and disbursements incurred.
- 7.07 BENEFITS CONTINUATION. In the event of a Change of Control Termination, Executive (and anyone entitled to claim under or through Executive) shall, until age 65, be entitled to receive from Ceridian the same or equivalent health, dental, accidental death and dismemberment, short and long-term disability, life insurance coverages, and all other insurance policies and health and welfare benefits programs, policies or arrangements, at the same levels and coverages as Executive was receiving on the day immediately prior to the Change of Control. To the extent that election of continuation of any of such coverages, programs, policies, or arrangements is made available to employees terminating at



age 55 with 15 or more years of service, Executive shall be required to pay no more for continuation than is required of such employees on the day immediately prior to the Change of Control. If no such continuation program is available, Executive shall be required to pay no more than he/she paid as an active employee, or if provided by Ceridian at no cost to employees on the day immediately prior to the Change of Control, they shall continue to be made available to Executive on this basis.

## ARTICLE VIII

### CHANGE OF SUBSIDIARY STATUS

In the event that, prior to a Change of Control: (a) a Subsidiary is sold, merged, contributed, or in any other manner transferred, or if for any reason Parent Corporation's ownership interest in any such Subsidiary falls below the level specified in Section 1.07, (b) Executive's primary employment duties are with the Subsidiary at the time of the occurrence of such event, and (c) Executive does not, in conjunction therewith, transfer employment directly to Parent Corporation or another Subsidiary, then:

- (1) If Executive gives his or her written consent to the assignment of this Agreement to such Subsidiary, or to the purchaser or new majority interest holder of such Subsidiary, (and such assignment is accepted) this Agreement shall remain in full

15

force and effect between Executive and the assignee, except that the provisions of Article VII of this Agreement shall become null and void;

- (2) If such assignment is not accepted by the Subsidiary or purchaser, then this Agreement shall be deemed to have been terminated by Ceridian without cause pursuant to Section 4.03 of Article IV; and
- (3) In all other cases, this Agreement shall be deemed terminated for cause pursuant to Section 4.02 of Article IV.

## ARTICLE IX

### GENERAL PROVISIONS

9.01 NO ADEQUATE REMEDY. The parties declare that it is impossible to measure in money the damages which will accrue to either party by reason of a failure to perform any of the obligations under this Agreement. Therefore, if either party shall institute any action or proceeding to enforce the provisions hereof, such party against whom such action or proceeding is brought hereby waives the claim or defense that such party

has an adequate remedy at law, and such party shall not urge in any such action or proceeding the claim or defense that such party has an adequate remedy at law.

9.02 SUCCESSORS AND ASSIGNS. Except as otherwise provided in Article VIII, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of Parent Corporation and each Subsidiary, whether by way of merger, consolidation, operation of law, assignment, purchase or other acquisition of substantially all of the assets or business of Ceridian, and any such successor or assign shall absolutely and unconditionally assume all of Ceridian's obligations hereunder.

9.03 NOTICES. All notices, requests and demands given to or made pursuant hereto shall, except as otherwise specified herein, be in writing and be delivered or mailed to any such party at its address:

(a) Ceridian Corporation  
8100 34th Avenue South  
Minneapolis, Minnesota 55425-1640  
Attention: Office of General Counsel

(b) In the case of Executive shall be:

At the address listed on the last page of this Agreement.

Either party may, by notice hereunder, designate a changed address. Any notice, if mailed properly addressed, postage prepaid, registered or certified mail, shall be

16

deemed dispatched on the registered date or that stamped on the certified mail receipt, and shall be deemed received within the second business day thereafter or when it is actually received, whichever is sooner.

9.04 CAPTIONS. The various headings or captions in this Agreement are for convenience only and shall not affect the meaning or interpretation of this Agreement.

9.05 GOVERNING LAW. The validity, construction and performance of this Agreement shall be governed by the laws of the State of Minnesota and any and every legal proceeding arising out of or in connection with this Agreement shall be brought in the appropriate courts of the State of Minnesota, each of the parties hereby consenting to the exclusive jurisdiction of said courts for this purpose. The parties hereto expressly recognize and agree that the implementation of this Governing Law provision is essential in light of the fact that Parent Corporation's corporate headquarters and its principal executive offices are located within the State of Minnesota, and there is a critical need for

uniformity in the interpretation and enforcement of the employment agreements between Ceridian and its senior executives.

- 9.06 CONSTRUCTION. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.
- 9.07 WAIVERS. No failure on the part of either party to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy granted hereby or by any related document or by law.
- 9.08 MODIFICATION. This Agreement may not be and shall not be modified or amended except by written instrument signed by the parties hereto.
- 9.09 ARBITRATION. Because the parties recognize that resolving any future differences in the courts can require a long time and great expense, Company and Executive agree that their only remedy for disputes either may have with the other and that arise out of Executive's employment, or any aspect of this Agreement, shall be to submit all disputes to final and binding arbitration in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association. The aggrieved party must send a written notice of claim to the other party by certified mail, return receipt requested to the address listed in Section 7.03 of this Agreement. The arbitrator shall apply the law in accordance with this Agreement, or federal law, or both, as applicable to the claim(s) asserted.
- 9.10 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and understanding between the parties hereto in reference to all the matters herein agreed upon. This Agreement replaces in full all prior employment agreements or understandings of the parties hereto, and any and all such prior agreements or understandings are hereby rescinded by mutual agreement. Any changes or amendments to this Agreement must be in writing and signed by both parties.

17

IN WITNESS WHEREOF, The parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

EXECUTIVE

CERIDIAN CORPORATION

/s/ Tony R. Holcombe

By: /s/ Michael E. Kotten

Title: V.P. Organization Resources

Address:

201 Lake Ridge Court

Franklin, TN 37064

CERIDIAN CORPORATION  
PERFORMANCE-BASED STOCK OPTION AWARD AGREEMENT

1993 LONG-TERM INCENTIVE PLAN

This Agreement between you, JOHN R. EICKHOFF, and Ceridian Corporation (the "Company") is dated as of JULY 22, 1998 (the "Date of Grant") and evidences the grant of a Non-Statutory Stock Option (the "Stock Option") to you pursuant to the 1993 Long-Term Incentive Plan of the Company (the "Plan").

1. Any capitalized term used in this Agreement which is defined in the Plan shall have the same meaning as set forth in the Plan. When used in this Agreement, the following additional terms shall have the meanings indicated:

(a) "TOTAL RETURN TO SHAREHOLDERS" means, with respect to the Company or any other S&P 500 Company, the total return to a holder of the common stock of such company as a result of his or her ownership of such common stock during the Measurement Period, such total return (i) to be expressed as a percentage of an assumed initial investment in such common stock as of July 22, 1998 and (ii) to include both the appreciation in the per share price of such common stock during the Measurement Period and the per share fair market value of all dividends and distributions paid or distributed by such company with respect to such common stock during the Measurement Period, assuming that all such dividends and distributions are reinvested in shares of such common stock at their Fair Market Value on the last trading day of the month in which the dividend or distribution is paid or distributed. For purposes of calculating TRS for the Company or any other S&P 500 Company, the assumed initial investment in such company's common stock as of July 22, 1998 shall be at the applicable Starting Price, and the value of a share of such company's common stock at the end of the Measurement Period shall be the applicable Ending Price.

(b) "ENDING PRICE" means, with respect to any S&P 500 Company (including the Company), the average daily last reported sales price of a share of such company's common stock as reported in the WALL STREET JOURNAL during the period June 1, 2001 through June 30, 2001.

(c) "FAIR MARKET VALUE" (i) with respect to the Company has the same meaning as specified in Section 2.10 of the Plan, and (ii) with respect to any other S&P 500 Company means the last reported sales price of a share of such company's common stock on the date in question as reported in the Wall Street Journal.

(d) "MEASUREMENT PERIOD" means the period July 22, 1998 through June 30, 2001.

(e) "S&P 500 COMPANIES" means the companies that comprise the Standard & Poors' 500 Stock Index as it existed on July 22, 1998, and which are still publicly traded on June 30, 2001.

(f) "STARTING PRICE" means, with respect to any S&P 500 Company (including the Company), the average daily last reported sales price of a share of such

company's common stock as reported in the WALL STREET JOURNAL during the period July 1, 1998 through July 22, 1998.

2. Effective as of the Date of Grant, and subject to the terms and conditions of the Plan and this Agreement, the Company has granted to you the option to purchase from the Company, and the Company has agreed to sell to you, 40,000 shares of Common Stock at a price of \$61.50 per share (the "Option Shares").

3. This Stock Option will become void and expire at 5:00 p.m. (Minneapolis time) on the tenth anniversary of the Date of Grant and may not be exercised after that time.

4. Except as otherwise expressly provided in Sections 5 through 8 of this Agreement, this Stock Option will become exercisable at the times specified in this Section 4, but only if, at the time specified, you have been continuously employed by the Company or a Subsidiary since the Date of Grant. If this Stock Option becomes exercisable, it will remain exercisable until the date specified in Section 3 of this Agreement.

(a) This Stock Option will become exercisable with regard to all of the Option Shares as of December 31, 2000 if the average closing price of a share of the Company's Common Stock on the New York Stock Exchange for any 20 consecutive trading days during the period beginning on the Grant Date and ending on December 31, 2000 is equal to or greater than \$84.50.

(b) If the condition specified in paragraph (a) of this Section 4 is not satisfied, this Stock Option will become exercisable with regard to all of the Option Shares if the average closing price of a share of the Company's Common Stock on the New York Stock Exchange for any 20 consecutive trading day period that ends during the period beginning January 1, 2001 and ending June 30, 2001 is equal to or greater than \$84.50. If this condition is satisfied, this Stock Option will become exercisable as of the day immediately following the completion of such 20 day period.

(c) If neither of the conditions specified in paragraphs (a) and (b) of this Section 4 are satisfied, this Stock Option will, nevertheless, become exercisable with regard to all of the Option Shares as of June 30, 2001 if the Company's rank for Total Return to Shareholders among S&P 500 Companies during the Measurement Period is at least at the 60th percentile.

(d) Notwithstanding Paragraphs (a) through (c) of this Section 4, this Stock Option shall become exercisable with respect to all of the Option

Shares on March 31, 2008.

(e) If there is any change in the corporate structure or shares of the Company of the types described in Sections 3.2(c) or 4.4 of the Plan, then the number of Option Shares, the Starting Price and Ending Price specified in Section 1 and the per share price specified in Paragraphs 4(a) and (b) shall be appropriately adjusted as contemplated by Sections 3.2(c) and 4.4 of the Plan so as to prevent reduction or enlargement of your rights under this Agreement.

5. If your employment is terminated by the Company or any Subsidiary for Cause (as defined in Section 10.3(b) of the Plan), this Stock Option may not be exercised after such

2

termination of employment and will be forfeited, and all of your rights under the Plan and this Agreement will immediately terminate.

6. If your employment with the Company and all Subsidiaries terminates because of death, Disability or a Change of Control Termination, or if the Company or any applicable Subsidiary terminates your employment without Cause, this Stock Option shall immediately become exercisable in full if the stock price performance condition specified in paragraph 4(a) of this Agreement was satisfied prior to the date of such termination.

7. If your employment with the Company and all Subsidiaries terminates for any reason prior to December 31, 2000 other than as provided in Section 6 of this Agreement, you will forfeit this Stock Option and all of your rights under the Plan and this Agreement will immediately terminate. If your employment with the Company and all Subsidiaries terminates on or after December 31, 2000 due to Retirement, and if at that time this Stock Option is not yet exercisable, this Stock Option may become exercisable after such termination if either of the conditions specified in Paragraphs 4(b) and 4(c) of this Agreement is satisfied. If neither of such conditions is satisfied following a termination of employment on or after December 31, 2000 due to your Retirement, or if your employment with the Company and all Subsidiaries terminates on or after December 31, 2000 for any reason other than Retirement or as provided in Section 6 of this Agreement, you will forfeit this Stock Option and all of your rights under the Plan and this Agreement will immediately terminate. YOU EXPRESSLY AGREE THAT EXCEPT AS SPECIFICALLY PROVIDED IN SECTION 6 OF THIS AGREEMENT, YOU WILL HAVE NO RIGHT TO ACCELERATED EXERCISABILITY OF THIS STOCK OPTION UNDER SECTION 12 OF THE PLAN IN THE EVENT OF A CHANGE OF CONTROL OR A CHANGE OF CONTROL TERMINATION, AND AGREE THAT FOR PURPOSES OF THIS STOCK OPTION, SECTION 12 OF THE PLAN SHALL OTHERWISE BE DEEMED TO HAVE BEEN RESCINDED BY THE BOARD. YOU ALSO EXPRESSLY CONSENT TO THE TREATMENT OF THIS STOCK OPTION IN THE MANNER SPECIFIED IN THIS SECTION 7 UNDER CIRCUMSTANCES THAT WOULD OR COULD OTHERWISE CONSTITUTE "RETIREMENT" AS DEFINED IN THE PLAN.

8. If, at any time during the period that this Stock Option is or may yet become exercisable in whole or in part, or at any time prior to one year after

the termination of your employment with the Company and all Subsidiaries, whichever is later, you (i) engage in any commercial activity in competition with any part of the business of the Company or its Subsidiaries, (ii) divert or attempt to divert from Ceridian or its Subsidiaries any business of any kind, including, without limitation, interference with any business relationships with suppliers, customers, licensees, licensors, clients or contractors, (iii) make, or cause or attempt to cause any other person to make, any statement, either written or oral, or convey any information about the Company which is disparaging or which in any way reflects negatively upon the Company, or (iv) engage in any other activity that is inimical, contrary or harmful to the interests of the Company or its Subsidiaries, including influencing or advising any person who is employed by or in the service of the Company or its Subsidiaries to leave such employment or service to compete with the Company or its Subsidiaries or to enter into the employment or service of any actual or prospective competitor of the Company or its Subsidiaries, or influencing or advising any competitor of the Company or its Subsidiaries to employ or to otherwise engage the services of any person who is employed by or in the service of the Company or its Subsidiaries, or improperly disclosing or otherwise misusing any confidential information regarding the Company or its Subsidiaries, then notwithstanding any other provision of this Agreement (1) this Stock Option shall terminate effective the date on

3

which you enter into such activity, unless terminated sooner by operation of another term of this Agreement or the Plan, and (2) any gain realized by you from exercising all or any portion of this Stock Option during a period beginning six months prior to the date on which you enter into such activity shall be paid by you to the Company.

9. By accepting this Agreement, you consent to a reduction from any amounts the Company owes you from time to time (including wages or other compensation) of any amount you owe the Company under Section 8 of this Agreement. If the Company does not recover by means of set-off the full amount you owe it, you agree to immediately repay the unpaid balance to the Company.

10. Nothing in the Plan or this Agreement shall confer upon you any right with respect to continued employment by the Company or any Subsidiary, nor interfere in any way with the right of the Company or a Subsidiary to terminate your employment at any time.

11. Except as otherwise expressly provided in Sections 4 through 8 of this Agreement, this Agreement is subject to all of the terms and conditions of the Plan and, where any questions or matters of interpretation arise, the terms and conditions of the Plan and the rules of the Committee administering the Plan shall control.

12. Neither you nor any other person shall have any rights as a stockholder with respect to any Option Shares until you or such other person shall have become a holder of record of such shares and, except as otherwise



provided in Section 4.4 of the Plan, no adjustments shall be made for dividends or other distributions or rights as to which there is a record date preceding the date you become the holder of record of such shares.

13. Any notice to be given with respect to this Stock Option, including without limitation a notice of exercise, shall be addressed to the Company, Attention: Corporate Treasury, at its principal executive office at 8100 34th Avenue South, Minneapolis, Minnesota 55425, Facsimile No. 612-853-3932, and any notice to be given to you shall be addressed to you at the address given beneath your signature below, or at such other address as either party may hereafter designate in writing to the other.

14. Any notice of stock option exercise must specify the number of shares with respect to which the Stock Option is being exercised and be accompanied by either (i) payment in full of the purchase price for the shares exercised or (ii) a Broker Exercise Notice in form and substance satisfactory to the Company. The exercise of the Stock Option shall be deemed effective upon receipt by Corporate Treasury of such notice and payment of the exercise price from the Participant or the broker or dealer named in the Broker Exercise Notice. Any such notice will not be deemed given until actual receipt by Corporate Treasury.

In Witness Whereof, Ceridian Corporation and you have executed this Agreement as of the Date of Grant.

CERIDIAN CORPORATION

By /s/ John Haveman

-----

Secretary

OPTIONEE

/s/ John R. Eickhoff

-----

John R. Eickhoff

###-##-####

6028 Schaeffer Road  
Edina, MN 55436

CERIDIAN CORPORATION  
STOCK OPTION AWARD AGREEMENT

1993 LONG-TERM INCENTIVE PLAN

This Agreement between you, \_\_\_\_\_, and Ceridian Corporation (the "Company") is dated as of OCTOBER 21, 1998 (the "Date of Grant") and evidences the grant of a Non-Statutory Stock Option (the "Stock Option") to you pursuant to the 1993 Long-Term Incentive Plan of the Company (the "Plan"). Any capitalized term used in this Agreement which is defined in the Plan shall have the same meaning as set forth in the Plan.

1. Effective as of the Date of Grant, and subject to the terms and conditions of the Plan and this Agreement, the Company has granted to you the option to purchase from the Company, and the Company has agreed to sell to you, \_\_\_\_\_ shares of Common Stock at a price of \$54.81 per share (the "Option Shares"). This Stock Option is comprised of two components: \_\_\_\_\_ of the Option Shares will become exercisable as provided in paragraph 3 of this Agreement and are referred to as "Time-Based Option Shares," and \_\_\_\_\_ of the Option Shares will become exercisable as provided in paragraph 4 of this Agreement and are referred to as "Performance-Based Option Shares."

2. This Stock Option will become void and expire at 5:00 p.m. (Minneapolis time) on the tenth anniversary of the Date of Grant and may not be exercised after that time.

3. Except as otherwise expressly provided in paragraphs 5 through 9 of this Agreement, and provided you have been continuously employed by the Company or a Subsidiary since the Date of Grant, upon October 21, 1999, this Option shall become exercisable with respect to one-third of the Time-Based Option Shares, and upon each succeeding October 21st, the Option shall become exercisable with respect to an additional one-third of the Time-Based Option Shares.

4. Except as otherwise expressly provided in paragraphs 5 through 9 of this Agreement, this Stock Option will become exercisable with respect to the Performance-Based Option Shares at the time specified in this paragraph 4, but only if, at the time specified, you have been continuously employed by the Company or a Subsidiary since the Date of Grant.

(a) This Stock Option will become exercisable with respect to all of the Performance-Based Option Shares as of February 15, 2001 if the average closing price of a share of the Company's Common Stock on the New York Stock Exchange for any 20 consecutive trading days during the period beginning on October 21, 1998 and ending on January 31, 2001 is greater than \$70.00 per share.

(b) If the condition specified in paragraph 4(a) is not satisfied, this Stock Option will, nevertheless, become exercisable with regard to all of the Performance-Based Option Shares as of February 15, 2001 if the Company's rank for Total Return to Shareholders among S&P 500 Companies during the Performance Period exceeds the 60th percentile.

(c) If neither of the conditions specified in paragraphs 4(a) and (b) is satisfied, this Stock Option shall nevertheless become exercisable with respect to all of the Performance-Based Option Shares on October 21, 2004.

(d) When used in this paragraph 4, the following terms shall have the meanings indicated:

(1) "TOTAL RETURN TO SHAREHOLDERS" means, with respect to the Company or any other S&P 500 Company, the total return to a holder of the common stock of such company as a result of his or her ownership of such common stock during the Performance Period, such total return (i) to be expressed as a percentage of an assumed initial investment in such common stock as of October 21, 1998 and (ii) to include both the appreciation in the per share price of such common stock during the Performance Period and the per share fair market value of all dividends and distributions paid or distributed by such company with respect to such common stock during the Performance Period, assuming that all such dividends and distributions are reinvested in shares of such common stock at their Fair Market Value on the last trading day of the month in which the dividend or distribution is paid or distributed. For purposes of calculating Total Return to Shareholders for the Company or any other S&P 500 Company, the assumed initial investment in such company's common stock as of October 21, 1998 shall be at the applicable Starting Price, and the value of a share of such company's common stock at the end of the Performance Period shall be the applicable Ending Price.

(2) "ENDING PRICE" means, with respect to any S&P 500 Company (including the Company), the average daily last reported sales price of a share of such company's common stock as reported in the WALL STREET JOURNAL during the period January 1, 2001 through January 31, 2001.

(3) "FAIR MARKET VALUE" (i) with respect to the Company has the same meaning as specified in Section 2.10 of the Plan, and (ii) with respect to any other S&P 500 Company means the last reported sales price of a share of such company's common stock on the date in question as reported in the WALL STREET JOURNAL.

(4) "PERFORMANCE PERIOD" means the period October 21, 1998 through January 31, 2001.

(5) "S&P 500 COMPANIES" means the companies that comprise the Standard & Poors' 500 Stock Index as it existed on October 21, 1998, and which are still publicly traded on January 31, 2001.

(6) "STARTING PRICE" means, with respect to any S&P 500 Company (including the Company), the average daily last reported sales price of a share of such company's common stock as reported in the WALL STREET JOURNAL during the period October 1, 1998 through October 21, 1998.

2

(e) If there is any change in the corporate structure or shares of the Company of the types described in Sections 3.2(c) or 4.4 of the Plan, then the number of Option Shares, the Starting Price and Ending Price specified in this paragraph 4 and the per share price specified in paragraph 4(a) shall be appropriately adjusted as contemplated by Sections 3.2(c) and 4.4 of the Plan so as to prevent reduction or enlargement of your rights under this Agreement.

5. If your employment with the Company and all Subsidiaries is terminated for Cause (as defined in Section 10.3(b) of the Plan), this Stock Option may not be exercised after such termination of employment and will be forfeited, and all of your rights under the Plan and this Agreement will immediately terminate.

6. If your employment with the Company and all Subsidiaries terminates because of Death or Disability, this Stock Option shall immediately become exercisable with respect to all of the Time-Based Option Shares, and shall immediately become exercisable with respect to all of the Performance-Based Option Shares if the stock price performance condition specified in paragraph 4(a) of this Agreement was satisfied prior to the date of such termination. If your employment with the Company and all Subsidiaries terminates because of Retirement, then this Stock Option shall continue to become exercisable (i) with respect to the Time-Based Option Shares as specified in paragraph 3 of this Agreement, and (ii) with respect to the Performance-Based Option Shares on the date specified in paragraph 4(a) of this Agreement only if the stock price performance condition specified in paragraph 4(a) was satisfied prior to the date of such termination. To the extent this Stock Option is already exercisable at the time your employment terminates due to Death, Disability or Retirement, or becomes exercisable as provided in this paragraph 6, it will remain exercisable until the date specified in paragraph 2 of this Agreement.

7. If a Change of Control Termination occurs, and if this Stock Option has been outstanding for at least six months from the Date of Grant, then you shall have the rights, if any, to accelerated exercisability of this Stock Option as are specified in Section 12 of the Plan as in effect on the date of the Change of Control, except that such accelerated exercisability shall be available with respect to the Performance-Based Option Shares only if the stock price performance condition specified in paragraph 4(a) of this Agreement was satisfied prior to the date of such termination.

8. If your employment with the Company and all Subsidiaries terminates for any reason other than as provided in paragraphs 6 or 7 of this Agreement, you shall have three months following the date of such termination to exercise this Stock Option (but in no event after the time it expires as set forth in

paragraph 2) to the extent that you were entitled to exercise it as of the date of such termination. You will forfeit this Stock Option to the extent it has not yet become exercisable as of such employment termination date. YOU EXPRESSLY CONSENT TO THE TREATMENT OF THE PERFORMANCE-BASED OPTION SHARES OF THIS STOCK OPTION IN THE MANNER SPECIFIED IN PARAGRAPHS 6, 7, AND 8 OF THIS AGREEMENT AS APPLICABLE, EVEN UNDER CIRCUMSTANCES THAT WOULD OR COULD OTHERWISE CONSTITUTE "DEATH", "DISABILITY", "RETIREMENT" OR "CHANGE OF CONTROL" AS DEFINED IN THE PLAN AND THEREBY RESULT IN DIFFERING TREATMENT.

3

9. If, at any time during the period that this Stock Option is or may yet become exercisable in whole or in part, or at any time prior to one year after the termination of your employment with the Company and all Subsidiaries, whichever is later, you (i) engage in any commercial activity in competition with any part of the business of the Company or its Subsidiaries, (ii) divert or attempt to divert from Ceridian or its Subsidiaries any business of any kind, including, without limitation, interference with any business relationships with suppliers, customers, licensees, licensors, clients or contractors, (iii) make, or cause or attempt to cause any other person to make, any statement, either written or oral, or convey any information about the Company which is disparaging or which in any way reflects negatively upon the Company, or (iv) engage in any other activity that is inimical, contrary or harmful to the interests of the Company or its Subsidiaries, including influencing or advising any person who is employed by or in the service of the Company or its Subsidiaries to leave such employment or service to compete with the Company or its Subsidiaries or to enter into the employment or service of any actual or prospective competitor of the Company or its Subsidiaries, or influencing or advising any competitor of the Company or its Subsidiaries to employ or to otherwise engage the services of any person who is employed by or in the service of the Company or its Subsidiaries, or improperly disclosing or otherwise misusing any confidential information regarding the Company or its Subsidiaries, then notwithstanding any other provision of this Agreement (1) this Stock Option shall terminate effective the date on which you enter into such activity, unless terminated sooner by operation of another term of this Agreement or the Plan, and (2) any gain realized by you from exercising all or any portion of this Stock Option during a period beginning six months prior to the date on which you enter into such activity shall be paid by you to the Company. Should any provision of this paragraph be held invalid or illegal, such illegality shall not invalidate the whole of this paragraph, but, rather, the agreement shall be construed as if it did not contain the illegal part or narrowed to permit its enforcement, and the rights and obligations of the parties shall be construed and enforced accordingly. This paragraph does not replace other such agreements you may have which also remain in effect.

10. By accepting this Agreement, you consent to a reduction from any amounts the Company owes you from time to time (including wages or other compensation) of any amount you owe the Company under paragraph 9 of this Agreement. If the Company does not recover by means of set-off the full amount you owe it, you agree to immediately repay the unpaid balance to the Company.

11. Nothing in the Plan or this Agreement shall confer upon you any right with respect to continued employment by the Company or any Subsidiary, nor interfere in any way with the right of the Company or a Subsidiary to terminate your employment at any time.

12. This Agreement is subject to all of the terms and conditions of the Plan and, where any questions or matters of interpretation arise, the terms and conditions of the Plan and the rules of the Committee administering the Plan shall control.

4

13. Neither you nor any other person shall have any rights as a stockholder with respect to any Option Shares until you or such other person shall have become a holder of record of such shares and, except as otherwise provided in Section 4.4 of the Plan, no adjustments shall be made for dividends or other distributions or rights as to which there is a record date preceding the date you become the holder of record of such shares.

14. Any notice to be given with respect to this Stock Option, including without limitation a notice of exercise, shall be addressed to the Company, Attention: Corporate Treasury, at its principal executive office at 8100 34th Avenue South, Minneapolis, Minnesota 55425, Facsimile No. 612-853-3932, and any notice to be given to you shall be addressed to you at the address given beneath your signature below, or at such other address as either party may hereafter designate in writing to the other.

15. Any notice of stock option exercise must specify the number of shares with respect to which the Stock Option is being exercised and be accompanied by either (i) payment in full of the purchase price for the shares exercised or (ii) a Broker Exercise Notice in form and substance satisfactory to the Company. The exercise of the Stock Option shall be deemed effective upon receipt by Corporate Treasury of such notice and payment of the exercise price from the Participant or the broker or dealer named in the Broker Exercise Notice. Any such notice will not be deemed given until actual receipt by Corporate Treasury.

In Witness Whereof, Ceridian Corporation and you have executed this Agreement as of the Date of Grant.

CERIDIAN CORPORATION

OPTIONEE

By

-----  
Assistant Secretary

-----  
[Name of Optionee]

-----  
Address  
-----

CERIDIAN CORPORATION  
EXECUTIVE INVESTMENT PLAN

As Amended Effective as of January 1, 1999

CERIDIAN CORPORATION  
EXECUTIVE INVESTMENT PLAN

TABLE OF CONTENTS

<TABLE>  
<CAPTION>

	Page
<S>	<C>
ARTICLE 1. DESCRIPTION . . . . .	.1
1.1. Plan Name. . . . .	.1
1.2. Plan Purposes. . . . .	.1
1.3. Plan Type. . . . .	.1
1.4. Plan Background. . . . .	.1
1.5. Applicability. . . . .	.1
ARTICLE 2. PARTICIPATION. . . . .	.3
2.1. Eligibility. . . . .	.3
2.2. Loss of Eligibility. . . . .	.3
2.3. Transfer Among Participating Employers.. . . .	.4
2.4. Multiple Employment. . . . .	.4
2.5. Conditions of Participation. . . . .	.4
2.6. Termination of Participation.. . . .	.5
ARTICLE 3. BENEFITS . . . . .	.6
3.1. Participant Accounts.. . . . .	.6
3.2. Participant Deferral Credits.. . . . .	.6
3.3. Discretionary Credits. . . . .	.8
3.4. Earnings Credits.. . . . .	.9
3.5. Vesting. . . . .	11
ARTICLE 4. DISTRIBUTION . . . . .	12
4.1. Distribution to Participant Before Severance or Disability.. . . . .	12
4.2. Distribution to Participant After Severance or Disability. . . . .	13



4.3. Distribution to Beneficiary.. . . . .	16
4.4. Nondeductibility.. . . . .	18
4.5. Payment in Event of Incapacity.. . . . .	18
4.6. Suspension.. . . . .	18
ARTICLE 5. SOURCE OF PAYMENTS; NATURE OF INTEREST . . . . .	19
5.1. Establishment of Trust.. . . . .	19
5.2. Source of Payments.. . . . .	19
5.3. Status of Plan.. . . . .	19
5.4. Non-assignability of Benefits. . . . .	19
ARTICLE 6. ADOPTION, AMENDMENT, TERMINATION . . . . .	20
6.1. Adoption.. . . . .	20
6.2. Amendment. . . . .	20
6.3. Termination of Participation.. . . . .	20
6.4. Termination. . . . .	21
ARTICLE 7. DEFINITIONS, CONSTRUCTION AND INTERPRETATION . . . . .	22
7.1. Account. . . . .	22
7.2. Active Participant.. . . . .	22
7.3. Administrator. . . . .	22
7.4. Affiliate. . . . .	22
7.5. Annual Bonus.. . . . .	22
7.6. Base Compensation. . . . .	22
7.7. Board. . . . .	23
7.8. Beneficiary. . . . .	23
7.9. Code.. . . . .	23
7.10. Company.. . . . .	23
7.11. Cross Reference.. . . . .	23
7.12. Director Participant. . . . .	23
7.13. Disability. . . . .	23
7.14. Discretionary Account . . . . .	23
7.15. Eligible Long-Term Bonus. . . . .	24
7.16. Employee Participant. . . . .	24
7.17. ERISA.. . . . .	24
7.18. Governing Law.. . . . .	24
7.19. Headings. . . . .	24
7.20. Number and Gender.. . . . .	24
7.21. Participant.. . . . .	24
7.22. Participant Deferral Account. . . . .	24
7.23. Participating Employer. . . . .	24
7.24. Plan. . . . .	25
7.25. Plan Year.. . . . .	25
7.26. Plan Rules. . . . .	25
7.27. Qualified Director. . . . .	25
7.28. Qualified Employee. . . . .	25
7.29. Retirement. . . . .	25
7.30. Severance.. . . . .	26
7.31. Trust.. . . . .	26
7.32. Trustee.. . . . .	26

7.33. Unforeseeable Emergency.. . . . .	26
7.34. Valuation Date. . . . .	26
ARTICLE 8. ADMINISTRATION . . . . .	27
8.1. Administrator. . . . .	27
8.2. Plan Rules and Regulations.. . . . .	27
8.3. Administrator's Discretion.. . . . .	27
8.4. Specialist's Assistance. . . . .	27
8.5. Indemnification. . . . .	27
8.6. Benefit Claim Procedure. . . . .	27
8.7. Disputes.. . . . .	28

ARTICLE 9. MISCELLANEOUS. . . . .	29
9.1. Withholding and Offsets. . . . .	29
9.2. Other Benefits.. . . . .	29
9.3. No Warranties Regarding Tax Treatment. . . . .	29
9.4. No Rights to Continued Service Created.. . . . .	29
9.5. Special Provisions.. . . . .	29
9.6. Successors.. . . . .	29

</TABLE>

CERIDIAN CORPORATION  
EXECUTIVE INVESTMENT PLAN

ARTICLE  
1.  
DESCRIPTION

1.1. PLAN NAME.

The name of the Plan is the "Ceridian Corporation Executive Investment Plan."

1.2. PLAN PURPOSES.

The purposes of the Plan are to

- (a) assist the Participating Employers in attracting and retaining key executives,
- (b) provide an employer-sponsored tax-deferred capital accumulation vehicle for key executives and members of the Company's board of directors and

- (c) encourage additional retirement savings by eligible executives and directors.

### 1.3. PLAN TYPE.

The Plan is an unfunded plan maintained primarily for the purpose of providing deferred compensation for Qualified Directors and a select group of management or highly compensated employees. It is intended that, with respect to participation by Qualified Directors, ERISA will not apply to the Plan and that, with respect to participation by Qualified Employees, the Plan is exempt from the provisions of Parts 2, 3 and 4 of Subtitle B of Title I of ERISA by operation of sections 201(2), 301(a)(3) and 401(a)(4) thereof, respectively, and from the provisions of Title IV of ERISA, to the extent otherwise applicable, by operation of section 4021(b)(6) thereof. The Plan is also intended to be unfunded for tax purposes. The Plan will be construed and administered in a manner that is consistent with and gives effect to the foregoing.

### 1.4. PLAN BACKGROUND.

- (a) The Company adopted the Plan effective as of January 1, 1995.
- (b) Effective as of January 1, 1999, the Plan was restated and the name of the Plan was changed from the Ceridian Corporation Deferred Compensation Plan to the Ceridian Corporation Executive Investment Plan.

### 1.5. APPLICABILITY.

- (a) The terms of the Plan as restated effective as of January 1, 1999 apply only to a Participant who
  - (i) experiences a Severance or Disability after December 31, 1998 and
  - (ii) elects deferrals pursuant to Section 3.2 for a Plan Year beginning after December 31, 1998 or makes an election pursuant to Section 3.4(i)(iii) to have the entire portion of his or her Participant Deferral Account attributable to deferral credits for Plan Years ending before January 1, 1999 credited with earnings in accordance with Section 3.4 without regard to Section 3.4 (i).

By making an election described in clause (ii), a Participant consents to the application of all of the terms of the Plan as restated effective as of January 1, 1999 to his or her entire Account, including the entire portion attributable to deferral credits for Plan Years ending before January 1, 1999.

- (b) If a credit is made to the Discretionary Account of a Participant to whom the terms of the Plan, as restated effective as of January 1, 1999, are not otherwise applicable, the terms of the Plan as

restated effective as of January 1, 1999 will apply to the Participant but only with respect to his or her Discretionary Account.

2

ARTICLE  
2.  
PARTICIPATION

2.1. ELIGIBILITY.

(a) FIRST DAY OF PLAN YEAR.

- (i) QUALIFIED EMPLOYEE. An individual who is a Qualified Employee on the first day of a Plan Year is eligible to defer Base Compensation pursuant to Section 3.2(a), Annual Bonus pursuant to Section 3.2(b) and Eligible Long-Term Bonus pursuant to Section 3.2(c) with respect to the Plan Year.
- (ii) QUALIFIED DIRECTOR. An individual who is a Qualified Director on the first day of a Plan Year is eligible to defer Base Compensation pursuant to Section 3.2(a) with respect to the Plan Year.

(b) DURING PLAN YEAR.

- (i) QUALIFIED EMPLOYEE. An individual who becomes a Qualified Employee after the first day of a Plan Year is eligible to defer Base Compensation pursuant to Section 3.2(a), Annual Bonus pursuant to Section 3.2(b) and Eligible Long-Term Bonus pursuant to Section 3.2(c) with respect to the remainder of the Plan Year.
- (ii) QUALIFIED DIRECTOR. An individual who becomes a Qualified Director after the first day of a Plan Year is eligible to defer Base Compensation pursuant to Section 3.2(a) with respect to the remainder of the Plan Year.

2.2. LOSS OF ELIGIBILITY.

(a) REASONS.

- (i) CEASING TO BE QUALIFIED EMPLOYEE. An Employee Participant will cease to be eligible to defer Base Compensation, Annual Bonus and Eligible Long-Term Bonus as of the date on which he or she ceases to be a Qualified Employee.
- (ii) CEASING TO BE A QUALIFIED DIRECTOR. A Director Participant will cease to be eligible to defer Base Compensation as of the date on which he or she ceases to be a Qualified

Director.

(iii) UNFORESEEABLE EMERGENCY. A Participant who, pursuant to Section 3.2(a)(iii), Section 3.2(b)(iii) or Section 3.2(c)(iii), has revoked a deferral election in connection with an Unforeseeable Emergency, or pursuant to Section 4.1(b), has received a distribution due to an Unforeseeable Emergency, is not eligible to defer Base Compensation, Annual Bonus or Eligible Long-Term Bonus with respect to the remainder of the Plan Year during which the revocation occurs or the distribution is received, as the case may be, and the immediately following Plan Year.

3

(iv) ACCELERATED DISTRIBUTION. A Participant who, pursuant to Section 4.1(c), has received an accelerated distribution, is not eligible to defer Base Compensation, Annual Bonus or Eligible Long-Term Bonus with respect to the remainder of the Plan Year during which the distribution is received and the immediately following Plan Year.

(v) 401(k) HARDSHIP WITHDRAWAL. A Qualified Employee who receives a hardship withdrawal from a 401(k) plan maintained by a Participating Employer, or by any other employer required to be aggregated with the Participating Employer under Code section 414(b), (c), (m) or (o), is not eligible to defer Base Compensation, Annual Bonus or Eligible Long-Term Bonus under the Plan to the extent required to comply with the terms of the 401(k) Plan.

(b) AFFECT ON DEFERRAL ELECTIONS. An Active Participant who, pursuant to Subsection (a), loses his or her eligibility to defer for a Plan Year is not eligible for further deferral credits relating to deferral elections made pursuant to Section 3.2 for the Plan Year (or, in the case of an Eligible Long-Term Bonus deferral, for any prior Plan Year) other than credits relating to Base Compensation with respect to the period before the loss of eligibility, and any other Base Compensation, Annual Bonus or Eligible Long-Term Bonus that would have otherwise been deferred in connection with a deferral election made pursuant to Section 3.2 for the Plan Year (or, in the case of an Eligible Long-Term Bonus deferral, for any prior Plan Year) will be paid to the Participant as if he or she had not made the deferral election.

### 2.3. TRANSFER AMONG PARTICIPATING EMPLOYERS.

An Employee Participant who transfers employment from one Participating Employer to another Participating Employer and who continues to be a Qualified Employee after the transfer will, for the duration of the Plan Year during which the transfer occurs, continue to participate in the Plan, in accordance with the election in effect for the portion of the Plan Year before the transfer, as a

Qualified Employee of such other Participating Employer.

#### 2.4. MULTIPLE EMPLOYMENT.

An Employee Participant who is simultaneously employed as a Qualified Employee with more than one Participating Employer will participate in the Plan as a Qualified Employee of all such Participating Employers on the basis of (a) a single deferral election pursuant to Section 3.2 applied ratably to his or her Base Compensation from each Participating Employer and applied ratably to his or her Annual Bonus from each Participating Employer if the Annual Bonus deferral election was made in a dollar amount or applied separately to his or her Annual Bonus from each Participating Employer if the election was made in a percentage and (b) each deferral election pursuant to Section 3.2 with respect to Eligible Long-Term Bonus applied separately to the particular Eligible Long-Term Bonus to which the deferral election relates.

#### 2.5. CONDITIONS OF PARTICIPATION.

Each Qualified Employee and Qualified Director, as a condition of participation in the Plan, is bound by all the terms and conditions of the Plan and the Plan Rules, and must furnish to the Administrator such pertinent information and execute such election forms and other instruments as the Administrator or Plan Rules may require by such dates as the Administrator or Plan Rules may establish.

4

All elections, directions, designations and similar actions required in connection with the Plan must be made in accordance with and are subject to the terms of the Plan and Plan Rules.

#### 2.6. TERMINATION OF PARTICIPATION.

A Participant will cease to be a Participant as of the date on which he or she is not then eligible to make deferrals and his or her entire Account balance has been distributed.

5

### ARTICLE 3. BENEFITS

#### 3.1. PARTICIPANT ACCOUNTS.

- (a) PARTICIPANT DEFERRAL ACCOUNT. For each Participant who elects deferrals pursuant to Section 3.2, the Administrator will establish and maintain a Participant Deferral Account.

- (b) DISCRETIONARY ACCOUNT. For each Participant for whom a Participating Employer elects to make a discretionary credit pursuant to Section 3.3, the Administrator will establish and maintain a Discretionary Account.
- (c) SUBACCOUNTS.
  - (i) MULTIPLE PARTICIPATING EMPLOYERS. If an Employee Participant makes deferrals with respect to Base Compensation, Annual Bonus or Eligible Long-Term Bonus from more than one Participating Employer, or receives discretionary credits attributable to service with more than one Participating Employer, amounts attributable to each Participating Employer will be credited to separate subaccounts within the appropriate Account.
  - (ii) PRIME RATE EARNINGS METHOD. The portion of a Participant's Participant Deferral Account balance with respect to which earnings credits are made pursuant to Section 3.4(i) will be credited to a separate subaccount within the Account if deferrals are credited to the Account pursuant to Section 3.2 for any Plan Year beginning after December 31, 1998.
  - (iii) MULTIPLE VESTING SCHEDULES. If a Participating Employer specifies different vesting schedules applicable to discretionary credits made pursuant to Section 3.3, the Administrator will maintain two or more separate subaccounts within the Participant's Discretionary Account, each of which will evidence amounts credited to the Account pursuant to Section 3.3 with respect to which the vesting schedule is identical.
  - (iv) GRANDFATHERED DISTRIBUTION ELECTIONS. If a Participant made distribution elections under the provisions of the Plan in effect prior to January 1, 1999 pursuant to which distributions are scheduled to be made or to begin before January 1, 2001, the Administrator will maintain separate subaccounts within the Participant's Participant Deferral Account each of which will evidence amounts credited to the Account pursuant to any such election with respect to which the Participant has elected an identical form and timing of distribution.

### 3.2. PARTICIPANT DEFERRAL CREDITS.

- (a) BASE COMPENSATION. Base Compensation deferrals will be made in accordance with the following rules:

- (i) An Active Participant may elect to defer all or any portion

of his or her Base Compensation for a Plan Year. Unless the Participant revokes the election pursuant to clause (iii), the election will remain in effect through the end of the last pay period that ends during the Plan Year. Plan Rules may specify minimum and maximum deferral amounts for a Plan Year, payroll periods or both.

- (ii) An election made pursuant to this subsection will not be effective unless it is made on a properly completed election form received by the Administrator by a date specified by the Administrator which is prior to the first day of the Plan Year to which the election relates or, in the case of an individual who becomes a Qualified Employee or a Qualified Director after the first day of a Plan Year, within 30 days after he or she becomes a Qualified Employee or Qualified Director.
- (iii) An Active Participant may revoke a deferral election made pursuant to this subsection after the election becomes effective if, and only if, the Participant submits a written request to the Administrator and the Administrator determines that the Participant has experienced an Unforeseeable Emergency. The revocation will be effective as soon as administratively practicable after the Administrator's determination that the Participant has experienced an Unforeseeable Emergency.
- (iv) Any election or revocation pursuant to this subsection applies only to Base Compensation relating to services performed after the effective date of the election or revocation.

(b) ANNUAL BONUS. Annual Bonus deferrals by an Employee Participant will be made in accordance with the following rules:

- (i) An Employee Participant may elect to defer all or any portion of his or her Annual Bonus for the Plan Year from a minimum percentage or dollar amount to a maximum percentage or dollar amount, as specified in Plan Rules.
- (ii) An election made by an Employee Participant pursuant to this subsection will not be effective unless it is made on a properly completed election form received by the Administrator by a date specified in Plan Rules but not later than the last day of the Plan Year immediately preceding the Plan Year in which the Annual Bonus is earned or, in the case of an individual who becomes a Qualified Employee after the first day of a Plan Year, within 30 days after he or she becomes a Qualified Employee.
- (iii) An Active Participant may revoke a deferral election made pursuant to this subsection after the election becomes effective if, and only if, the Participant submits a written request to the Administrator and the Administrator determines that the Participant has experienced an



Unforeseeable Emergency. The revocation will be effective as soon as administratively practicable after the Administrator's determination that the Participant has experienced an Unforeseeable Emergency.

7

- (iv) Any election pursuant to this subsection for a Plan Year by an Employee Participant who becomes a Qualified Employee after the first day of the Plan Year applies only to the portion of the Annual Bonus relating to services performed after the effective date of the election, as determined by the Administrator.
- (c) ELIGIBLE LONG-TERM BONUS. Eligible Long-Term Bonus deferrals by an Employee Participant will be made in accordance with the following rules:
- (i) An Employee Participant may elect to defer all or any portion of his or her Eligible Long-Term Bonus from a minimum percentage or dollar amount to a maximum percentage or dollar amount, as specified in Plan Rules.
  - (ii) An election made by an Employee Participant pursuant to this subsection will not be effective unless it is made on a properly completed election form received by the Administrator by a date specified in Plan Rules but not later than the first day of the period during which the Eligible Long-Term Bonus is earned.
  - (iii) An Active Participant may revoke a deferral election made pursuant to this subsection after the election becomes effective if, and only if, the Participant submits a written request to the Administrator and the Administrator determines that the Participant has experienced an Unforeseeable Emergency. The revocation will be effective as soon as administratively practicable after the Administrator's determination that the Participant has experienced an Unforeseeable Emergency.
- (d) ADMINISTRATIVE REDUCTION. The Administrator may reduce the amount of any deferral that would otherwise be made pursuant to this section to the extent determined by the Administrator to be necessary to effect any required payroll withholding, contributions or deferrals pursuant to any other plan maintained by any Affiliate or any other deductions.
- (e) TIMING OF CREDITS. Deferrals of an Active Participant's Base Compensation, Annual Bonus and Eligible Long-Term Bonus pursuant to this section will be credited to his or her Participant Deferral Account as of the first day of the month first following the date on which the Participant would have otherwise received

the Base Compensation, Annual Bonus or Eligible Long-Term Bonus but for his or her deferral election pursuant to this section.

3.3. DISCRETIONARY CREDITS. A Participating Employer may from time to time credit the Discretionary Account of any Participant with an amount determined by the Participating Employer. If a Participating Employer chooses to make such a credit, the Company will provide the Participant with a written notice that specifies the amount of the credit, the timing of the credit, any conditions that the Participant must satisfy to be entitled to the credit and how the Participant will become vested in the portion of his or her Discretionary Account attributable to the credit. Credits pursuant to this section will be made, if at all, on a Participant-by-Participant basis. If a Participating Employer chooses to credit the Discretionary Account of a Participant, the Participating Employer is not, as a result, required to make any credit to the Discretionary Account of any other Participant, whether or not he or she is otherwise similarly situated.

8

3.4. EARNINGS CREDITS.

- (a) DESIGNATION OF INVESTMENT FUNDS. The Administrator will designate two or more investment funds which will serve as the basis for determining adjustments pursuant to this section. The Administrator may, from time to time, designate additional investment funds or eliminate any previously designated investment funds. The designation or elimination of a fund pursuant to this subsection is not a Plan amendment. The Administrator will not be responsible in any manner to any Participant or other person for any damages, losses, liabilities, costs or expenses of any kind arising in connection with any designation or elimination of an investment fund.
- (b) PARTICIPANT DIRECTION. A Participant must direct the manner in which amounts credited to his or her Account pursuant to Section 3.2 or 3.3 will be deemed to be invested among the investment funds designated pursuant to Subsection (a). Amounts will be deemed to be invested in accordance with the Participant's direction on or as soon as administratively practicable after the date as of which the amounts are credited to the Participant's Account.
- (c) CHANGE IN DIRECTION FOR FUTURE CREDITS. A Participant may direct a change in the manner in which future credits to his or her Account pursuant to Section 3.2 or 3.3 will be deemed to be invested among the investment funds designated pursuant to Subsection (a). The direction will be effective for deferrals credited to the Participant's Account pursuant to Section 3.2 or 3.3 on or as soon as administratively practicable after the first day of the calendar month that first follows by at least 10 days (or such shorter period as Plan Rules may allow) the date on which

the Administrator receives the direction from the Participant.

- (d) CHANGE IN DIRECTION FOR EXISTING ACCOUNT BALANCE. A Participant may direct a change in the manner in which his or her existing Account balance is deemed to be invested among the investment funds designated pursuant to Subsection (a). The direction will be effective on or as soon as administratively practicable after the first day of the calendar month that first follows by at least 10 days (or such shorter period as Plan Rules may allow) the date on which the Administrator receives the direction from the Participant.
- (e) ACCOUNT ADJUSTMENT. The Administrator will cause Participants' Accounts to be separately adjusted as of each Valuation Date, in a manner determined by the Administrator to be uniform and equitable, to reflect the income, expense, gains, losses, fees and the like that would have resulted since the last Valuation Date had the Participant's investment directions pursuant to this section actually been implemented. To the extent determined by the Administrator to be necessary in conjunction with any distribution pursuant to the Plan, the Administrator will cause the Account from which the distribution is to be made to be adjusted to reflect a good faith estimate by the Administrator of any fees and other expenditures payable after the date of the distribution in connection with deemed investment activity in the Account through and including the date of the distribution. Any such estimate is binding on the Participating Employer and the person to whom the distribution is made.
- (f) ADMINISTRATOR'S OBLIGATIONS AND RESPONSIBILITIES. The sole obligation of the Administrator with respect to the designation or elimination of any investment fund designated pursuant to Subsection (a) is to act in accordance with the express terms of

9

Subsection (a). By way of example and without limiting the previous sentence, the Administrator is not required, and no course of conduct will cause it to be required, to investigate or monitor any designated fund to any extent or for any purpose or to take or refrain from taking any action with respect to a fund because of any aspect of the performance of the fund. The designation of a limited number of investment funds is solely for administrative convenience and in no way reflects any endorsement of any such funds by the Administrator.

- (g) DEEMED INVESTMENT. Trust assets are not required to be invested in accordance with a Participant's directions and the balance of all Accounts pursuant to the Plan will be determined pursuant to this section and other applicable sections of the Plan without regard to the actual amount of Trust assets.

- (h) PARTICIPANT RESPONSIBILITIES. Each Participant is solely responsible for any and all consequences of his or her investment directions made pursuant to this section. Neither any Participating Employer, any of its directors, officers or employees nor the Administrator has any responsibility to any Participant or other person for any damages, losses, liabilities, costs or expenses of any kind arising in connection with any investment direction made by the Participant pursuant to this section.
- (i) PRIME RATE METHOD.
- (i) GENERAL. The entire portion of a Participant's Participant Deferral Account attributable to deferral credits for Plan Years ending before January 1, 1999 will be credited with earnings in accordance with clause (ii) unless the Participant elects not to have this subsection apply in accordance with clause (iii).
- (ii) METHOD. As of the last day of each calendar month, the Administrator will, in accordance with Plan Rules, credit the Participant Deferral Account of each Participant to whom this clause applies with earnings in an amount equal to the "applicable percentage" of the average daily balance of the Account for the month. The applicable percentage for a given month is the monthly equivalent of the annual prime rate of interest in effect on the first banking day of the month as reported in THE WALL STREET JOURNAL or other national financial publication selected by the Administrator.
- (iii) ELECTION. A Participant who is an Active Participant on January 1, 1999 may make a one time irrevocable election to have the entire portion of his or her Participant Deferral Account attributable to deferral credits for Plan Years ending before January 1, 1999 credited with earnings in accordance with the other provisions of this section without regard to this subsection. The election must be made on a form provided by the Administrator, must specify the investment funds or funds in which his or her Participant Deferral Account will be deemed to be invested as of the effective date of the direction and must be received by the Administrator on a date specified in Plan Rules which is not later than December 31, 1998. The election will be effective on or as soon as administratively practicable after January 1, 1999. If a Participant fails to make an election pursuant to this clause, the Participant will not have any other opportunity to change the method for crediting earnings to the portion of his or

her Participant Deferral Account attributable to deferral credits for Plan Years ending before January 1, 1999.

3.5. VESTING.

- (a) Each Participant always has a fully vested nonforfeitable interest in his or her Participant Deferral Account.
- (b) Each Participant will acquire a vested nonforfeitable interest in the portion of his or her Discretionary Account attributable to a credit made pursuant to Section 3.3 to the extent specified by the Company in the written notice provided in connection with the credit in accordance with Section 3.3.

11

ARTICLE

4.

DISTRIBUTION

4.1. DISTRIBUTION TO PARTICIPANT BEFORE SEVERANCE OR DISABILITY.

(a) IN-SERVICE DISTRIBUTIONS.

- (i) Each Participant will be provided with one opportunity to elect to receive a distribution of all or any portion of his or her Participant Deferral Account as of a specified date or dates prior to his or her Severance date or Disability. The election must be made in conjunction with the first deferral election that the Participant makes pursuant to Section 3.2 that relates to a Plan Year beginning after December 31, 1998. The Participant will not have any other opportunity to make an election pursuant to this subsection.
- (ii) The first distribution date specified in an election made pursuant to clause (i) may not be before the first day of the second Plan Year after the Plan Year to which the deferral election relates. A Participant may not specify more than one distribution date per Plan Year.
- (iii) A Participant will be provided with one opportunity to elect to either delay or cancel each date specified in an election made pursuant to clause (i). An election pursuant to this clause will not be valid and will not have any effect unless it is made on a properly completed form received by the Administrator before the first day of the Plan Year immediately preceding the Plan Year that includes the distribution date originally specified.
- (iv) If the Participant experiences a Severance or Disability

before a specified date, the Participant's election pursuant to this subsection will become ineffective on his or her Severance date or Disability and distribution of his or her remaining Account balance will be made pursuant to Section 4.2 or 4.3, as the case may be.

(v) Any distribution pursuant to this subsection will be made in a lump sum cash payment on or as soon as administratively practicable after the date specified by the Participant. If the Participant elected a specific dollar amount, the amount of the distribution will be the specified amount or the balance of the Participant's Participant Deferral Account as of the Valuation Date coinciding with or immediately preceding the date on which the payment is made (reduced by the amount of any other distribution from the Account after that Valuation Date), whichever is less. If the Participant elected a specific percentage of the Participant Deferral Account, the amount of the distribution will be the specified percentage of the Participant's Participant Deferral Account as of the Valuation Date coinciding with or immediately preceding the date on which the payment is made (reduced by the amount of any other distribution from the Account after that Valuation Date).

(b) WITHDRAWALS DUE TO UNFORESEEABLE EMERGENCY. Prior to a Participant's Severance date or Disability, a distribution will be made to a Participant from his or her Participant Deferral Account if the Participant submits a written distribution request to the

12

Administrator and the Administrator determines that the Participant has experienced an Unforeseeable Emergency. The amount of the distribution may not exceed the lesser of (a) the amount necessary to satisfy the emergency, as determined by the Administrator, and (b) the balance of the Participant Deferral Account as of the Valuation Date coinciding with or immediately preceding the date of the distribution (reduced by the amount of any other distribution from the Account after that Valuation Date). The distribution will be made in the form of a lump sum cash payment as soon as administratively practicable after the Administrator's determination that the Participant has experienced an Unforeseeable Emergency.

(c) ACCELERATED DISTRIBUTION. Prior to a Participant's Severance date or Disability, the Participant may elect to receive a distribution in an amount equal to 90 percent of his or her Participant Deferral Account balance as of the Valuation Date coinciding with or immediately preceding the date on which the payment is made (reduced by the amount of any other distribution from the Account after that Valuation Date), and the remaining 10 percent balance

of the Participant Deferral Account will be permanently forfeited as of that Valuation Date. The distribution will be made in the form of a lump sum cash payment as soon as administratively practicable after the Participant's properly completed written election is filed with the Administrator.

- (d) REDUCTION OF ACCOUNT BALANCE. The balance of the Participant's Participant Deferral Account will be reduced (but not below zero) by the amount of the distribution as of the beginning of the next day after the Valuation Date coinciding with or last preceding the date of the distribution.

#### 4.2. DISTRIBUTION TO PARTICIPANT AFTER SEVERANCE OR DISABILITY.

- (a) TIME. Distribution to a Participant will be made or commence on or as soon as administratively practicable after the date of the Participant's Retirement, Disability or other Severance.
- (b) FORM.
  - (i) SEVERANCE BEFORE RETIREMENT OR DISABILITY. Upon a Participant's Severance before his or her Retirement or Disability, distribution to the Participant will be made in the form of a lump sum cash payment.
  - (ii) RETIREMENT OR DISABILITY. Upon a Participant's Retirement or Disability, distribution to the Participant will be made in the form of a lump sum cash payment unless (1) the Participant made a written election, on a form provided by the Administrator, to receive his or her distribution in the form of five, 10 or 15 annual installment cash payments and (2) his or her properly completed election form is filed with the Administrator before the first day of the Plan Year immediately preceding the Plan Year that includes his or her Retirement or Disability. Not more than once during any 12-month period, a Participant may change an election made pursuant to this subsection, but the change will not be valid and will not have any effect unless it is made on a properly completed form received by the Administrator before the first day of the Plan Year immediately preceding the Plan Year that includes the Participant's Retirement or Disability. Until an election becomes effective, it will have no effect on any prior election

13

whether or not such prior election became effective before or after the Administrator received the later election. When an election becomes effective, it will automatically supersede any prior election then in effect.

- (c) AMOUNT.



- (i) LUMP SUM. The amount of a lump sum payment from a Participant's Account will be equal to the vested balance of the Account as of the Valuation Date coinciding with or immediately preceding the date on which the payment is made (reduced by the amount of any other distribution from the Account after that Valuation Date).
  - (ii) INSTALLMENTS. The amount of an installment payment from a Participant's Account will be determined by dividing the vested balance of the Account as of the Valuation Date coinciding with or immediately preceding the date on which the payment is made (reduced by the amount of any other distribution from the Account after that Valuation Date) by the total number of remaining payments (including the current payment). The undistributed portion of an Account distributed in the form of installment payments will continue to be credited with earnings in accordance with Section 3.4.
- (d) SPECIAL RULES. The provisions of this subsection apply notwithstanding Subsection (a), (b) or (c) or any election by a Participant to the contrary.

(i) DIVESTITURES.

(1) If some or all of the assets of a Participating Employer are sold or otherwise disposed of to an unrelated third party, the Administrator may, but is not required to, cause to be distributed the Account of any Employee Participant whose employment with all Affiliates is terminated in connection with the sale or disposition unless the acquirer adopts a successor plan which is substantially similar to the Plan in all material respects and expressly assumes the Participating Employer's obligation to provide benefits to the Participant, in which case the Participating Employer will cease to have any obligation to provide benefits to the Participant pursuant to the Plan as of the effective date of the assumption. Any such distribution will be made in the form of a lump sum cash payment as soon as administratively practicable after the date of the sale or disposition. The amount of the payment will be determined in accordance with Subsection (c).

(2) If a Participating Employer ceases to be an Affiliate, unless otherwise provided in an agreement between an Affiliate and the Participating Employer or an Affiliate and an unrelated third-party acquirer:

(A) a Participant who is employed with the Participating Employer or



- (B) a Participant who is not employed with the Participating Employer but has an Account balance attributable to service with the Participating Employer as a Qualified Employee

will not become entitled to his or her Account balance attributable to service with the Participating Employer as a Qualified Employee solely as a result of the cessation and the Participating Employer will, after the date on which it ceases to be an Affiliate, continue to be solely responsible to provide benefits to the Participant at least equal to the balance of the Account as of the effective date of the cessation and as thereafter increased by deferral credits relating to the period before the effective date and earnings credits pursuant to Section 3.4.

- (ii) WITHDRAWALS DUE TO UNFORESEEABLE EMERGENCY. If a Participant is receiving installment payments, a distribution will be made to a Participant from his or her Participant Deferral Account if the Participant submits a written distribution request to the Administrator and the Administrator determines that the Participant has experienced an Unforeseeable Emergency. The amount of the distribution may not exceed the lesser of (a) the amount necessary to satisfy the emergency, as determined by the Administrator, and (b) the balance of the Participant Deferral Account as of the Valuation Date coinciding with or immediately preceding the date of the distribution (reduced by the amount of any other distribution from the Account after that Valuation Date). The distribution will be made in the form of a lump sum cash payment as soon as administratively practicable after the Administrator's determination that the Participant has experienced an Unforeseeable Emergency.
- (iii) ACCELERATED DISTRIBUTION. If a Participant is receiving installment payments, the Participant may elect to receive a distribution in an amount equal to 90 percent of his or her Participant Deferral Account balance as of the Valuation Date coinciding with or immediately preceding the date on which the payment is made (reduced by the amount of any other distribution from the Account after that Valuation Date), and the remaining 10 percent balance of the Participant Deferral Account will be permanently forfeited as of that Valuation Date. The distribution will be made in the form of a lump sum cash payment as soon as administratively practicable after the Participant's

properly completed written election is filed with the Administrator.

- (e) REDUCTION OF ACCOUNT BALANCE. The balance of the Account from which a distribution is made will be reduced (but not below zero) by the amount of the distribution as of the beginning of the next day after the Valuation Date coinciding with or last preceding the date of the distribution.

15

(f) TRANSITION RULES.

- (i) SEVERANCE OR DISABILITY BEFORE 1999. Any distribution to a Participant who experienced a Severance or Disability before January 1, 1999 will be made in its entirety in the form elected by the Participant under the provisions of the Plan in effect prior to January 1, 1999.
- (ii) ACTIVE PARTICIPANTS ON JANUARY 1, 1999. Subject to Section 1.5, in the case of a Participant who is an Active Participant on January 1, 1999:
  - (1) Any distribution scheduled to be made or to commence after December 31, 1998 and before January 1, 2001 pursuant to the terms of an election made under the provisions of the Plan in effect before January 1, 1999 will be made in its entirety in the form elected by the Participant under the provisions of the Plan in effect prior to January 1, 1999; and
  - (2) Any distribution made or commencing after December 31, 2000 will be made in accordance with the provisions of the Plan in effect after December 31, 1998 without regard to this subsection and any election made by the Participant pursuant to the provisions of the Plan in effect prior to January 1, 1999 to receive or begin receiving a distribution after December 31, 2000 is null and void as of January 1, 1999.

4.3. DISTRIBUTION TO BENEFICIARY.

- (a) TIME. Distribution to a Beneficiary will be made as soon as administratively practicable after the date on which the Administrator receives notice of the Participant's death and determines that the Beneficiary is entitled to receive the distribution.
- (b) FORM. Distribution to the Participant's Beneficiary will be made in the form of a lump sum cash payment whether or not payments had commenced to the Participant in the form of installments prior to

his or her death.

- (c) AMOUNT. The amount of a lump sum payment will be equal to the vested balance of the Participant's Account as of the Valuation Date coinciding with or immediately preceding the date on which the payment is made (reduced by the amount of any other distribution from the Account after that Valuation Date). In addition, if the Participant dies before his or her Severance date or Disability and the Administrator determines that the death is not attributable to the Participant's suicide committed during the first Plan Year beginning after December 31, 1998 for which deferrals are credited to the Participant's Participant Deferral Account or the next following Plan Year, the Beneficiary will also receive an amount equal to twice the Participant's total deferrals pursuant to the Plan for all Plan Years (exclusive of earnings on the deferrals, discretionary credits by a Participating Employer and earnings on discretionary credits). If there are multiple Beneficiaries, the total amount distributed will be divided among the Beneficiaries as directed by the Participant in the Beneficiary designation.
- (d) REDUCTION OF ACCOUNT BALANCE. The balance of the Account from which a distribution is made will be reduced (but not below zero) by the amount of the distribution as of the

16

beginning of the next day after the Valuation Date coinciding with or immediately preceding the date of the distribution.

- (e) BENEFICIARY DESIGNATION.
- (i) Each Participant may designate, on a form furnished by the Administrator, one or more primary Beneficiaries or alternative Beneficiaries to receive all or a specified part of his or her Account, and the additional amount described in Subsection (c), after his or her death, and the Participant may change or revoke any such designation from time to time. No such designation, change or revocation is effective unless executed by the Participant and received by the Administrator during the Participant's lifetime. No designation of a Beneficiary other than the Participant's spouse is effective unless the spouse consents to the designation or the Administrator determines that spousal consent cannot be obtained because the spouse cannot reasonably be located or is legally incapable of consenting. The consent must be in writing, must acknowledge the effect of the election and must be witnessed by a notary public. The consent is effective only with respect to the Beneficiary or class of Beneficiaries so designated and only with respect to the spouse who so consented.

(ii) If a Participant--

- (1) fails to designate a Beneficiary, or
- (2) revokes a Beneficiary designation without naming another Beneficiary, or
- (3) designates one or more Beneficiaries, none of whom survives the Participant or exists at the time in question,

for all or any portion of his or her Account, such Account or portion will be paid to the Participant's surviving spouse or, if the Participant is not survived by a spouse, to the representative of the Participant's estate.

(iii) The automatic Beneficiaries specified above and, unless the designation otherwise specifies, the Beneficiaries designated by the Participant, become fixed as of the Participant's death so that, if a Beneficiary survives the Participant but dies before the receipt of the payment due such Beneficiary, the payment will be made to the representative of such Beneficiary's estate. Any designation of a Beneficiary by name that is accompanied by a description of relationship or only by statement of relationship to the Participant is effective only to designate the person or persons standing in such relationship to the Participant at the Participant's death.

(f) TRANSITION RULES.

(i) DEATH BEFORE 1999. Distribution to the Beneficiary of a Participant who dies before January 1, 1999 will be made in accordance with the provisions of the Plan in effect prior to January 1, 1999.

17

(ii) DEATH AFTER 1998. Distribution to the Beneficiary of a Participant who dies after December 31, 1998 will be made in accordance with the provisions of this section unless, pursuant to Section 1.5, the terms of the Plan as restated effective as of January 1, 1999 were not applicable to the Participant, in which case distribution to the Beneficiary will be made in accordance with the provisions of the Plan in effect prior to January 1, 1999.

4.4. NONDEDUCTIBILITY.

If the Company determines in good faith that there is a reasonable likelihood that any compensation paid to a Participant by an Affiliate for a

taxable year of the Affiliate would not be deductible by the Affiliate solely by reason of the limitation under Code section 162(m), to the extent deemed necessary by the Company to ensure that the entire amount of any distribution to the Participant pursuant to the Plan is deductible, notwithstanding any other provision of the Plan or any election by the Participant to the contrary, all or any portion of the distribution may be deferred. Any amounts deferred pursuant to this section will continue to be credited with earnings in accordance with Section 3.4. The deferred amounts and earnings thereon will be distributed to the Participant, or to his or her Beneficiary in the case of the Participant's death, at the earliest possible date, as determined by the Company in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Affiliate during which the distribution is made will not be limited by Code section 162(m).

#### 4.5. PAYMENT IN EVENT OF INCAPACITY.

If any individual entitled to receive any payment under the Plan is, in the judgment of the Administrator, physically, mentally or legally incapable of receiving or acknowledging receipt of the payment, and no legal representative has been appointed for the individual, the Administrator may (but is not required to) cause the payment to be made to any one or more of the following as may be chosen by the Administrator: the Beneficiary (in the case of the incapacity of a Participant); the institution maintaining the individual; a custodian for the individual under the Uniform Transfers to Minors Act of any state; or the individual's spouse, children, parents, or other relatives by blood or marriage. The Administrator is not required to see to the proper application of any such payment and the payment completely discharges all claims under the Plan against the Participating Employer, the Plan and Trust to the extent of the payment.

#### 4.6. SUSPENSION.

If a Participant who is receiving installment payments again becomes a Qualified Employee or Qualified Director, the installment payments will stop. The remaining balance of the Participant's Account will be distributed upon the Participant's subsequent Severance or Disability in accordance with Article 4 without regard to any election made pursuant to Section 4.2(b)(ii) prior to the Participant's last preceding Retirement or Disability.

18

### ARTICLE

#### 5.

#### SOURCE OF PAYMENTS; NATURE OF INTEREST

##### 5.1. ESTABLISHMENT OF TRUST.

A Participating Employer may establish a Trust, or may be covered by a Trust established by another Participating Employer, with an independent corporate trustee. The Trust must (a) be a grantor trust with respect to which the Participating Employer is treated as the grantor for purposes of Code section 677, (b) not cause the Plan to be funded for purposes of Title I of

ERISA and (c) provide that the Trust assets will, upon the insolvency of a Participating Employer, be used to satisfy claims of the Participating Employer's general creditors. The Participating Employers may from time to time transfer to the Trust cash, marketable securities or other property acceptable to the Trustee in accordance with the terms of the Trust.

#### 5.2. SOURCE OF PAYMENTS.

- (a) Each Participating Employer will pay, from its general assets, the portion of any benefit pursuant to Article 4 or Section 6.3 or 6.4 attributable to a Participant's Account with respect to that Participating Employer, and all costs, charges and expenses relating thereto.
- (b) The Trustee will make distributions to Participants and Beneficiaries from the Trust in satisfaction of a Participating Employer's obligations under the Plan in accordance with the terms of the Trust. The Participating Employer is responsible for paying any benefits attributable to a Participant's Account with respect to that Participating Employer that are not paid by the Trust.

#### 5.3. STATUS OF PLAN.

Nothing contained in the Plan or Trust is to be construed as providing for assets to be held for the benefit of any Participant or any other person or persons to whom benefits are to be paid pursuant to the terms of the Plan, the Participant's or other person's only interest under the Plan being the right to receive benefits in accordance with the terms of the Plan. The Trust is established only for the convenience of the Participating Employers and the Participants, and no Participant has any interest in the assets of the Trust. To the extent the Participant or any other person acquires a right to receive benefits under the Plan or the Trust, such right is no greater than the right of any unsecured general creditor of the Participating Employer.

#### 5.4. NON-ASSIGNABILITY OF BENEFITS.

The benefits payable under the Plan and the right to receive future benefits under the Plan may not be anticipated, alienated, sold, transferred, assigned, pledged, encumbered or subjected to any charge or legal process.

### ARTICLE

#### 6.

#### ADOPTION, AMENDMENT, TERMINATION

##### 6.1. ADOPTION.

With the prior approval of the Administrator, an Affiliate may adopt the Plan and become a Participating Employer by furnishing to the Administrator a certified copy of a resolution of its Board adopting the Plan.

## 6.2. AMENDMENT.

- (a) RIGHT. The Company reserves the right to amend the Plan at any time to any extent that it may deem advisable.
- (b) METHOD. To be effective, an amendment must be stated in a written instrument approved in advance or ratified by the Company's Board and executed in the name of the Company by its President or a Vice President and attested by the Secretary or an Assistant Secretary.
- (c) BINDING EFFECT. An amendment adopted in accordance with Subsection (b) is binding on all interested parties as of the effective date stated in the amendment; provided, however, that no amendment may retroactively deprive any Participant, or the Beneficiary of a deceased Participant, of any benefit to which he or she is entitled under the terms of the Plan in effect immediately prior to the effective date of the amendment or the date on which the amendment is adopted, whichever is later.
- (d) PRIME RATE INVESTMENT FUND. An amendment which changes the method of crediting earnings described in Section 3.4(i)(ii) will be effective only if the Company's Board determines in good faith that on the date on which the amendment is approved by the Board, it is reasonably likely that, in the long run, the new method will not result in materially lower earnings credits than the method described in Section 3.4(i)(ii).
- (e) APPLICABILITY TO PARTICIPANTS WHO HAVE EXPERIENCED A SEVERANCE OR DISABILITY. The provisions of the Plan in effect on a Participant's Severance date or Disability will, except as otherwise expressly provided by a subsequent amendment, continue to apply to such Participant.

## 6.3. TERMINATION OF PARTICIPATION.

Notwithstanding any other provision of the Plan to the contrary, if determined by the Administrator to be necessary to ensure that the Plan is exempt from ERISA to the extent contemplated by Section 1.3, or upon the Administrator's determination that a Participant's interest in the Plan has been or is likely to be includable in the Participant's gross income for federal income tax purposes prior to the actual payment of benefits pursuant to the Plan, the Administrator may take any or all of the following steps:

- (a) terminate the Participant's future participation in the Plan;

20

- (b) cause the Participant's entire interest in the Plan to be distributed to the Participant in the form of an immediate lump sum cash payment in an amount determined in accordance with Section 4.2(c); and/or

- (c) transfer the benefits that would otherwise be payable pursuant to the Plan for all or any of the Participants to a new plan that is similar in all material respects (other than those which require the action in question to be taken.)

#### 6.4. TERMINATION.

The Company reserves the right to terminate the Plan in its entirety at any time. Each Participating Employer reserves the right to cease its participation in the Plan at any time. The Plan will terminate in its entirety or with respect to a particular Participating Employer as of the date specified by the Company or such Participating Employer in a written instrument adopted in the same manner as an amendment. Upon the termination of the Plan in its entirety or with respect to any Participating Employer, the Company or Participating Employer, as the case may be, will either cause (a) any benefits to which Participants have become entitled prior to the effective date of the termination to continue to be paid in accordance with the provisions of Article 4 or (b) the entire interest in the Plan of any or all Participants, or the Beneficiaries of any or all deceased Participants, to be distributed in the form of an immediate lump sum cash payment in an amount determined in accordance with Section 4.2(c).

21

### ARTICLE

#### 7.

#### DEFINITIONS, CONSTRUCTION AND INTERPRETATION

The definitions and rules of construction and interpretation set forth in this article apply in construing the Plan unless the context otherwise indicates.

##### 7.1. ACCOUNT.

"Account" means the bookkeeping account or accounts maintained with respect to a Participant pursuant to Section 3.1.

##### 7.2. ACTIVE PARTICIPANT.

"Active Participant" means a Director Participant or an Employee Participant.

##### 7.3. ADMINISTRATOR.

"Administrator" means the Company or the person to whom administrative duties are delegated pursuant to the provisions of Section 8.1, as the context requires.

##### 7.4. AFFILIATE.

"Affiliate" means the Company and any corporation at least a majority of



whose outstanding securities ordinarily having the right to vote at elections of directors is owned, directly or indirectly, by the Company.

#### 7.5. ANNUAL BONUS.

"Annual Bonus" for a Plan Year means the annual bonus earned by an Employee Participant during the Plan Year for his or her services during the Plan Year as a Qualified Employee and paid in cash from a United States payroll to the Employee Participant by a Participating Employer during the calendar quarter first following the Plan Year, net of any contributions and deductions specified in Plan Rules.

#### 7.6. BASE COMPENSATION.

"Base Compensation" for a Plan Year means:

- (a) the base salary payable in cash from a United States payroll to an Employee Participant by a Participating Employer for the Employee Participant's services during the Plan Year as a Qualified Employee, net of any contributions and deductions specified in Plan Rules; or
- (b) the compensation payable in cash to a Director Participant by the Company for the Director Participant's services during the Plan Year as a Qualified Director, including, without limitation, committee chair fees, but excluding travel expense allowances and expense reimbursements.

#### 7.7. BOARD.

"Board" means the board of directors of the Affiliate in question. When the Plan provides for an action to be taken by the Board, the action may be taken by any committee or individual authorized to take such action pursuant to a proper delegation by the board of directors in question.

#### 7.8. BENEFICIARY.

"Beneficiary" with respect to a Participant is the person designated or otherwise determined under the provisions of Section 4.3(e) as the distributee of benefits payable after the Participant's death. A person designated or otherwise determined to be a Beneficiary under the terms of the Plan has no interest in or right under the Plan until the Participant in question has died. A Beneficiary will cease to be such on the day on which all benefits to which he, she or it is entitled under the Plan have been distributed.

#### 7.9. CODE.

"Code" means the Internal Revenue Code of 1986, as amended. Any reference to a specific provision of the Code includes a reference to that provision as it may be amended from time to time and to any successor provision.

7.10. COMPANY.

"Company" means Ceridian Corporation.

7.11. CROSS REFERENCE.

References within a section of the Plan to a particular subsection refer to that subsection within the same section and references within a section or subsection to a particular clause refer to that clause within the same section or subsection, as the case may be.

7.12. DIRECTOR PARTICIPANT.

"Director Participant" means a Participant who is a Qualified Director.

7.13. DISABILITY.

"Disability" means a disability for which a Participant is receiving disability benefits pursuant to a long-term disability plan maintained by an Affiliate or as a result of which the Participant is certified as being disabled by the Social Security Administration and is receiving disability benefits under the disability provisions of the Social Security Act. The Participant must provide the Administrator with proof of his or her Disability that is satisfactory to the Administrator. For purposes of the Plan, a Disability occurs on the date following the Administrator's receipt of such proof on which the Administrator determines that the Participant has experienced a Disability.

7.14. DISCRETIONARY ACCOUNT

"Discretionary Account" means the account maintained for a Participant pursuant to Section 3.1(b).

23

7.15. ELIGIBLE LONG-TERM BONUS.

"Eligible Long-Term Bonus" for a Plan Year means a retention bonus or other incentive bonus earned over a period of more than 12 months beginning during the Plan Year which is payable in cash from a United States payroll to an Employee Participant by a Participating Employer and which is designated by the Company as eligible for deferral pursuant to the Plan by the Employee Participant, net of any contributions and deductions specified in Plan Rules.

7.16. EMPLOYEE PARTICIPANT.

"Employee Participant" means a Participant who is a Qualified Employee.

7.17. ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended. Any reference to a specific provision of ERISA includes a reference to

that provision as it may be amended from time to time and to any successor provision.

7.18. GOVERNING LAW.

To the extent that state law is not preempted by the provisions of ERISA, or any other laws of the United States, all questions pertaining to the construction, validity, effect and enforcement of the Plan will be determined in accordance with the internal, substantive laws of the State of Minnesota without regard to the conflict of law rules of the State of Minnesota or any other jurisdiction.

7.19. HEADINGS.

The headings of articles and sections are included solely for convenience of reference; if there exists any conflict between such headings and the text of the Plan, the text will control.

7.20. NUMBER AND GENDER.

Wherever appropriate, the singular may be read as the plural, the plural may be read as the singular and one gender may be read as the other gender.

7.21. PARTICIPANT.

"Participant" means a current or former Active Participant to whose Account amounts have been credited pursuant to Article 3 and who has not ceased to be a Participant pursuant to Section 2.6.

7.22. PARTICIPANT DEFERRAL ACCOUNT.

"Participant Deferral Account" means the account maintained for a Participant pursuant to Section 3.1(a).

7.23. PARTICIPATING EMPLOYER.

"Participating Employer" means the Company and any other Affiliate that has adopted the Plan, or all of them collectively, as the context requires. An Affiliate will cease to be a Participating Employer upon a termination of the Plan as to its Qualified Employees (and, in the case of the Company, its

Qualified Directors) and the satisfaction in full of all of its obligations under the Plan or upon its ceasing to be an Affiliate.

7.24. PLAN.

"Plan" means the Ceridian Corporation Executive Investment Plan, as from time to time amended or restated.

7.25. PLAN YEAR.

"Plan Year" means the calendar year.

7.26. PLAN RULES.

"Plan Rules" are rules, policies, practices or procedures adopted by the Administrator pursuant to Section 8.2.

7.27. QUALIFIED DIRECTOR.

"Qualified Director" means an individual who is a member of the Company's board of directors and is independent (i.e., is not an employee of the Company or any of its affiliates or subsidiaries).

7.28. QUALIFIED EMPLOYEE.

"Qualified Employee" means an individual who performs services for a Participating Employer as an employee of the Participating Employer (as classified by the Participating Employer at the time the services are performed without regard to any subsequent reclassification) and who is (a) is an officer of the Participating Employer elected by the Participating Employer's Board, (b) a Vice President of the Participating Employer or (c) a Director of the Participating Employer with a salary grade level of D1 or D2.

7.29. RETIREMENT.

"Retirement" means:

- (a) in the case of an Employee Participant, the Participant's Severance after his or her
  - (i) attainment of age 65 or
  - (ii) attainment of age 55 and completion of at least 15 years of "vesting service" (within the meaning of the Company's Savings and Investment Plan as in effect at the time in question); or
- (b) in the case of a Director Participant, the Participant's Severance after his or her completion of at least three complete years of service as a Qualified Director.

7.30. SEVERANCE.

"Severance" means:

- (a) the date on which an Employee Participant has completely severed his or her employment relationship with all Affiliates; or
- (b) the date on which a Director Participant ceases to be a member of

the Company's board of directors.

7.31. TRUST.

"Trust" means any trust or trusts established by a Participating Employer pursuant to Section 5.1.

7.32. TRUSTEE.

"Trustee" means the independent corporate trustee or trustees that at the relevant time has or have been appointed to act as Trustee of the Trust.

7.33. UNFORESEEABLE EMERGENCY.

"Unforeseeable Emergency" means an unanticipated emergency that is caused by an event beyond the Participant's or Beneficiary's control resulting in a severe financial hardship that cannot be satisfied through other means. The existence of an unforeseeable emergency will be determined by the Administrator.

7.34. VALUATION DATE.

"Valuation Date" means the last day of each calendar month on which the New York Stock Exchange is open for regular business and any interim dates selected by the Administrator.

26

ARTICLE

8.

ADMINISTRATION

8.1. ADMINISTRATOR.

The general administration of the Plan and the duty to carry out its provisions is vested in the Company. The Company may delegate such duty or any portion thereof to a named person or persons and may from time to time revoke such authority and delegate it to another person or persons.

8.2. PLAN RULES AND REGULATIONS.

The Administrator has the discretionary power and authority to make such Plan Rules as the Administrator determines to be consistent with the terms, and necessary or advisable in connection with the administration, of the Plan and to modify or rescind any such Plan Rules.

8.3. ADMINISTRATOR'S DISCRETION.

The Administrator has the discretionary power and authority to make all determinations necessary for administration of the Plan, except those determinations that the Plan requires others to make, and to construe, interpret, apply and enforce the provisions of the Plan and Plan Rules whenever necessary to carry out its intent and purpose and to facilitate its

administration, including, without limitation, the discretionary power and authority to remedy ambiguities, inconsistencies, omissions and erroneous benefit calculations. In the exercise of its discretionary power and authority, the Administrator will treat all similarly situated persons uniformly.

#### 8.4. SPECIALIST'S ASSISTANCE.

The Administrator may retain such actuarial, accounting, legal, clerical and other services as may reasonably be required in the administration of the Plan, and may pay reasonable compensation for such services. All costs of administering the Plan will be paid by the Participating Employers.

#### 8.5. INDEMNIFICATION.

The Participating Employers jointly and severally agree to indemnify and hold harmless, to the extent permitted by law, each director, officer, and employee of any Affiliates against any and all liabilities, losses, costs and expenses (including legal fees) of every kind and nature that may be imposed on, incurred by, or asserted against such person at any time by reason of such person's services in connection with the Plan, but only if such person did not act dishonestly or in bad faith or in willful violation of the law or regulations under which such liability, loss, cost or expense arises. The Participating Employers have the right, but not the obligation, to select counsel and control the defense and settlement of any action for which a person may be entitled to indemnification under this provision.

#### 8.6. BENEFIT CLAIM PROCEDURE.

(a) If a request for a benefit by a Participant or Beneficiary of a deceased Participant is denied in whole or in part, he or she may, not later than 30 days after the denial, file with the Administrator a written claim objecting to the denial.

27

(b) The Administrator, not later than 90 days after receipt of such claim, will render a written decision to the claimant on the claim. If the claim is denied, in whole or in part, such decision will include the reason or reasons for the denial; a reference to the Plan provisions on which the denial is based; a description of any additional material or information, if any, necessary for the claimant to perfect his or her claim; an explanation as to why such information or material is necessary; and an explanation of the Plan's claim procedure.

(c) The claimant may file with the Administrator, not later than 60 days after receiving the Administrator's written decision, a written notice of request for review of the Administrator's decision, and the claimant or his or her representative may thereafter review relevant Plan documents which relate to the claim and may submit written comments to the Administrator.

- (d) Not later than 60 days after receipt of such review request, the Administrator will render a written decision on the claim, which decision will include the specific reasons for the decision, including a reference to the Plan's specific provisions where appropriate.
- (e) The foregoing 90- and 60-day periods during which the Administrator must respond to the claimant may be extended by up to an additional 90- or 60 days, respectively, if special circumstances beyond the Administrator's control so require and notice of such extension is given to the claimant prior to the expiration of such initial 90- or 60-day period, as the case may be.
- (f) A Participant or Beneficiary must exhaust the procedure described in this section before making any claim of entitlement to benefits pursuant to the Plan in any court or other proceeding.

#### 8.7. DISPUTES.

- (a) In the case of a dispute between a Qualified Employee Participant or his or her Beneficiary and a Participating Employer, the Administrator or other person relating to or arising from the Plan, the United States District Court for the District of Minnesota is a proper venue for any action initiated by or against the Participating Employer, Administrator or other person and such court will have personal jurisdiction over any Participant or Beneficiary named in the action.
- (b) Regardless of where an action relating to or arising from the participation in the Plan by a Qualified Employee is pending, the law as stated and applied by the United States Court of Appeals for the Eighth Circuit or the United States District Court for the District of Minnesota will apply to and control all actions relating to the Plan brought against the Plan, a Participating Employer, the Administrator or any other person or against any such Participant or his or her Beneficiary.

28

### ARTICLE

#### 9.

#### MISCELLANEOUS

#### 9.1. WITHHOLDING AND OFFSETS.

The Participating Employers and the Trustee retain the right to withhold from any compensation, deferral and/or benefit payment pursuant to the Plan, any and all income, employment, excise and other tax as the Participating Employers or Trustee deems necessary and the Participating Employers may offset against amounts then payable to a Participant or Beneficiary under the Plan any amounts then owing to the Participating Employers by such Participant or Beneficiary.

9.2. OTHER BENEFITS.

Neither amounts deferred nor amounts paid pursuant to the Plan constitute salary or compensation for the purpose of computing benefits under any other benefit plan, practice, policy or procedure of a Participating Employer unless otherwise expressly provided thereunder.

9.3. NO WARRANTIES REGARDING TAX TREATMENT.

The Participating Employers make no warranties regarding the tax treatment to any person of any deferrals or payments made pursuant to the Plan and each Participant will hold the Administrator and the Participating Employers and their officers, directors, employees, agents and advisors harmless from any liability resulting from any tax position taken in good faith in connection with the Plan.

9.4. NO RIGHTS TO CONTINUED SERVICE CREATED.

Neither the establishment of nor participation in the Plan gives any individual the right to continued employment or service on the Company's board of directors or limits the right of the Participating Employer to discharge, transfer, demote, modify terms and conditions of employment or service on the Company's board of directors or otherwise deal with any individual without regard to the effect which such action might have on him or her with respect to the Plan.

9.5. SPECIAL PROVISIONS.

Special provisions of the Plan applicable only to certain Participants may be set forth on an exhibit to the Plan adopted in the same manner as an amendment to the Plan. In the event of a conflict between the terms of the exhibit and the terms of the Plan, the exhibit controls. Except as otherwise expressly provided in the exhibit, the generally applicable terms of the Plan control all matters not covered by the exhibit.

9.6. SUCCESSORS.

Except as otherwise expressly provided in the Plan, all obligations of the Participating Employers under the Plan are binding on any successor to the Participating Employer whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise of all or substantially all of the business and/or assets of the Participating Employer.



## Exhibit 13.01

<TABLE>  
<CAPTION>

SELECTED FIVE-YEAR DATA		(Dollars in millions, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>	
	1998	1997	1996	1995	1994	
REVENUE	\$1,162.1	\$1,074.8	\$ 942.6	\$ 823.5	\$ 691.5	
Earnings from continuing operations (1)	\$ 164.4	\$ 35.4	\$ 135.5	\$ 59.2	\$ 64.6	
Gain and earnings from discontinued operations (2)	25.4	437.0	46.4	38.3	33.1	
Extraordinary loss (3)	--	--	--	(38.9)	--	
NET EARNINGS	\$ 189.8	\$ 472.4	\$ 181.9	\$ 58.6	\$ 97.7	
EARNINGS PER COMMON SHARE (4)						
BASIC						
Continuing operations	\$ 1.14	\$ 0.23	\$ 0.90	\$ 0.35	\$ 0.39	
Net earnings	\$ 1.32	\$ 3.01	\$ 1.24	\$ 0.34	\$ 0.64	
DILUTED						
Continuing operations	\$ 1.11	\$ 0.22	\$ 0.84	\$ 0.37	\$ 0.41	
Net earnings	\$ 1.29	\$ 2.96	\$ 1.12	\$ 0.37	\$ 0.63	
Shares used in calculations (in thousands)						
Basic	144,070	156,835	135,841	132,269	131,650	
Diluted	147,597	159,481	161,938	159,473	156,021	
BALANCE SHEET DATA						
Total assets	\$1,289.7	\$1,243.3	\$1,016.6	\$ 905.6	\$ 816.0	
Debt obligations	\$ 54.5	\$ 3.0	\$ 138.2	\$ 201.5	\$ 222.3	
Stockholders' equity (5)	\$ 650.6	\$ 588.3	\$ 346.3	\$ 150.0	\$ 86.9	
EQUITY (DEFICIT) PER COMMON SHARE (6)						
Common shares outstanding at end of year (in thousands)	143,514	147,884	159,537	134,555	133,446	
NUMBER OF EMPLOYEES AT END OF YEAR	9,600	8,000	7,700	7,100	6,400	

</TABLE>

- (1) Includes 1998 unusual gains of \$24.3, 1997 FAS 109 income tax benefit of \$175.0, 1997 unusual losses of \$307.6, as described in Notes B and D, and 1995 pooling expenses of \$29.7.
- (2) Includes gain from the December 1997 sale of Computing Devices International and earnings from its operations prior to the sale as described in Note B.
- (3) Relates to the early retirement of debt.
- (4) All share and per share amounts reflect a 2-for-1 stock split in the form of a 100% stock dividend announced on January 20, 1999 and effective for holders of record on February 10, 1999. For further information on the calculation of earnings per share, see Note A.
- (5) The Company does not pay cash dividends on its common stock. For information regarding the 1996 conversion of preferred stock, see the Statements of Stockholders' Equity.
- (6) Computed by reducing stockholders' equity by the liquidation value of outstanding preferred stock (\$236.0 at December 31, 1995 and 1994) and dividing by the number of outstanding common shares at the end of the year. Assuming that any outstanding convertible preferred stock was converted to common stock, the equity per common share would have been \$0.97 and \$0.56 at December 31, 1995 and 1994, respectively.

THIS ANNUAL REPORT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THE STATEMENTS REGARDING CERIDIAN CORPORATION CONTAINED IN THIS RELEASE THAT ARE NOT HISTORICAL IN NATURE, PARTICULARLY THOSE THAT UTILIZE TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECTS," "ANTICIPATES," "ESTIMATES," "BELIEVES" OR "PLANS," OR COMPARABLE TERMINOLOGY, ARE FORWARD-LOOKING STATEMENTS BASED ON CURRENT EXPECTATIONS AND ASSUMPTIONS, AND ENTAIL VARIOUS RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN SUCH FORWARD-LOOKING STATEMENTS. IMPORTANT FACTORS KNOWN TO CERIDIAN THAT COULD CAUSE SUCH MATERIAL DIFFERENCES ARE IDENTIFIED AND DISCUSSED ON PAGE 15 OF THIS ANNUAL REPORT.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS  
OF OPERATIONS AND FINANCIAL CONDITION

ON JANUARY 20, 1999, CERIDIAN CORPORATION ANNOUNCED A 2-FOR-1 STOCK SPLIT IN THE FORM OF A 100% STOCK DIVIDEND FOR DISTRIBUTION ON FEBRUARY 26, 1999 TO STOCKHOLDERS OF RECORD ON FEBRUARY 10, 1999. ALL SHARE AND PER SHARE AMOUNTS REFLECT THE EFFECT OF THIS STOCK SPLIT. ALL REFERENCES TO NOTES IN THIS MANAGEMENT'S DISCUSSION REFER TO THE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

RESULTS OF OPERATIONS

For 1998, Ceridian reported net earnings of \$189.8 million, or \$1.29 per diluted share of common stock, on revenue of \$1,162.1 million, compared to net earnings for 1997 of \$472.4 million, or \$2.96 per diluted share, on revenue of \$1,074.8 million. Earnings from continuing operations for 1998 were \$164.4 million (\$1.11 per diluted share) compared to \$35.4 million (\$0.22 per diluted share) for 1997. For 1996, net earnings were \$181.9 million (\$1.12 per diluted share) and earnings from continuing operations were \$135.5 million (\$0.84 per diluted share) on revenue of \$942.6 million. Earnings from discontinued operations in 1998 of \$25.4 million (\$0.18 per diluted share), in 1997 of \$437.0 million (\$2.74 per diluted share) and in 1996 of \$46.4 million (\$0.28 per diluted share) represent the gain from the sale and results of operations of Computing Devices International ("CDI"), which was sold on December 31, 1997. In the discussion that follows, "Ceridian" refers only to Ceridian's continuing operations unless the context clearly indicates otherwise.

The comparison of Ceridian's earnings from continuing operations is significantly affected by a number of unusual events in 1998 and 1997. In 1998, Ceridian recognized unusual gains of \$24.3 million in the fourth quarter consisting of a tax benefit of \$18.5 million related to the difference between the tax and financial reporting basis in a subsidiary sold in that quarter and a gain of \$9.2 million (\$5.8 million after tax), primarily from the sale of land not used in the business. In 1997, Ceridian recognized a \$175.0 million tax benefit from Ceridian's fourth quarter recognition under FAS 109 of the future tax benefits of its net operating loss carryforwards ("NOL") and future tax deductions. Also in 1997, Ceridian incurred unusual charges of \$144.6 million in the fourth quarter, primarily as a result of asset write-offs; \$150.0 million in the third quarter, due to the termination of a payroll software development project; and \$13.0 million in the first quarter, due to settlement of certain litigation. These unusual gains and losses are further described in Note B, SUPPLEMENTARY DATA TO THE STATEMENTS OF OPERATIONS and Note D, INCOME TAXES.

In an effort to facilitate comparisons between earnings from continuing operations, Ceridian has utilized certain pro forma adjustments to calculate revised earnings figures for its continuing operations for 1998, 1997 and 1996. The most significant of these pro forma adjustments include (i) eliminating the 1998 and 1997 unusual events described above, (ii) tax effecting 1997 and 1996 pre-tax earnings at an assumed rate of 37% and (iii) assuming that CDI was sold at the beginning of each of the years for net proceeds approximately equal to the difference between CDI's revenue for that year and the approximately \$100 million of CDI cash in Canada, and that those net proceeds were invested at 5.5% per annum.

On this pro forma adjusted basis, Ceridian estimates that its earnings from continuing operations would have been \$140.1 million in 1998 (\$0.95 per diluted share), \$123.9 million in 1997 (\$0.78 per diluted share) and \$104.6 million in 1996 (\$0.65 per diluted share).

The following table sets forth revenue for Ceridian's business segments for the periods shown. Additional business segment information is provided in Note C, SEGMENT DATA.

<TABLE>  
<CAPTION>

REVENUE BY BUSINESS SEGMENT  
(DOLLARS IN MILLIONS)

<S>	1998		1997		1996
	<C>	<C> change	<C>	<C> change	<C>
Human Resource Services	\$700.3	21.0%	\$578.6	18.0%	\$490.3
Comdata Transportation Services	261.5	32.2%	197.8	13.9%	173.7
Comdata Gaming Services (1)	5.8	NC	133.2	6.1%	125.5
Arbitron	194.5	17.8%	165.2	7.9%	153.1
Total Revenue	\$1,162.1	8.1%	\$1,074.8	14.0%	\$942.6

(1) SOLD TO FIRST DATA CORPORATION IN JANUARY 1998 IN EXCHANGE FOR ITS NTS TRANSPORTATION SERVICES BUSINESS AND CASH.

</TABLE>

Page 8 of the Ceridian Annual Report

The following table presents the Statements of Operations amounts as a percentage of revenue for each of the reported periods.

<TABLE>  
<CAPTION>

STATEMENTS OF OPERATIONS  
PERCENTAGE COMPARISONS TO REVENUE

<S>	1998	1997	1996
	<C>	<C>	<C>
Revenue	100.0	100.0	100.0
Gross profit	52.5	50.9	51.5
Selling, general and administrative	27.2	28.7	30.2
Research and development	6.7	5.5	5.6
Other expense (income)	(0.6)	28.8	--
Earnings (Loss) before interest and taxes	19.2	(12.1)	15.7
Interest income	0.9	0.2	0.3
Interest expense	(0.4)	(1.0)	(1.0)
Earnings (Loss) before income taxes	19.7	(12.9)	15.0
Income tax provision (benefit)	5.6	(16.2)	0.6
Earnings from continuing operations	14.1	3.3	14.4
Discontinued operations gain and earnings	2.2	40.7	4.9
Net earnings	16.3	44.0	19.3

</TABLE>

1998 COMPARED WITH 1997

REVENUE. Human Resource Services ("HRS") revenue grew by 21.0%, which, after adjustment for the net effect of acquisitions and dispositions, represented internal revenue growth of 12.3%. The most significant acquisitions were the first quarter 1998 purchases of two payroll processing businesses in Canada and the fourth quarter 1998 purchase of the global work-life services business from Work/Family Directions, Inc. The most significant disposition was the sale of Resumix, Inc. in the third quarter of 1998. Details on these and other investing transactions are presented in Note J, INVESTING ACTIVITY. The internal revenue growth largely reflected a revised pricing structure for payroll services, employment growth experienced by Ceridian's payroll and tax filing customers, the sale of add-on services to existing customers and

growth of employee assistance services. Revenue growth was restrained somewhat by implementation on January 1, 1998 of IRS electronic funds transfer regulations that reduced by one day the period of time certain tax filing deposits may be held. As a result, the average balance of collected but unremitted payroll tax funds in the U.S. was down 4.1% from the 1997 level.

The January 1998 exchange of Comdata's gaming services business for the NTS transportation services business and cash significantly affected the amount and the mix of Comdata's revenues. Overall, Comdata revenue declined by 19.3%, reflecting the \$127.4 million decline in gaming revenues from 1997 to 1998. Transportation services revenues increased by 32.2%, primarily reflecting the increased transportation revenues from the NTS acquisition and internal growth. Major factors contributing to internal growth included cross-selling products on the Comcheck card, increases in customer accounts and revenue from local fueling, an increase in funds transfer transactions and increased sales of fuel desk island automation systems and telecommunications services and products.

Arbitron revenue increased by 17.8%, which, after adjustment for acquisitions, represented internal revenue growth of 9.6%. The major acquisitions that affected these comparisons were the November 1997 acquisition of Continental Research and the May 1998 acquisition of the radio station, advertiser/agency and international assets of Tapscan, Inc. Arbitron's revenue growth also reflected price escalators in multi-year customer contracts, a high customer contract renewal rate, increased sales of analytical software and product and media usage reports and an increased number of subscribers for ratings services.

**COSTS AND EXPENSES.** Ceridian's gross margin increased from 50.9% to 52.5%, due primarily to improved gross margins at Comdata, resulting in large part from the disposition of the gaming services business. Comdata's gross margin also benefited from revenue growth and economies resulting from the integration of the NTS business. These improvements were offset in part by an increase in the provision for bad debts, primarily related to the expansion of the local fueling business. After eliminating the 1997 and partial year 1998 results of Resumix, the HRS gross margin improvement largely reflected the revenue growth attributable to a revised pricing structure for payroll services, cost reductions and productivity initiatives in the payroll business and generally increased economies of scale. Arbitron's gross margin remained at the same level as the previous year.

Page 9 of the Ceridian Annual Report

Ceridian's selling, general and administrative ("SG&A") expenses decreased from 28.7% to 27.2% of revenue, due to decreases in HRS and Comdata. Selling expense as a percentage of revenue increased in Comdata and decreased in the other business segments. The increase in the selling expense to revenue ratio for Comdata reflected customer acquisition expense during the first half of 1998 in connection with local fueling services. The decrease in Comdata's general and administrative expense to revenue ratio was primarily attributable to the sale of gaming services and the treatment of proceeds from the temporary provision of processing services to the purchaser of that business as a reduction of administrative expense. The HRS improvement in general and administrative expenses was largely due to staff reductions.

Ceridian's research and development ("R&D") expenses increased from 5.5% to 6.7% of revenue, reflecting development efforts directed toward new applications, enhancements to existing applications, quality assurance programs and a portion of the costs for year 2000 readiness, primarily in HRS.

Ceridian's other expense (income) in 1998 and 1997 consisted primarily of the pre-tax effect of the unusual events described above. Further information about the attribution to business segments of the pre-tax effect of these unusual gains and losses is provided in Note C, SEGMENT DATA. Also included in other expense (income) in both years was the elimination of the minority partner's share of the earnings related to Arbitron's majority ownership in the Scarborough Research Partnership ("SRP").

EARNINGS BEFORE INTEREST AND TAXES. On the pro forma adjusted basis described earlier, Ceridian's earnings before interest and taxes ("EBIT") increased \$36.4 million, or 20.5%. On this basis, HRS's EBIT increased \$32.5 million, or 47.7%; Comdata's EBIT decreased by \$4.8 million, or 8.4%; and Arbitron's EBIT increased by \$8.7 million, or 16.5%. As a percentage of revenue on a pro forma adjusted basis, Ceridian's EBIT improved from 16.6% to 18.5%. On this basis, HRS improved from 11.8% to 14.4% and Comdata from 17.3% to 19.6%, while Arbitron remained at about 32%.

INTEREST INCOME AND EXPENSE. The decrease in interest expense and the increase in interest income reflected the benefit from the proceeds from the sale of CDI, a portion of which was used to reduce debt at the end of 1997 and to acquire businesses and repurchase stock in 1998.

INCOME TAXES. The income tax provision for 1998 includes a tax benefit of \$18.5 million that reduces the normal effective tax rate as a result of a difference between the Company's tax and financial reporting basis in a subsidiary that was disposed of during the fourth quarter. The recognition in the fourth quarter of 1997 of the tax benefit of Ceridian's NOL and future tax deductions has resulted in an effective tax rate of approximately 36.5% for 1998 in contrast to a 1997 tax provision that reflected only a minor amount of state and foreign taxes. Although the tax benefit of the NOL and future tax deductions has been recognized for financial statement purposes, they continue to reduce Ceridian's actual federal income tax payments. Ceridian used \$202.9 million of NOL during 1998. As a result, Ceridian had \$344.4 million of NOL remaining as of December 31, 1998, which will be available to offset regular taxable U. S. income during the carryforward period (through 2013). If unused, Ceridian's NOL would begin to expire in 2005. At December 31, 1998, Ceridian also had reported \$193.3 million of expenses for financial statement purposes that are expected to become deductible for federal income tax purposes in future taxable years.

Section 382 of the Internal Revenue Code contains complex rules that place an annual limit on the amount of NOL that a company may utilize after an "ownership change." Ceridian does not expect, given the amount of its NOL, the time when such NOL would begin to expire and the level of Ceridian's market capitalization, that the imposition of any such annual limit, if it were to occur, would have a material adverse effect on its ability to utilize the NOL.

Page 10 of the Ceridian Annual Report

1997 COMPARED WITH 1996

REVENUE. HRS revenue grew by 18.0%, which, after adjustment for acquisitions made during 1996 and 1997, represented internal revenue growth of 13.6%. This internal growth was largely attributable to U.S. payroll tax filing services, software sales, particularly skills management and time and attendance software, and employee assistance services. Revenue in 1997 also benefited from an increase in the retention rate for payroll and tax filing customers. Interest income from tax filing deposits, which represented about two-thirds of tax filing revenue, increased 21.5%, about three-fourths of which was due to increased business volume, and about one-fourth of which was due to the earlier collection by Ceridian of such deposits in anticipation of the implementation of IRS electronic funds transfer regulations that reduced by one day the period of time certain tax filing deposits may be held. Because the general implementation of these regulations was delayed until the beginning of 1998, Ceridian's 1997 revenue benefited accordingly.

Revenue from Comdata's transportation services business increased 13.9%, resulting from acquisitions and internal growth. The internal revenue growth in transportation, particularly during the second half of 1997, was primarily due to a 5.5% increase in the level of funds transfer transactions and increased sales of prepaid phone cards and fuel desk island automation systems, reflecting favorable conditions in the trucking industry generally and increased success by Comdata in winning new accounts. Comdata's revenue from the gaming services business increased 6.1% overall, but decreased 1.9% after adjusting for a 1997 acquisition. The revenue performance in gaming services was primarily due to an accelerating decline during the year in the

number of credit card cash advance transactions over year earlier levels, largely reflecting increased use of lower fee sources of cash such as ATM machines and increasing competitive pressures that resulted in reduced pricing and the loss of certain customers. Also contributing to the revenue decrease from credit card cash advance transactions was an increase in the average merchant discount fee on such transactions (which was netted against revenue). Partially offsetting these factors was increased revenue from ATM transactions, reflecting both transaction growth and price increases.

Arbitron's revenue in 1997 was 7.9% greater than in 1996. After adjusting for a \$3.4 million revenue increase in 1996 due to a change in the revenue recognition policy of SRP and for the acquisition of Continental Research in the fourth quarter of 1997, Arbitron's revenue increased 10.0% from 1996 to 1997. Revenue from sales of radio ratings and analytical software, which comprised about 83% of Arbitron's revenue, increased 8.4%, reflecting an increased number of subscribers for ratings services and analytical software applications, price escalators in multi-year customer contracts, and generally favorable pricing in connection with contract renewals. The increase in the number of stations that are Arbitron customers reflected a high level of both contract renewals and new business during 1997, due in large measure to consolidation in the radio broadcasting industry, as larger broadcasting groups tend to utilize Arbitron's services to a greater degree. Also contributing to the revenue increase was increased sales of the Scarborough Report.

**COSTS AND EXPENSES.** Ceridian's gross profit margin decreased from 51.5% to 50.9%, due primarily to decreases in Comdata that were offset in part by increases in Arbitron and HRS. The decrease in Comdata was primarily due to increased agent commissions paid to gaming locations, reflecting competitive pressures; to revenue mix, as much of Comdata's 1997 revenue growth was attributable to product and service offerings and acquisitions that tended to have lower gross margins than Comdata's core funds transfer business; and to higher data processing costs. The gross margin increase in Arbitron primarily reflected revenue growth as well as additional costs in 1996 resulting from the change in SRP's revenue recognition policy. This increase in Arbitron was offset

Page 11 of the Ceridian Annual Report

in part by 1997 increases in costs associated with data collection, reflecting an expanded number of markets measured and actions to maintain the level of survey responses. The gross margin improvement in HRS primarily reflected revenue growth overall, efforts to reduce production costs in payroll processing, and revenue mix, with higher rates of revenue growth in higher gross margin software businesses.

Ceridian's SG&A expenses decreased from 30.2% to 28.7% of revenue, due in large measure to a decrease in compensation expense associated with Ceridian's performance restricted stock plan. Also contributing to the reduction in SG&A expenses as a percentage of revenue was a sizeable decrease in selling expense as a percentage of revenue in HRS, reflecting revenue growth, lower marketing expense and efforts to better focus and coordinate sales efforts.

Ceridian's R&D expenses increased proportionately with its revenue increase from 1996 to 1997, with virtually all of the increase in such expenses occurring in the fourth quarter of 1997. In the fourth quarter of 1997, R&D expenses increased substantially in HRS, reflecting the development of upgrades and enhancements to existing payroll processing software, the development of a new data processing system for the tax filing business and certain year 2000 efforts.

Ceridian's other expense (income) in 1997 consisted primarily of the unusual charges described above. Also included in other expense (income) in both 1997 and 1996 was the elimination of the minority partner's share of the earnings of SRP.

**EARNINGS BEFORE INTEREST AND TAXES.** On the pro forma adjusted basis described earlier, Ceridian's EBIT increased \$30.1 million, or 20.4%. As a percentage

of revenue, Ceridian's EBIT, similarly adjusted, increased from 15.7% to 16.6%. On this basis, HRS's EBIT increased \$34.4 million, or 102.1%; Comdata's EBIT decreased by \$11.1 million, or 16.2%; and Arbitron's EBIT increased by \$6.8 million, or 14.8%. As a percentage of revenue on a pro forma adjusted basis, HRS improved from 6.9% to 11.8% and Arbitron from 30.0% to 31.9%, while Comdata declined from 22.8% to 17.3%.

INTEREST INCOME AND EXPENSE. The increase in interest expense from 1996 to 1997 reflected significant borrowings by Ceridian during the fourth quarter of 1997 to repurchase shares of its common stock. These borrowings were repaid at the end of 1997 from the proceeds from the sale of CDI. The decrease in interest income reflected lower levels of cash during 1997.

INCOME TAXES AND NET OPERATING LOSS CARRYFORWARDS. In the fourth quarter of 1997, Ceridian recognized the future tax benefits of its remaining NOL and future tax deductions as income of \$175.0 million for accounting purposes in accordance with FAS 109, having determined that it was more likely than not that it would generate future U.S. taxable income over a reasonable period of time in an amount sufficient to utilize those NOL and future tax deductions. The application of FAS 109 also resulted in the balance sheet presence at December 31, 1997 of Ceridian's net deferred tax asset of \$199.5 million (generally representing the application of a federal tax rate of 35% to Ceridian's remaining NOL and future tax deductions), after elimination of a valuation allowance previously applied to fully reserve this asset. Although Ceridian's operating results in 1998 and the future will be reported on a fully taxed basis, its cash actually utilized for tax payments is expected to be approximately 3-4% of pre-tax earnings as the deferred tax asset is utilized.

#### FINANCIAL CONDITION

During 1998, operating activities provided \$162.5 million of cash, compared to \$114.6 million in 1997 and \$171.4 million in 1996. Cash flows from operations during the 1998 period benefited from the \$58.1 million portion of the \$65.3 million income tax provision which is not payable due to the benefit of the NOL. Net changes in working capital items reduced operating cash flows in 1998 by \$106.9 million, as net payments of trade payables, income taxes and costs related to the CDI sale and accruals for 1997 unusual charges, along with an increase in Comdata receivables, more than offset a decrease in net payments for employee compensation and benefits. The net changes in working capital items in 1997 and 1996 were \$15.1 million cash

Page 12 of the Ceridian Annual Report

provision and \$0.1 million cash use, respectively, with an increase in receivables, largely at Comdata, and Comdata drafts and settlements payable offsetting increases in payables for taxes and accruals for unusual charges. Comdata's receivables grew in 1998 due largely to revenue growth in local fueling and the acquisition of the NTS business.

Ceridian's major investing activities during 1998 are described in Note J, INVESTING ACTIVITY. Cash utilized for financing activities during 1998 involved Ceridian's repurchase of shares of its common stock, as presented in the accompanying Statements of Stockholders' Equity, and the financing of the Company's purchase of two Canadian payroll processing businesses, as described in Note H, FINANCING. This utilization of cash was partially offset by a net increase in outstanding revolving credit and overdraft debt of \$56.8 million, primarily to finance a portion of the purchase price of the Canadian payroll processing businesses, and proceeds from stock option exercises.

During 1998, Ceridian repurchased 6,746,284 shares of its common stock at an average price of \$24.42 per share. Cash utilized in 1998 for stock repurchases was \$182.0 million, including the payment of \$17.2 million in connection with 1997 stock repurchases for which the settlement date was not until early 1998.

At December 31, 1998, there were no revolving loans and \$2.9 million in letters of credit outstanding under Ceridian's \$250 million U.S. revolving credit facility. Ceridian and its subsidiaries were in compliance with all



covenants contained in applicable credit facilities on that date.

Ceridian's expenditures for capital assets and software presently planned for 1999 total approximately \$111 million, with about one-half of that amount involving HRS and one-quarter related to corporate center operations. Planned expenditures for 1999 include the construction of a new headquarters building, replacement of an accounting data processing system and equipment to expand and improve service delivery capabilities in HRS, and routine replacements and upgrades for existing equipment.

Ceridian expects to meet its liquidity needs from existing cash balances, cash flow from operations and borrowings under existing credit facilities.

#### MARKET RISK DISCLOSURE

Ceridian's market risk exposure is primarily interest rate risk related to revenue derived from customer payroll and tax filing deposits. Interest income paid to Ceridian from trusts holding client assets varies as a function of short-term U.S. and Canadian interest rates. Ceridian uses interest rate collars to hedge the risk of falling interest rates. The table below indicates the hypothetical change in Ceridian's after-tax net interest income over a one-year period due to an immediate and sustained change in the annual average interest rate. The base scenario assumes the Federal funds rate of 4.75% at December 31, 1998.

<TABLE>  
<CAPTION>

PERCENT CHANGE IN INTEREST RATES EXPRESSED IN BASIS POINTS	HYPOTHETICAL CHANGE IN NET INTEREST INCOME FROM BASE SCENARIO (IN MILLIONS OF DOLLARS)
<S>	<C>
300 Rise	20.8
200 Rise	14.6
100 Rise	6.4
50 Rise	2.6
25 Rise	1.0
Base Scenario	
25 Decline	(1.0)
50 Decline	(2.0)
100 Decline	(3.9)
200 Decline	(7.8)
300 Decline	(11.7)

</TABLE>

Computations in the table above are based on assumptions about amounts of funds held in client trusts and the relative levels of short-term market interest rates within U.S. and Canadian markets and should not be relied on as precise indicators of future expected results. Included in the computations are the effects of interest rate changes on income and expense related to all short-term and floating rate assets and liabilities owned or issued by Ceridian or its subsidiaries, including interest rate collar contracts. See also the sections entitled "Payroll and Tax Filing Services" in Note A, ACCOUNTING POLICIES and "Interest Rate Collars" in Note K, COMMITMENTS AND CONTINGENCIES.

#### YEAR 2000 MATTERS

Year 2000 issues which may potentially impact Ceridian relate not only to Ceridian's own internal systems, software and products, but also to the compliance efforts and readiness of third parties. The year 2000 issues are different for each of Ceridian's businesses, as each business generally has separate systems, software and products. Ceridian has identified the information technology ("IT") and non-IT systems, software and products in each of its businesses which could be affected by the year 2000, and has

assessed the efforts required to remediate or replace them. Ceridian has also identified versions of its services and products that will not be made compliant and is assisting customers in upgrading or migrating to year 2000 compliant versions. Most of Ceridian's major or key systems, software and products have been remediated or replaced and significant testing has commenced; the remaining systems, software and products are scheduled to be remediated or replaced in the first half of 1999. During 1999, Ceridian will continue to test, implement changes and make necessary refinements. Management expects that the systems, software and products for which Ceridian has responsibility currently are year 2000 ready or will be ready on a timely basis.

Ceridian has contacted many customers, vendors, governmental agencies and other third parties with whom it deals to identify potential issues Ceridian might encounter if those third parties are not year 2000 compliant. These communications are also used to elicit the status of such third parties' year 2000 readiness, and to clarify which year 2000 issues are the responsibility of Ceridian and which are the responsibility of the third party. Because of the complexity of the year 2000 issue, the differing states of readiness of these third parties and the number of non-Ceridian systems with which Ceridian interfaces, Ceridian expects these communications to continue throughout 1999. Key vendors to Ceridian and its customers which support the ability of Ceridian to provide its services include telecommunications and electrical companies.

A significant portion of Ceridian's year 2000 readiness efforts have occurred or are occurring in connection with system upgrades or replacements that were otherwise planned (but perhaps accelerated due to the year 2000) or which have significant improvements and benefits unrelated to year 2000. Examples include various internal hardware systems and financial software and aspects of various processing systems. These costs are being capitalized as appropriate.

Year 2000 costs for Ceridian's systems, software and products, which were expensed as incurred, were \$17.7 million in 1998. Such expenses are estimated to be between \$14 million and \$16 million in 1999. In addition, capitalizable replacement costs for year 2000 efforts were \$3.7 million in 1998. Such capitalizable replacement costs are estimated to be between \$6 million and \$7 million in 1999. Ceridian has not yet estimated year 2000 costs for periods after 1999.

The year 2000 remediation of customers' customized software that facilitates the use of Ceridian's payroll services is the customers' responsibility. As part of Ceridian's customer service efforts, it is assisting customers in their remediation effort. Ceridian's costs, and the related amount and percentage of cost recoveries for these efforts, will be highly dependent on the extent to which customers utilize these services, compared to performing their own remediation.

Based on current expectations, neither the costs incurred for year 2000 readiness efforts, nor the delay or deferral of certain development projects that might have otherwise been undertaken in the absence of year 2000 readiness efforts, are expected to have a material effect on Ceridian's financial position or results of operation. Such costs generally have been funded by the re-deployment of both IT and non-IT financial and personnel resources. In addition, year 2000 issues have been addressed as part of re-engineering or replacement efforts. As a result, Ceridian anticipates non-year 2000 benefits such as improved efficiencies, operations and services as part of those efforts.

Page 14 of the Ceridian Annual Report

Ceridian does not anticipate that year 2000 issues and risks, including the most reasonably likely worst case year 2000 scenario, it will encounter will be significantly different than those encountered by other providers of information services, including Ceridian's competitors. Although Ceridian believes its remediation, replacement and testing efforts will address all of the year 2000 issues for which Ceridian is responsible, to the extent these efforts are not successful, additional remediation efforts would be necessary

together with additional customer service efforts and expenditures. If third parties fail in their compliance efforts, Ceridian could also be impacted and required to provide additional customer service efforts. In such an event, Ceridian could incur additional costs and experience a negative impact on revenues.

Business continuity and related contingency plans for each of Ceridian's businesses are being prepared and refined as appropriate. These plans focus on matters which appear to be Ceridian's most likely year 2000 risks, additional customer support efforts by Ceridian that would be necessary if customers, vendors or other third parties are not year 2000 compliant, or if a year 2000 issue should not be timely detected in Ceridian's own readiness efforts; the ability to process transactions or customer calls at other Ceridian processing or call centers in the event a location is unable to operate; the availability of emergency remediation teams in the event a year 2000 issue is not timely detected in Ceridian's remediation efforts; backup power sources at certain locations; and enhanced disaster recovery plans.

Ceridian's cost and timetable estimates for its year 2000 efforts reflect certain assumptions and are subject to potentially significant estimation uncertainties that could cause actual results to differ materially. Factors which could impact these estimates include: the availability of appropriate technology personnel; the rate and magnitude of related labor costs; the successful identification of all aspects of Ceridian's systems, software and products that require remediation or replacement; the extent of testing required; the costs of Ceridian's efforts to assist certain customers in the remediation of their customized code; the amount of cost recoveries from those efforts; and the success of third parties in their year 2000 compliance efforts. Due to the complexity and pervasiveness of the year 2000 issue, and in particular the uncertainty regarding the compliance efforts of numerous third parties, no assurance can be given that these estimates will be achieved, and actual results could differ materially.

#### CAUTIONARY FACTORS THAT COULD AFFECT FUTURE RESULTS

Ceridian's future results of operations and the forward-looking statements contained in this Annual Report, in other Ceridian filings with the Securities and Exchange Commission, in press releases and in other Ceridian publications, and made by Ceridian management, are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements. Important factors known to Ceridian that could cause such material differences are discussed in the following paragraphs.

#### INTEREST RATE CHANGES AND INVESTMENT INCOME FROM CUSTOMER DEPOSITS.

Ceridian's payroll and tax filing business derives significant revenue and earnings from the investment of customer deposits temporarily held pending remittance to tax filing authorities or the customer's employees. Ceridian receives this investment income in lieu of additional fees that would otherwise be payable by these customers. During 1998, the average yield was 5.88%. Changes in interest rates will affect Ceridian's revenue and earnings from this source, are difficult to predict and could be significant. Ceridian has sought to lessen the impact of interest rate decreases by entering into a series of interest rate collar transactions (see Note K, COMMITMENTS AND CONTINGENCIES and the market risk disclosure above). There can be no assurance as to the terms on which Ceridian will be able to obtain collars in the future, or to what extent any decrease in investment income would be offset by the use of such collars.

EFFORTS TO EXPAND LOCAL FUELING MARKET. During 1998, Comdata experienced increases in customer accounts and revenue from its local fueling business. However, there can be no assurance that the products and services for the local fueling market will achieve the desired level of

market acceptance, or that Comdata will achieve the projected levels of revenue and earnings from these products in 1999 and beyond.

ABILITY TO INCREASE REVENUE FROM CROSS-SELLING EFFORTS AND NEW PRODUCTS. A portion of Ceridian's anticipated future revenue growth in each of its business segments is attributable to the continued selling of additional products and services to its existing customer base and the planned introduction of new or enhanced product and service offerings. The degree to which Ceridian is successful in these efforts will depend on a variety of factors, including product and service selection, effective sales and marketing efforts, the level of market acceptance and the avoidance of difficulties or delays in development or introduction. There can be no assurance that Ceridian will achieve its revenue growth objectives from cross-selling efforts and new products.

ABILITY TO IMPROVE OPERATING MARGINS IN HUMAN RESOURCE SERVICES. Ceridian's ability to improve profit margins in its HRS businesses will depend on factors such as the degree to which and the speed with which Ceridian is able to increase operational efficiencies and reduce operating costs in those businesses, and the level of customer retention in those businesses (see "Customer Retention" below). Delays or difficulties in implementing process improvements, such as those designed to reduce printing, telecommunication and customer service costs, or installing new products and services and in consolidating various functions could adversely affect the timing or effectiveness of cost reduction and margin improvement efforts.

CUSTOMER RETENTION. Customer retention is an important factor in the amount and predictability of revenue and profits in each of Ceridian's businesses. Customer retention is dependent on a number of factors, including customer satisfaction, offerings by competitors, Ceridian customer service levels, and price. In providing certain services, particularly payroll processing and tax filing services, Ceridian incurs installation and conversion costs in connection with new customers that must be recovered before the contractual relationship provides incremental profit. The longer Ceridian is able to retain a customer, the more profitable that contract is likely to be to Ceridian.

EFFECTING SYSTEM UPGRADES AND CONVERSIONS. Ceridian is in the process of transitioning to new data processing systems and/or software in several of its business units, including systems that process customer data and internal management information systems. The successful implementation of these new systems is critical to the effective delivery of products and services and the efficient operation of Ceridian's businesses. Problems or delays with the installation or initial operation of the new systems could disrupt or increase costs in connection with the delivery of services and with operations planning, financial reporting and management.

REQUIRED YEAR 2000 EFFORTS. Ceridian's year 2000 efforts, and the uncertainties and factors which could cause actual results to differ materially from its cost and timetable estimates, are described above under "Year 2000 Matters."

CONSOLIDATION IN RADIO BROADCASTING INDUSTRY. The recent consolidation in the radio broadcasting industry could put pressure on the pricing of Arbitron's radio ratings service, from which Arbitron derives a substantial majority of its total revenue. While Ceridian has experienced some success in offsetting the revenue impact of any concessions by providing ratings to additional stations within a radio group and by providing additional software and other services, there can be no assurance as to the degree to which it will be able to continue to do so.

ABILITY TO ADAPT TO CHANGING TECHNOLOGY. As a provider of information management and data processing services, Ceridian must adapt and respond to technological advances offered by competitors and technological requirements of customers in order to maintain and improve upon its competitive position. There can be no assurance that new products and

product enhancements can be developed and released within the time frames and at costs envisioned by Ceridian. Significant delays, difficulties or added costs in introducing new products or enhancements, either through internal

development, acquisitions or cooperative relationships with other companies, could have a material adverse effect on the market acceptance of Ceridian's products and services and the results of operations of Ceridian's businesses generally.

ACQUISITION RISKS. Ceridian expects that it will continue to make acquisitions of, investments in and strategic alliances with complementary businesses, products and technologies to enable it to add products and services for its core customer base and for adjacent markets, and to expand each of its businesses geographically. However, implementation of this strategy entails a number of risks, including entry into markets in which Ceridian may have limited or no experience, diversion of management's attention from Ceridian's core businesses, potential loss of key employees or customers of the acquired businesses, additional year 2000 efforts, and difficulties in assimilating the operations and products of an acquired business or in realizing projected efficiencies and cost savings. Integration of acquisitions, and obtaining anticipated revenue synergies or cost reductions, are also a risk in many acquisitions. To the extent Ceridian must utilize purchase accounting for acquisitions, and given the financial characteristics of information services businesses, it may be difficult for Ceridian to avoid having acquisitions of such businesses be dilutive of earnings per share.

COMPETITIVE CONDITIONS. Because the markets Ceridian serves are large and attractive, new competitors could decide to enter these markets, and thereby intensify the highly competitive conditions that already exist. These new entrants could offer new technologies (see "Ability to Adapt to Changing Technology" above) or a different service model, or could treat the services provided by a Ceridian business as one component of a larger product/service offering, thereby enabling them to reduce prices on the component offered by Ceridian. Any of these or similar developments could have a material adverse impact on Ceridian's business and results of operations.

OTHER FACTORS. Trade, monetary and fiscal policies, and political and economic conditions may substantially change, with corresponding impacts on the industries which Ceridian serves, particularly more economically sensitive industries such as trucking. Such changes could also affect employment levels, with a corresponding impact on Ceridian's payroll processing and tax filing businesses. Ceridian's future operating results may also be adversely affected by adverse judgments, settlements, unanticipated costs or other effects of legal and administrative proceedings now pending or that may be instituted in the future.

## REPORT OF MANAGEMENT

The consolidated financial statements and other related financial information of Ceridian published in this Annual Report were prepared by Ceridian management, which acknowledges its responsibility therefor. Such statements and information were prepared in accordance with generally accepted accounting principles and were necessarily based in part on reasonable estimates, giving due consideration to materiality.

Ceridian maintains a system of internal controls which, in the opinion of management, provides reasonable assurance that assets are adequately safeguarded, that financial records accurately reflect all transactions and can be relied upon in all material respects in the preparation of financial statements, and that Ceridian's business is conducted in compliance with its policy on business ethics. The control system is supported by written policies and procedures, and its effectiveness is monitored by a regular program of internal auditing.

Our independent auditors, KPMG Peat Marwick LLP, in their audit of Ceridian's consolidated financial statements, considered the internal control structure of Ceridian to gain a basic understanding of the accounting system in order to design an effective and efficient audit approach, not for the purpose of providing assurance on the system of internal control.

The Audit Committee, consisting of outside directors, is responsible to the Board of Directors for reviewing the financial controls and reporting practices and for recommending appointment of the independent auditors. The Audit Committee meets periodically with representatives of the internal audit department and the independent auditors, both with and without Ceridian management being present.

/s/ Lawrence Perlman  
Lawrence Perlman  
Chairman and Chief Executive  
Officer

/s/ Ronald L. Turner  
Ronald L. Turner  
President and Chief Operating  
Officer

/s/ J. R. Eickhoff  
John R. Eickhoff  
Executive Vice President and  
Chief Financial Officer

Page 18 of the Ceridian Annual Report

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and  
Stockholders of  
Ceridian Corporation:

We have audited the accompanying consolidated balance sheets of Ceridian Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ceridian

Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP  
 Minneapolis, Minnesota  
 January 20, 1999

Page 19 of the Ceridian Annual Report

<TABLE>

<CAPTION>

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share data)

	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Revenue	\$ 1,162.1	\$1,074.8	\$ 942.6
Cost of revenue	551.5	527.6	456.9
Gross profit	610.6	547.2	485.7
OPERATING EXPENSES			
Selling, general and administrative	316.0	308.0	285.1
Research and development	77.8	59.6	52.5
Other expense (income)	(6.8)	309.3	0.2
EARNINGS (LOSS) BEFORE INTEREST AND TAXES	223.6	(129.7)	147.9
Interest income	10.4	2.3	3.0
Interest expense	(4.3)	(11.2)	(9.7)
EARNINGS (LOSS) BEFORE INCOME TAXES	229.7	(138.6)	141.2
Income tax provision (benefit)	65.3	(174.0)	5.7
EARNINGS FROM CONTINUING OPERATIONS	164.4	35.4	135.5
DISCONTINUED OPERATIONS			
Gain on sale	25.4	386.3	--
Earnings from operations	--	50.7	46.4
NET EARNINGS	\$ 189.8	\$ 472.4	\$ 181.9
BASIC EARNINGS PER SHARE			
Continuing operations	\$ 1.14	\$ 0.23	\$ 0.90
Net earnings	\$ 1.32	\$ 3.01	\$ 1.24
DILUTED EARNINGS PER SHARE			
Continuing operations	\$ 1.11	\$ 0.22	\$ 0.84
Net earnings	\$ 1.29	\$ 2.96	\$ 1.12
SHARES USED IN CALCULATIONS (IN THOUSANDS)			
Basic	144,070	156,835	135,841
Diluted	147,597	159,481	161,938

</TABLE>

See notes to consolidated financial statements.

Page 20 of the Ceridian Annual Report

<TABLE>

<CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 101.8	\$ 268.0
Trade and other receivables		
Trade, less allowance of \$21.7 and \$10.5	343.4	277.1
Other	41.1	40.4
Total	384.5	317.5
Current portion of deferred income taxes	127.8	117.6
Other current assets	19.6	17.0
Total current assets	633.7	720.1
Investments and advances	3.0	8.7
Property, plant and equipment, net	91.3	79.6
Goodwill and other intangibles, net	377.5	244.3
Software and development costs, net	26.1	9.7
Prepaid pension cost	103.4	96.7
Deferred income taxes, less current portion	53.4	81.9
Other noncurrent assets	1.3	2.3
Total assets	\$ 1,289.7	\$ 1,243.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt and current portion of long-term obligations	\$ 0.3	\$ 2.2
Accounts payable	65.0	57.8
Drafts and settlements payable	111.0	111.9
Customer advances	13.6	9.9
Deferred income	25.4	35.9
Accrued taxes	76.2	79.8
Employee compensation and benefits	74.4	66.1
Other accrued expenses	70.8	115.2
Total current liabilities	436.7	478.8
Long-term obligations, less current portion	54.2	0.8
Deferred income taxes	3.6	--
Restructure reserves, less current portion	29.0	30.8
Employee benefit plans	74.1	69.1
Deferred income and other noncurrent liabilities	41.5	75.5
STOCKHOLDERS' EQUITY		
Common Stock, \$.50 par, authorized 200,000,000 shares, issued 161,685,596	80.8	80.8
Additional paid-in capital	1,110.5	1,112.6
Accumulated deficit	(136.8)	(326.6)
Treasury common stock, 18,171,620 and 13,801,852 shares	(390.8)	(271.0)
Accumulated other comprehensive income	(13.1)	(7.5)
Total stockholders' equity	650.6	588.3
Total liabilities and stockholders' equity	\$ 1,289.7	\$ 1,243.3

See notes to consolidated financial statements.

</TABLE>

<TABLE>

<CAPTION>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions, except per share data)



	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings	\$ 189.8	\$ 472.4	\$ 181.9
Adjustments to reconcile net earnings to net cash provided by (used for) operating activities:			
Earnings from discontinued operations	--	(50.7)	(46.4)
Gain on sale of discontinued operations	(25.4)	(386.3)	--
Deferred income tax provision (benefit)	58.1	(175.0)	1.2
Impairment loss from asset write-offs	--	204.4	--
Depreciation and amortization	51.2	58.4	53.8
Restructure reserves utilized	(2.9)	(21.1)	(14.9)
Other	(1.4)	(2.6)	(4.1)
Decrease (Increase) in trade and other receivables	(33.1)	(54.4)	19.7
Increase (Decrease) in accounts payable	(11.2)	7.0	(15.2)
Increase (Decrease) in drafts and settlements payable	(0.9)	(26.5)	(7.9)
Increase (Decrease) in employee compensation and benefits	8.8	8.0	7.7
Increase (Decrease) in accrued taxes	(21.3)	10.4	2.3
Increase (Decrease) in other current assets and liabilities	(49.2)	70.6	(6.7)
Net cash provided by (used for) operating activities	162.5	114.6	171.4
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Expended for property, plant and equipment	(46.2)	(44.2)	(34.5)
Expended for software and development costs	(16.9)	(37.8)	(46.3)
Proceeds from sales of businesses and assets	50.5	596.7	9.0
Expended for business acquisitions, less cash acquired	(232.9)	(30.0)	(30.9)
Net cash provided by (used for) investing activities	(245.5)	484.7	(102.7)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Revolving credit and overdrafts, net	57.2	(133.1)	(60.0)
Repayment of other debt	(0.4)	(11.2)	(4.5)
Preferred dividends	--	--	(13.0)
Repurchase of common stock	(182.0)	(279.8)	(18.2)
Proceeds from exercise of stock options and other	42.0	21.7	30.2
Net cash provided by (used for) financing activities	(83.2)	(402.4)	(65.5)
NET CASH FLOWS PROVIDED (USED)	(166.2)	196.9	3.2
Cash and equivalents at beginning of year	268.0	71.1	67.9
Cash and equivalents at end of year	\$ 101.8	\$ 268.0	\$ 71.1

Years Ended December 31,

	1998	1997	1996
<b>INTEREST AND INCOME TAXES PAID (REFUNDED)</b>			
Interest paid	\$ 4.2	\$ 11.5	\$ 10.0
Income taxes paid	\$ 17.6	\$ 2.9	\$ 2.1
Income taxes refunded	\$ (0.2)	\$ (0.1)	\$ (11.6)

</TABLE>

See notes to consolidated financial statements.

Page 22 of the Ceridian Annual Report

EXHIBIT 13.03

<TABLE>

<CAPTION>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in millions, except per share data)

	Amount			Shares		
	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<b>PREFERRED STOCK</b>						
Beginning balance			\$ 4.7			47,200
Conversion to common stock			(4.7)			(47,200)
Ending balance			\$ --			--
<b>COMMON SHARES ISSUED</b>						
Beginning balance	\$ 80.8	\$ 79.8	\$ 67.3	161,685,596	159,579,254	134,650,744
Conversion of preferred stock	--	--	10.4	--	--	20,767,990

Exercises of stock options	--	0.2	1.3	--	345,904	2,504,944
Restricted stock awards, net	--	--	--	--	6,400	10,608
Employee Stock Purchase Plan	--	--	0.1	--	123,114	210,348
Acquisitions	--	0.8	0.7	--	1,630,924	1,396,336
Settle directors' benefits	--	--	--	--	--	38,284
Ending balance - issued	\$ 80.8	\$ 80.8	\$ 79.8	161,685,596	161,685,596	159,579,254
<b>TREASURY STOCK - COMMON SHARES</b>						
Beginning balance	\$ (271.0)	\$ (0.4)	\$ (1.6)	(13,801,852)	(42,392)	(95,872)
Repurchases	(164.8)	(297.0)	(18.2)	(6,746,284)	(15,172,302)	(783,028)
Exercises of stock options	57.8	21.7	19.1	2,804,050	1,148,452	856,366
Restricted stock awards, net	(17.1)	(6.3)	(3.0)	(630,522)	(345,250)	(132,500)
Employee Stock Purchase Plan	4.3	6.6	3.3	202,988	355,224	137,930
Acquisitions	--	4.4	--	--	254,416	(25,288)
Ending balance - treasury	\$ (390.8)	\$ (271.0)	\$ (0.4)	(18,171,620)	(13,801,852)	(42,392)
<b>COMMON SHARES OUTSTANDING</b>						
				143,513,976	147,883,744	159,536,862
<b>ADDITIONAL PAID-IN CAPITAL</b>						
Beginning balance	\$1,112.6	\$1,071.5	\$1,051.1			
Conversion of preferred stock	--	--	(5.7)			
Exercises of stock options	(21.3)	(8.0)	5.6			
Tax benefit from stock options	13.3	28.6	--			
Restricted stock awards, net	5.6	8.9	11.0			
Employee Stock Purchase Plan	0.3	0.9	3.0			
Acquisitions	--	10.7	5.6			
Settle directors' benefits	--	--	0.9			
Ending balance	\$1,110.5	\$1,112.6	\$1,071.5			
<b>ACCUMULATED DEFICIT</b>						
Beginning balance	\$ (326.6)	\$ (798.7)	\$ (963.9)			
Net earnings	189.8	472.4	181.9	\$ 189.8	\$ 472.4	\$ 181.9
Preferred stock dividends	--	--	(13.0)			
Acquisitions by pooling	--	(0.3)	(3.7)			
Ending balance	\$ (136.8)	\$ (326.6)	\$ (798.7)			
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>						
<b>FOREIGN CURRENCY TRANSLATION:</b>						
Beginning balance	\$ 2.0	\$ 0.4	\$ (2.4)			
Rate changes, net	(5.6)	0.1	2.8	(5.6)	0.1	2.8
Disposition of investment	--	1.5	--	--	1.5	--
Ending balance	(3.6)	2.0	0.4			
<b>PENSION LIABILITY ADJUSTMENT:</b>						
Beginning balance	\$ (9.5)	\$ (6.3)	\$ (5.2)			
Pension liability increase	--	(3.2)	(1.1)	--	(3.2)	(1.1)
Ending balance	(9.5)	(9.5)	(6.3)			
Total ending balance	\$ (13.1)	\$ (7.5)	\$ (5.9)			
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 650.6</b>	<b>\$ 588.3</b>	<b>\$ 346.3</b>	<b>\$ 184.2</b>	<b>\$ 470.8</b>	<b>\$ 183.6</b>

</TABLE>

See notes to consolidated financial statements.

Page 23 of the Ceridian Annual Report

EXHIBIT 13.03

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three years ended December 31, 1998

(Dollars in millions, except per share data)

INDEX TO NOTES

<TABLE>

<CAPTION>

<S>

<C>

24 A. Accounting Policies

27	B.	Supplementary Data to Statements of Operations
28	C.	Segment Data
30	D.	Income Taxes
31	E.	Capital Assets
32	F.	Retirement Plans
34	G.	Stock Plans
36	H.	Financing
37	I.	Leasing
38	J.	Investing Activity
39	K.	Commitments and Contingencies
40	L.	Legal Matters

</TABLE>

## A. ACCOUNTING POLICIES

### BASIS OF CONSOLIDATION

The consolidated financial statements of Ceridian Corporation ("Ceridian") include the accounts of all majority owned subsidiaries.

As further discussed in Note B, Computing Devices International ("CDI"), a division of Ceridian sold in December 1997, is presented as discontinued operations.

Investments in other affiliated companies where Ceridian has significant influence are accounted for by the equity method. Other investments are accounted for by the cost method.

All material intercompany transactions have been eliminated from the consolidated financial statements.

### SUBSEQUENT EVENT - STOCK SPLIT

On January 20, 1999, Ceridian announced a 2-for-1 stock split in the form of a 100% stock dividend payable February 26, 1999 to holders of record on February 10, 1999. All share and per share amounts and the carrying value of common stock in the accompanying consolidated financial statements have been restated to give effect to the stock split.

### NEW ACCOUNTING PRONOUNCEMENTS

FAS 130, "Reporting Comprehensive Income," became effective for Ceridian in 1998. Comprehensive income is defined as the change in stockholders' equity resulting from other than stockholder investments and distributions. For Ceridian, comprehensive income consists of net earnings or loss plus changes in foreign currency translation adjustment and pension liability adjustment as displayed in the accompanying Statements of Stockholders' Equity.

Amounts recognized in net earnings (loss) which previously were reported as other comprehensive income (loss) are reclassified to avoid duplication. The effect of deferred income taxes on other comprehensive income (loss) is not material.

FAS 131, "Disclosures about Segments of an Enterprise and Related Information," replaces previously existing disclosure requirements for industry and geographic segments with requirements for annual and quarterly disclosure of information about reportable operating segments and certain geographic data as presented in Note C.

FAS 132, "Employers' Disclosures about Pensions and other Postretirement Benefits," revised only the disclosure requirements for such plans as presented in Note F.

AICPA Statements of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and 98-5, "Reporting on the Costs of Start-Up Activities," have been adopted in 1998 without any material effect on accounting for those costs.

FAS 133, "Accounting for Derivative Instruments and Hedging Activities," will be effective for Ceridian in January 2000. Ceridian is currently reviewing the potential impact of this accounting standard.

### STOCK-BASED COMPENSATION

Ceridian accounts for stock-based compensation under APB Opinion No. 25 and related interpretations. Therefore, compensation expense is not recorded with respect to Ceridian's fixed stock option and employee stock purchase plans, and compensation expense for performance-based restricted stock awards is recorded based on the stock price at time of vesting or estimated future vesting. Ceridian also reports under the disclosure-only provisions of FAS 123, "Accounting for Stock-Based Compensation."

## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## CHANGES IN PRESENTATION

Certain prior year amounts have been reclassified to conform to the current year's presentation.

## CASH AND SHORT-TERM INVESTMENTS

Investments which are readily convertible to cash within three months of purchase are classified in the balance sheet as cash equivalents. Investments, if any, with longer maturities are considered available-for-sale under FAS 115 and reported in the balance sheet as short-term investments.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost and depreciated for financial statement purposes using straight-line and accelerated methods at rates based on the estimated lives of the assets, which are generally as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

<S>	<C>
Buildings	40 years
Building improvements	5-15 years
Machinery and equipment	3-8 years
Computer equipment	3-6 years

&lt;/TABLE&gt;

Repairs and maintenance are expensed as incurred. Gains or losses on dispositions are included in results of operations.

## EARNINGS (LOSS) PER SHARE

Basic earnings per share represents earnings, reduced by any dividends on preferred stock (\$13.0 in 1996), divided by the weighted average number of common shares outstanding for the reporting period as presented on the accompanying Statements of Operations. Diluted earnings per share represents earnings divided by the sum of the weighted average number of common shares outstanding plus shares derived from potentially dilutive securities. For Ceridian, potentially dilutive securities include "in the money" fixed stock options and shares of restricted stock outstanding (3,527,000 in 1998, 2,646,000 in 1997 and 5,329,000 in 1996) and the amount of common shares which would be added by conversion of convertible preferred stock or debt (20,767,990 in 1996). The number of shares added for stock options and restricted stock is determined by the treasury stock method, which assumes exercise or vesting of these securities and the use of any proceeds from these actions to repurchase a portion of these shares at the average market price for the period. When a loss from continuing operations occurs, potentially dilutive securities are not included in the calculation of loss per share. The number of option shares excluded from the calculation of potentially dilutive securities because the exercise price exceeded the average market price were 341,000 in 1998, 5,492,000 in 1997 and 587,000 in 1996.

## GOODWILL AND OTHER INTANGIBLES

Goodwill, which represents the excess purchase price over the fair value of net assets of businesses acquired, is assigned to operating units based on the benefits derived from the acquisition and amortized on a straight-line basis over the expected periods to be benefited, ranging up to 40 years.

Other intangible assets represents amounts assigned to intangible assets at the time of a purchase acquisition and includes such items as customer lists and bases, technology, covenants not to compete, trademarks and other rights. Such costs are generally amortized on a straight-line basis over periods ranging up to seven years.

Recorded amounts are regularly reviewed and recoverability assessed. The review considers factors such as whether the amortization of the goodwill and other intangible assets for each operating unit over its remaining life can be recovered through forecasted undiscounted cash flows.

## SOFTWARE AND DEVELOPMENT COSTS

Ceridian capitalizes purchased software which is ready for service and development costs for marketable software incurred from the time the preliminary project stage is completed until the software is ready for use.

Under the provisions of SOP 98-1, Ceridian capitalizes costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and Ceridian management has authorized further funding for the project which it deems probable will be completed and used to perform the function intended. Capitalized costs include only (1) external direct costs of materials and services consumed in developing or obtaining internal-use software, (2) payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use software project, and (3) interest costs incurred, when material, while developing internal-use software. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Software development costs are amortized using the straight-line method over a range of

Page 25 of the Ceridian Annual Report

EXHIBIT 13.03

three to seven years, but not exceeding the expected life of the product.

The carrying value of software and development costs is regularly reviewed by Ceridian, and a loss is recognized when the value of estimated undiscounted cash flow benefit related to the asset falls below the unamortized cost.

#### INCOME TAXES

The provision for income taxes is based on income recognized for financial statement purposes and includes the effects of temporary differences between such income and that recognized for tax return purposes. Ceridian and its eligible subsidiaries file a consolidated U.S. federal income tax return. Certain subsidiaries which are consolidated for financial reporting are not eligible to be included in the consolidated U.S. federal income tax return and separate provisions for income taxes have been determined for these entities. Except for selective dividends, Ceridian intends to reinvest the unremitted earnings of its non-U.S. subsidiaries and postpone their remittance indefinitely. Accordingly, no provision for U.S. income taxes was required on such earnings during the three years ended December 31, 1998.

#### REVENUE RECOGNITION

Services revenue is recognized when the services are performed and billable, except for certain services provided by Comdata and revenue which is recognized as earned from the investment of customer funds collected for payment of payroll and taxes.

Revenue from Comdata funds transfer and regulatory permit services consists of the transaction fees charged to customers. Such revenue does not include the costs of goods and services for which funds are advanced by Comdata (e.g., fuel purchased, permit provided or face amount of the Comchek purchased and cashed). However, Comdata pays the issuing agent (e.g., truck stop or state agency) for the full cost of the goods and services provided and, accordingly, bills the customer for such cost as well as the transaction fee. As a result, Ceridian's accounts receivable includes both the cost of the goods and services purchased and the transaction fees. Ceridian's drafts and settlements payable includes the amount due to the issuing agent for the cost of the goods and services. Revenue is recognized for the amount of the transaction fee at the time the goods and services are purchased.

#### PAYROLL AND TAX FILING SERVICES

In connection with its U.S. payroll tax filing services, Ceridian collects funds for payment of taxes due, holds such funds in trust until payment is due, remits the funds to the appropriate taxing authority, files federal, state and local tax returns, handles related regulatory correspondence and amendments, and selectively absorbs regulatory charges for certain penalties and interest. For such services, Ceridian derives its payroll tax filing revenue from fees charged and from investment income it receives on tax filing deposits temporarily held pending remittance on behalf of customers to taxing authorities. The trust invests primarily in high quality collateralized short-term investments or top tier commercial paper. The trust also invests in U.S. Treasury and Agency securities, AAA rated asset-backed securities and corporate securities rated A3/A- or better.

The aggregate amount of collected but unremitted funds varies significantly during the year and averaged \$1,320.1 in 1998, \$1,376.1 in 1997 and \$1,151.1 in 1996. The amount of such funds at December 31, 1998 and 1997, was \$2,142.2 and \$1,697.0, respectively.

As a result of the acquisition of Canadian payroll services businesses in early 1998, Ceridian handles payroll as well as tax filing funds for its Canadian customers. Ceridian collects funds for payment to clients' employees and tax authorities and holds these funds in trust until remitted. The

Canadian trust invests in securities issued by the government and provinces of Canada, highly rated Canadian banks and corporations, asset backed trusts and mortgages. Ceridian earns income from the trust and charges fees for services similar to those provided in the U.S. The aggregate balance in U.S. dollars for the Canadian trust as of December 31, 1998 was \$562.8, with an annual average outstanding balance of \$397.1.

#### TRANSLATION OF FOREIGN CURRENCIES

Local currencies have been determined to be functional currencies for Ceridian's international operations. Foreign currency balance sheets are translated at the end-of-period exchange rates and earnings statements at the average exchange rates for each period. The resulting translation gains or losses are recorded as "foreign currency translation adjustment" in the stockholders' equity section of the balance sheet. Gains and losses from translation of assets and liabilities denominated in other than the functional currency of the operation are recorded in results of operations as "other expense (income)."

Page 26 of the Ceridian Annual Report

EXHIBIT 13.03

#### B. SUPPLEMENTARY DATA TO STATEMENTS OF OPERATIONS

##### UNUSUAL CHARGES (GAINS)

The 1998 unusual gains of \$9.2 (\$5.8 after tax) are related primarily to the sale in fourth quarter of land not used in operations. The 1997 unusual charges include \$13.0 in first quarter in connection with a litigation settlement, \$150.0 in third quarter in connection with the termination of a payroll processing software development project, and \$144.6 in fourth quarter, due principally to asset write-offs. The largest portion of these charges relates to an aggregate impairment loss from asset write-offs of \$204.4.

As a result of the software development project termination, Ceridian recorded non-recurring charges to other expense (income) of \$150.0 in third quarter 1997. These charges include an impairment loss of \$116.9 for the write-off of assets and related costs of \$33.1, of which \$7.8 and \$13.5 remained unpaid at December 31, 1998 and 1997, respectively. The payments of \$5.7 in 1998 and \$19.6 in 1997 largely relate to severance, contract termination penalties, unused facilities and incremental costs to convert beta customers to the ongoing system as originally anticipated under the project termination plan.

<TABLE>

<CAPTION>

OTHER EXPENSE (INCOME)	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Foreign currency translation expense (income)	\$ 0.1	\$ 0.1	\$ (1.4)
Loss (Gain) on sale of assets	(0.3)	0.3	(0.4)
Unusual charges (gains)	(9.2)	307.6	--
Minority interest and equity in operations of affiliates	3.0	3.9	2.5
Other expense (income)	(0.4)	(2.6)	(0.5)
Total	\$ (6.8)	\$ 309.3	\$ 0.2

</TABLE>

The fourth quarter 1997 charges of \$144.6 consist of \$87.5 of asset write-offs and \$57.1 in accrued liabilities, of which \$33.5 and \$48.9 remained unpaid at December 31, 1998 and 1997, respectively. The asset write-offs include \$64.8 of goodwill and other intangible assets, \$11.7 of hardware and software in Comdata, and a \$11.0 loss on the sale of Comdata's gaming services business, which sale closed in January 1998. In accordance with the original plans of action initiated, payments applied against fourth quarter 1997 accrued liabilities were \$15.4 in 1998 and \$8.2 in 1997 and included planned expenditures related to excess facilities and severance costs, contract negotiation costs and costs associated with legal and administrative proceedings involving Ceridian.

##### DISCONTINUED OPERATIONS

On December 31, 1997, Ceridian sold substantially all of the net assets of CDI, which comprised its defense electronics segment. As a result, the gain from this sale, along with the financial position, results of operations and cash flows of CDI are separately presented as discontinued operations and

eliminated from continuing operations amounts in the accompanying consolidated financial statements and notes. The gain at the time of sale amounted to \$386.3 or \$2.42 per diluted share (\$2.46 per basic share). The gain was increased by \$25.4 or \$0.18 per diluted or basic share in fourth quarter 1998, due to a reduction of estimated accruals related to this sale. The earnings from CDI operations were \$0.32 per diluted or basic share in 1997 and \$0.28 per diluted share (\$0.34 per basic share) in 1996.

C. SEGMENT DATA

Ceridian operates in the information services industry principally in the U.S and provides products and services to the human resources, transportation and media information markets. Its business segments include Human Resource Services, Comdata and Arbitron. These businesses collect, manage and analyze data and process transactions on behalf of customers, report information resulting from such activities to customers, and provide customers with related software applications and services. The technology-based products and services of these businesses are typically provided through long-term customer relationships that result in a high level of recurring revenue. The business segments are distinguished primarily by reference to the markets served and the nature of the services provided. Selected business segment information is provided in an accompanying table.

Human Resource Services offers a broad range of services and software designed to help employers more effectively manage their work forces and information that is integral to human resource processes. These products and services include transaction-oriented administrative services and software products, primarily in areas such as payroll processing, tax filing and benefits administration as well as management support software and services in areas such as skills management, regulatory compliance, employee training and employee assistance programs. Revenue from payroll and tax filing services also includes investment income earned by Ceridian from deposits temporarily held pending remittance on behalf of customers to taxing authorities and customers' employees. These activities are conducted primarily in the U.S. and through subsidiaries in the UK and, beginning in 1998, Canada.

<TABLE>  
<CAPTION>

GEOGRAPHIC DATA	1998	1997	1996
<S>	<C>	<C>	<C>
U.S. OPERATIONS			
Revenue	\$1,034.0	\$1,029.3	\$905.2
Property, plant and equipment	82.3	74.9	74.6
NON-U.S. OPERATIONS			
Revenue	\$ 128.1	\$ 45.5	\$ 37.4
Property, plant and equipment	9.0	4.7	2.7

</TABLE>

Comdata provides transaction processing and decision support services to the transportation industry, primarily trucking companies, truck stops and truck drivers, in both the long haul and local markets in the U.S. These services primarily involve the use of a proprietary funds transfer card which facilitates truck driver transactions and provides transaction control and trip information for trucking firms. Additionally, Comdata provides assistance in obtaining regulatory permits and other compliance services, driver relations services, local fueling services and discounted telecommunications services in its markets.

Arbitron provides media and marketing information (primarily radio audience measurement) to broadcasters, advertising agencies, advertisers and, through a joint venture, newspaper and magazine publishers and TV broadcasters. Arbitron also provides software applications that give customers access to Arbitron's database and, through a joint venture, measurement data concerning consumer retail behavior and media usage. These activities are conducted primarily in the U.S.

The Other segment includes the unallocated amounts related to corporate center operations. The assets of corporate center operations include cash and equivalents as well as deferred income tax and pension assets.

Ceridian measures business segment results by reference to earnings before interest and taxes ("EBIT"), adjusted for unusual gains and losses. In 1998, adjustments included unusual gains related primarily to the disposition of land not used in the business. In 1997, adjustments included charges of \$13.0 for a litigation settlement, \$150.0 for termination of a payroll software development project and \$144.6 due principally to goodwill and other

asset write-offs. Expenses incurred by corporate center operations are charged or allocated to the business segments.

Revenue from sales between business segments is not material. The operations of Ceridian are conducted primarily in the U.S and revenue from sales between U.S. and non-U.S. entities is not material. Non-U.S. operations in Canada and the UK relate largely to the Human Resource Services segment. Geographic data for or at the end of each of the last three years, presented above, is determined by reference to the location of operation.

Page 28 of the Ceridian Annual Report

<TABLE>

<CAPTION>

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)			
BUSINESS SEGMENTS	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
<b>HUMAN RESOURCE SERVICES</b>			
Revenue	\$ 700.3	\$ 578.6	\$ 490.3
EBIT before unusual charges and gains	\$ 100.6	\$ 68.1	\$ 33.7
Unusual (charges) gains	--	(223.5)	--
EBIT	\$ 100.6	\$ (155.4)	\$ 33.7
Total assets	\$ 471.5	\$ 229.5	\$ 373.4
Depreciation and amortization	\$ 40.0	\$ 43.0	\$ 43.2
Expended for property, plant & equipment	\$ 35.8	\$ 24.3	\$ 21.4
<b>COMDATA</b>			
Revenue	\$ 267.3	\$ 331.0	\$ 299.2
EBIT before unusual charges and gains	\$ 52.4	\$ 57.2	\$ 68.3
Unusual (charges) gains	--	(41.0)	--
EBIT	\$ 52.4	\$ 16.2	\$ 68.3
Total Assets	\$ 398.6	\$ 434.1	\$ 370.8
Depreciation and amortization	13.4	17.0	11.7
Expended for property, plant & equipment	6.7	18.1	10.5
<b>ARBITRON</b>			
Revenue	194.5	165.2	153.1
EBIT before unusual charges and gains	61.4	52.7	45.9
Unusual (charges) gains	--	(5.0)	--
EBIT	61.4	47.7	45.9
Total assets	66.8	49.7	44.6
Depreciation and amortization	4.7	3.9	4.0
Expended for property, plant & equipment	1.2	1.2	1.8
<b>OTHER</b>			
Revenue	--	--	--
EBIT before unusual charges and gains	--	--	--
Unusual (charges) gains	9.2	(38.2)	--
EBIT	9.2	(38.2)	--
Total assets	352.8	530.0	227.8
Depreciation and amortization	(6.9)	(5.5)	(5.1)
Expended for property, plant & equipment	2.5	0.6	0.8
<b>TOTAL CERIDIAN</b>			
Revenue	1,162.1	1,074.8	942.6
EBIT before unusual charges and gains	214.4	178.0	147.9
Unusual (charges) gains	9.2	(307.7)	--
EBIT	223.6	(129.7)	147.9
Total assets	1,289.7	1,243.3	1,016.6
Depreciation and amortization	51.2	58.4	53.8
Expended for property, plant & equipment	46.2	44.2	34.5

</TABLE>



## D. INCOME TAXES

Ceridian has U.S. net operating loss carryforwards and future tax deductions of \$344.4 and \$193.3, respectively, which will be available to offset regular taxable U.S. income during the carryforward period (through 2013). The tax benefits of these items are reflected in the accompanying table of deferred tax asset and liability. If not used, these carryforwards will begin to expire in 2005.

In 1998, Ceridian realized a \$18.5 tax benefit related to the difference between its tax and financial reporting basis in a subsidiary that was disposed of during fourth quarter.

Under tax sharing agreements existing at the time of the disposition of certain former operations of Ceridian, Ceridian remains subject to income tax audits in various jurisdictions for the years 1985-1992. Ceridian considers its tax accruals adequate to cover any U.S. and international tax deficiencies not recoverable through deductions in future years.

&lt;TABLE&gt;

&lt;CAPTION&gt;

COMPONENTS OF EARNINGS AND TAXES FROM CONTINUING OPERATIONS	1998	1997	1996
<S>	<C>	<C>	<C>
EARNINGS (LOSS) BEFORE INCOME TAXES			
U.S.	\$ 218.5	\$ (134.1)	\$ 145.4
International	11.2	(4.5)	(4.2)
Total	\$ 229.7	\$ (138.6)	\$ 141.2
INCOME TAX PROVISION (BENEFIT)			
Current			
U.S.	\$ 4.2	\$ --	\$ 2.7
State and other	3.0	1.0	1.8
	7.2	1.0	4.5
Deferred			
U.S.	54.2	32.8	0.8
U.S. valuation reserve benefit	--	(207.8)	--
State and other	3.9	--	0.4
	58.1	(175.0)	1.2
Total	\$ 65.3	\$ (174.0)	\$ 5.7

&lt;CAPTION&gt;

EFFECTIVE RATE RECONCILIATION	1998	1997	1996
<S>	<C>	<C>	<C>
U.S. statutory rate	35%	35%	35%
Income tax provision (benefit) at			
U.S. statutory rate	\$ 80.4	\$ (48.5)	\$ 49.4
Alternative minimum tax	--	--	3.5
State income taxes, net	1.4	1.0	2.2
Goodwill	3.1	44.7	3.3
Benefit of net operating loss carryforwards	--	(175.0)	(48.7)
Benefit from sale of business	(18.5)	--	--
Other	(1.1)	3.8	(4.0)
Income tax provision (benefit)	\$ 65.3	\$ (174.0)	\$ 5.7

&lt;/TABLE&gt;

<TABLE>  
<CAPTION>

TAX EFFECT OF ITEMS THAT COMPRISE A SIGNIFICANT PORTION OF THE NET DEFERRED  
TAX ASSET AND LIABILITY

	December 31,	
	1998	1997
<S>	<C>	<C>
Deferred Tax Asset		
Net operating loss carryforwards	\$ 120.5	\$ 153.3
Restructuring and other accruals	66.9	62.2
Other	17.7	2.5
Total	205.1	218.0
Deferred Tax Liability		
Employment related accruals	(21.1)	(14.0)
Other	(2.8)	(4.5)
Total	(23.9)	(18.5)
NET DEFERRED TAX ASSET	\$ 181.2	\$ 199.5
NET DEFERRED TAX ASSET (U.S.)		
Current portion	\$ 127.8	\$ 117.6
Noncurrent portion	53.4	81.9
Total	\$ 181.2	\$ 199.5
DEFERRED TAX LIABILITY (INTERNATIONAL)	\$ 3.6	\$ --

</TABLE>

Page 30 of the Ceridian Annual Report

<TABLE>  
<CAPTION>

E. CAPITAL ASSETS

(Dollars in millions, except per share data)

	December 31,	
	1998	1997
<S>	<C>	<C>
PROPERTY, PLANT AND EQUIPMENT		
Land	\$ 1.2	\$ 1.5
Machinery and equipment	189.8	185.7
Buildings and improvements	42.1	42.9
Construction in progress	4.0	4.3
Accumulated depreciation	237.1 (145.8)	234.4 (154.8)
Property, plant and equipment, net	\$ 91.3	\$ 79.6
GOODWILL AND OTHER INTANGIBLES		
Goodwill	\$ 358.4	\$ 228.7
Accumulated amortization	(36.4)	(38.7)
Goodwill, net	322.0	190.0
Other intangible assets	77.0	64.5
Accumulated amortization	(21.5)	(10.2)
Other intangible assets, net	55.5	54.3
Goodwill and other intangible assets, net	\$ 377.5	\$ 244.3
SOFTWARE AND DEVELOPMENT COSTS		
Purchased software	\$ 31.9	\$ 31.1

Software development costs	24.5	15.5
	56.4	46.6
Accumulated amortization	(30.3)	(36.9)
Software and development costs, net	\$ 26.1	\$ 9.7

<CAPTION>

DEPRECIATION AND AMORTIZATION	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Depreciation and amortization			
of property, plant and equipment	\$ 32.2	\$ 33.3	\$ 31.5
Amortization of goodwill	12.0	13.5	11.1
Amortization of other intangibles	10.1	7.6	6.3
Amortization of software and development costs	4.8	10.6	11.0
Pension credit	(7.9)	(6.6)	(6.1)
Total	\$ 51.2	\$ 58.4	\$ 53.8

</TABLE>

Page 31 of the Ceridian Annual Report

EXHIBIT 13.03

#### F. RETIREMENT PLANS

The following information is presented under the new disclosure requirements of FAS 132. Prior year information has been restated to conform with the new requirements.

##### PENSION BENEFITS

Ceridian maintains a defined benefit pension plan for U.S. employees which closed to new participants effective January 1, 1995. Assets of the plan consist principally of equity securities, U.S. government securities, and other fixed income obligations and do not include securities issued by Ceridian. Benefits under the plan are calculated on maximum or career average earnings and years of participation in the plan. Employees participate in this plan by means of salary reduction contributions. Certain former employees are inactive participants in the plan. Retirement plan funding amounts are based on independent consulting actuaries' determination of the Employee Retirement Income Security Act of 1974 funding requirements.

The funded status of the plan at September 30, 1998 and 1997 measurement dates and the changes in funded status for the annual periods then ended are shown in the accompanying tables, along with the net periodic pension cost and assumptions used in calculations for each of the last three years.

Ceridian also sponsors a nonqualified supplemental retirement plan. The projected benefit obligations at September 30, 1998 and 1997 for this plan were \$23.5 and \$23.4, respectively, and the net periodic pension cost was \$2.8 for 1998, \$2.3 for 1997 and \$2.2 for 1996. The related intangible asset included in prepaid pension cost was \$2.0 at December 31, 1998 and \$3.3 at December 31, 1997. The cost recognized by Ceridian with respect to its defined contribution retirement plans was \$8.9 in 1998, \$6.7 in 1997 and \$5.4 in 1996.

<TABLE>

<CAPTION>

FUNDED STATUS OF DEFINED BENEFIT	September 30,	
	1998	1997
RETIREMENT PLAN AT MEASUREMENT DATE		
<S>	<C>	<C>
ACCUMULATED BENEFIT OBLIGATION	\$ 550.0	\$ 524.3
CHANGE IN PROJECTED BENEFIT OBLIGATION DURING THE PERIOD		
At beginning of period	\$ 542.7	\$ 549.1
Service cost	2.0	1.7
Interest cost	42.1	42.6
Actuarial (gain) loss	27.1	35.3
Benefits paid	(46.2)	(86.0)
At end of period	\$ 567.7	\$ 542.7

CHANGE IN FAIR VALUE OF PLAN ASSETS DURING THE PERIOD

At beginning of period	\$ 620.3	\$ 573.6
Actual return on plan assets	(21.6)	132.7
Benefits paid	(46.2)	(86.0)
At end of period	\$ 552.5	\$ 620.3
FUNDED STATUS OF PLAN	\$ (15.2)	\$ 77.6
Unrecognized net loss	105.8	3.3
Unrecognized prior service cost	12.5	16.0
Unrecognized net transition asset	(1.7)	(3.5)
Net pension asset recognized in the consolidated balance sheet	\$ 101.4	\$ 93.4

</TABLE>

<TABLE>  
<CAPTION>

ASSUMPTIONS USED IN CALCULATIONS	1998	1997	1996
<S>	<C>	<C>	<C>
Discount rate	7.00%	7.75%	7.75%
Rate of compensation increase	4.00%	4.50%	4.50%
Expected return on plan assets	9.50%	9.50%	9.50%

NET PERIODIC PENSION COST (CREDIT)	1998	1997	1996
Service cost	\$ 2.0	\$ 1.7	\$ 1.6
Interest cost	42.1	42.5	39.7
Expected return on plan assets	(53.8)	(53.1)	(48.9)
Net amortization and deferral	1.8	2.3	1.5
Total	\$ (7.9)	\$ (6.6)	\$ (6.1)

</TABLE>

Page 32 of the Ceridian Annual Report

POSTRETIREMENT BENEFITS

Ceridian provides health care and life insurance benefits for eligible retired employees, including individuals who retired from operations of Ceridian that were subsequently sold or discontinued. Ceridian sponsors several health care plans in the U.S. for both pre- and post-age 65 retirees. Company contributions to these plans differ for various groups of retirees and future retirees. Employees hired on or after January 1, 1992 may enroll at retirement in company-sponsored plans with no company subsidy. Employees hired before and retiring after that date may enroll in plans that subsidize pre-age 65 coverage only. Employees who retired prior to 1992 are subject to various cost-sharing policies depending on when retirement began and eligibility for Medicare. This is a closed group. Most retirees outside the United States are covered by governmental health care programs, and Ceridian's cost is not significant.

The following tables present the amounts and changes in the aggregate benefit obligation at the beginning and end of and for each of the last two years and the components of net periodic postretirement benefit cost for the plans for the last three years. Ceridian does not prefund these costs.

The assumed health care cost trend rate used in measuring the benefit obligation is 10% for pre-age 65 and 6% for post-age 65 in 1998, declining at a rate of 1% per year to an ultimate rate of 5.75% in 2003 for pre-age 65 and in 1999 for post-age 65. A one percent increase in this rate would increase the benefit obligation at December 31, 1998 by \$3.3 and the aggregate service and interest cost for 1998 by \$0.3. A one percent decrease in this rate would decrease the benefit obligation at December 31, 1998 by \$2.8 and the aggregate service and interest cost for 1998 by \$0.2. The weighted average discount rate used in determining the benefit obligation at December 31, 1998 and 1997 is 7.0%.

<TABLE>  
<CAPTION>

FUNDED STATUS OF POSTRETIREMENT  
HEALTH CARE AND LIFE PLANS

	December 31,	
	1998	1997
<S>	<C>	<C>
CHANGE IN BENEFIT OBLIGATION		
At beginning of year	\$44.9	\$50.1
Service cost	0.1	0.2
Interest cost	3.0	3.6
Participant contributions	1.6	1.9
Actuarial loss (gain)	0.1	(1.5)
Special termination benefits	--	(3.4)
Benefits paid	(5.1)	(6.0)
At end of year	\$44.6	\$44.9

CHANGE IN PLAN ASSETS		
At beginning of year	\$ --	\$ --
Company contributions	3.5	4.1
Participant contributions	1.6	1.9
Benefits paid	(5.1)	(6.0)
At end of year	\$ --	\$ --

FUNDED STATUS OF PLAN		
Benefit obligation, net	\$44.6	\$44.9
Unrecognized actuarial loss	6.5	6.3
Other adjustments	--	0.4
At end of year	\$51.1	\$51.6

Current portion	\$6.0	\$6.0
Noncurrent portion	45.1	45.6
Total	\$51.1	\$51.6

</TABLE>

<TABLE>  
<CAPTION>

NET PERIODIC POSTRETIREMENT BENEFIT COST

	1998	1997	1996
<S>	<C>	<C>	<C>
Service cost	\$ 0.1	\$ 0.2	\$ 0.2
Interest cost	3.0	3.6	3.4
Actuarial gain amortization	(0.2)	(0.1)	--
Other	0.4	(0.6)	0.3
Net periodic benefit cost	\$ 3.3	\$ 3.1	\$ 3.9

</TABLE>

G. STOCK PLANS

During the three-year period ended December 31, 1998, Ceridian provided stock-based compensation plans for directors, officers and other employees. The 1996 Director Performance Incentive Plan authorizes the issuance of up to

250,000 shares in connection with awards of stock options and non-performance restricted stock to non-employee directors of Ceridian. An annual grant of an option to purchase 4,000 shares (3,000 shares before 1998) is made to each eligible director with such grants becoming fully exercisable six months after the date of grant. The exercise price of the options is the fair market value of the underlying stock at the date of grant, and the options expire in ten years. A one-time award of non-performance restricted shares is made to each outside director when the director first joins the Board. The number of shares awarded will have a fair market value equal to two and one-half times (four times before 1998) the then current annual retainer paid to non-employee directors. The restrictions on transfer will ordinarily lapse ratably over a five-year period.

The 1993 Long-Term Incentive Plan as amended ("1993 LTIP") authorizes the issuance until December 31, 1999 of up to 18,000,000 common shares in connection with awards of stock options and restricted stock to executives and other key employees. Options remain outstanding under a predecessor plan subject to similar terms. The 1994 Stock Option Plan expired at the end of 1998.

Stock options awarded under these plans generally vest annually over a three-year period, have 10-year terms and have an exercise price that may not be less than the fair market value of the underlying stock at the date of grant.

Under the terms of the 1993 LTIP, senior executives were awarded performance restricted shares which became eligible to vest in installments during 1996, 1997 and 1998 for executives still employed by Ceridian on the vesting dates. Vesting occurred only to the extent that the total return to holders of Ceridian common stock over two, three and four year performance periods ending on April 30 in those years met certain prescribed levels as compared to other companies in the S&P 500.

Of these shares, 503,240 vested during 1996, 11,196 during 1997 and 82,152 during 1998. Shares which had not yet vested as of the end of the final performance period were forfeited and returned as treasury stock.

<TABLE>  
<CAPTION>

STOCK PLANS	OPTION PRICE PER SHARE	OUTSTANDING	EXERCISABLE	AVAILABLE FOR GRANT	WEIGHTED- AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
At December 31, 1995	\$ 0.89 - \$22.75	11,383,516	4,727,058	6,002,306	\$10.65
Authorized				250,000	
EAS conversion	3.09	100,654	98,466		
Granted	18.63 - 26.13	3,121,850		(3,121,850)	23.76
Became exercisable	1.33 - 23.63		2,239,004		
Exercised	0.89 - 20.63	(3,361,310)	(3,361,310)		7.06
Canceled	1.33 - 25.38	(634,484)	(7,216)	539,256	15.69
Expired	10.53	(7,102)	(7,102)	(36,000)	10.53
ESPP purchases				(348,278)	
Restricted stock, net				127,892	
Directors' retirement				(38,284)	
Performance units				(40,000)	
At December 31, 1996	\$ 0.89 - \$26.13	10,603,124	3,688,900	3,335,042	\$15.28
Authorized				6,000,000	
Granted	15.32 - 22.38	4,505,500		(4,505,500)	20.13
Became exercisable	1.33 - 26.13		2,938,656		
Exercised	1.33 - 22.38	(1,494,356)	(1,494,356)		9.08
Canceled	1.33 - 25.38	(1,353,580)	(70,420)	1,262,382	21.13
Expired	8.08	(13,494)	(13,494)		8.08
ESPP purchases				(478,338)	
Restricted stock, net				338,850	
Performance units forfeited				12,000	
At December 31, 1997	\$ 0.89 - \$26.13	12,247,194	5,049,286	5,964,436	\$17.18
AUTHORIZED				3,006,000	
GRANTED	18.63 - 33.16	5,109,000		(5,109,000)	27.42
BECAME EXERCISABLE	4.43 - 28.10		2,200,162		
EXERCISED	0.89 - 26.13	(2,804,050)	(2,804,050)		13.00
CANCELED	6.47 - 33.16	(1,058,196)	(82,194)	980,448	20.68

EXPIRED	5.92	(2,280)	(2,280)	(360,062)	5.92
ESPP PURCHASES				(202,988)	
RESTRICTED STOCK, NET				630,522	
PERFORMANCE UNITS FORFEITED				8,000	

-----  
AT DECEMBER 31, 1998 \$ 3.09 - \$33.16 13,491,668 4,360,924 4,917,356 \$21.65  
-----

COMMON SHARES RESERVED FOR FUTURE ISSUANCE AT DECEMBER 31, 1998 WERE 18,409,024.  
-----

</TABLE>

Page 34 of the Ceridian Annual Report

During 1998, Ceridian reserved 1,000,000 common shares for a new stock-based compensation plan for certain employees in its UK operations.

The employee plans also provide for the accelerated exercisability of options and the accelerated lapse of transfer restrictions on restricted stock if a participant's employment terminates for specified reasons within two years of a change of control of Ceridian.

The Employee Stock Purchase Plan ("ESPP"), as amended in 1998, provides for the issuance of up to 3,000,000 shares of newly issued or treasury common stock of Ceridian to eligible employees. The purchase price of the stock to plan participants is 85% of the lesser of the fair market value on either the first day or the last day of the applicable three-month offering period.

As reported in Note A, Ceridian adopted the disclosure-only provisions of FAS 123 and continues to account for stock-based compensation as in prior years. Therefore, no expense is recorded with respect to Ceridian's stock option or employee stock purchase plans, and compensation expense (credit) of \$(3.3) in 1998, \$(2.4) in 1997, and \$7.2 in 1996 was included in continuing operations in connection with restricted stock awards.

The following disclosure is provided with respect to the provisions of FAS 123. Ceridian employs the Black-Scholes option pricing model for determining the fair value of stock option grants, restricted stock awards and ESPP purchases, as presented in an accompanying table. Weighted average exercise prices for stock option activity and options outstanding at December 31, 1998, 1997 and 1996 are included in the Stock Plans table on the previous page.

Further information on outstanding and exercisable stock options by exercise price range as of the end of the current year is disclosed in an accompanying table. Ceridian is required to report the pro forma effect on net earnings and earnings per share which would have resulted if the fair value method of accounting for stock-based compensation issued in those years had been adopted. The application of the fair value method would have resulted in the determination of compensation cost for grants of stock options and purchases under the ESPP and would have eliminated from the related compensation cost the revaluation to market price of unvested awards of restricted stock. Such compensation cost would then be allocated to the related period of service. The results of this calculation and the assumptions used appear in the accompanying pro forma table.

-----  
STOCK OPTION INFORMATION AS OF DECEMBER 31, 1998  
-----

<TABLE>  
<CAPTION>

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE	
<S>	<C>	<C>	<C>	<C>	<C>	
\$ 3.09 - \$9.57	1,421,784	4.74	\$ 8.01	1,377,360	\$ 7.99	
\$10.53 - \$18.63	1,408,172	6.75	\$14.57	957,964	\$13.47	
\$19.94 - \$20.00	1,804,296	8.80	\$20.00	527,840	\$20.00	
\$20.32 - \$21.25	1,970,328	7.89	\$21.12	540,532	\$20.95	
\$21.32 - \$25.07	1,940,356	7.86	\$23.89	907,890	\$23.96	
\$25.19 - \$26.91	781,132	9.28	\$26.41	9,338	\$25.75	
\$27.41 - \$27.41	3,385,400	9.81	\$27.41	--	\$ --	
\$27.69 - \$33.16	780,200	9.55	\$29.12	40,000	\$28.10	

\$ 3.09 - \$33.16 13,491,668 8.17 \$21.65 4,360,924 \$15.80

</TABLE>

<TABLE>  
<CAPTION>

PRO FORMA EFFECT OF FAIR VALUE ACCOUNTING	1998	1997	1996
<S>	<C>	<C>	<C>
On compensation cost	\$14.1	\$9.9	\$11.4
On diluted earnings per share	\$0.10	\$0.06	\$0.07

WEIGHTED-AVERAGE ASSUMPTIONS

Expected lives in years	4-8	4-8	4-8
Expected volatility	34.5%	32.7%	26.0%
Expected dividend rate	--	--	--
Risk-free interest rate	4.8%	5.3%	6.0%

</TABLE>

<TABLE>  
<CAPTION>

WEIGHTED AVERAGE FAIR VALUES OF GRANTS, AWARDS AND PURCHASES

	1998		1997		1996	
	SHARES	FAIR VALUE	SHARES	FAIR VALUE	SHARES	FAIR VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Stock options	5,109,000	\$8.82	4,505,500	\$6.90	3,121,850	\$6.73
Restricted stock awards	--	--	--	--	172,000	\$15.65
ESPP	202,988	\$1.08	478,338	\$2.40	348,278	\$2.21

</TABLE>

H. FINANCING

During first quarter 1998 and in connection with the purchases of two payroll services businesses in Canada, Ceridian entered into two revolving credit arrangements which expire on July 31, 2002 with Canadian banks through a Canadian subsidiary. The initial borrowings amounted to \$70.4 in the aggregate, carry interest rates of approximately 5.5% and had an aggregate outstanding amount at December 31, 1998 of \$53.9. Other borrowing activities during 1998 primarily involved small revolving credit or overdraft credit lines of subsidiaries.

In July 1997, Ceridian entered into a \$250.0 revolving credit facility with a commercial bank syndicate. The credit facility is unsecured and has a final maturity of July 31, 2002. The full amount of the credit facility may be utilized for revolving loans and up to \$75.0 of the credit facility may be used to obtain standby letters of credit. The pricing of the credit facility for both loans and letters of credit is determined based on Ceridian's senior unsecured debt ratings. At December 31, 1998 and 1997, there were no revolving loans and \$2.9 in letters of credit outstanding under the facility.

<TABLE>  
<CAPTION>

DEBT OBLIGATIONS	December 31,	
	1998	1997
<S>	<C>	<C>
Revolving credit agreements and overdrafts	\$ 53.9	\$ 1.9



Other long-term debt obligations	0.6	1.1
	-----	-----
Total debt obligations	54.5	3.0
Less short-term debt and current portions of long-term debt	0.3	2.2
	-----	-----
Long-term obligations, less current portions	\$ 54.2	\$ 0.8
	=====	=====

</TABLE>

Under the terms of the credit facility, Ceridian's consolidated debt must not exceed its stockholders' equity as of the end of any fiscal quarter, and the ratio of Ceridian's EBIT to interest expense on a rolling four quarter basis must be at least 2.75 to 1. The credit facility also limits liens, subsidiary debt, contingent obligations, operating leases, minority equity investments and divestitures. At December 31, 1998, Ceridian was in compliance with all covenants contained in the credit facility.

During 1997, Ceridian made payments of \$144.3 on outstanding debt, including repaying all amounts outstanding under its domestic revolving credit facility, under three supplemental six month promissory notes given to three of the banks that are parties to the revolving credit facility and under certain debt obligations assumed as a result of acquisitions.

Page 36 of the Ceridian Annual Report

EXHIBIT 13.03

#### I. LEASING

Ceridian conducts a substantial portion of its operations in leased facilities. Most of these leases contain renewal options and require payments for taxes, insurance and maintenance. Ceridian remains secondarily liable for future rental obligations related to assigned leases totaling \$13.4 at December 31, 1998. Ceridian does not anticipate any material non-performance by the assignees of these leases.

Virtually all leasing arrangements for equipment and facilities are operating leases and the rental payments under these leases are charged to operations as incurred. The amounts in the accompanying tables do not include assigned leases or obligations recorded as liabilities.

The amounts of rental expense and sublease income for each of the three years ended December 31, 1998 appear in the Rental Expense table.

<TABLE>  
<CAPTION>

RENTAL EXPENSE	1998	1997	1996
<S>	<C>	<C>	<C>
Rental expense	\$38.6	\$38.8	\$39.2
Sublease rental income	(2.2)	(1.7)	(1.6)
	-----	-----	-----
Net rental expense	\$36.4	\$37.1	\$37.6
	=====	=====	=====

</TABLE>

Future minimum noncancelable lease payments on operating leases existing at December 31, 1998, and which have an initial term of more than one year, are described in the Future Minimum Lease Payments table.

<TABLE>  
<CAPTION>

#### FUTURE MINIMUM LEASE PAYMENTS

<S>	<C>
1999	\$37.9
2000	31.8
2001	27.0
2002	19.7
2003	13.4
Thereafter	48.2

</TABLE>

## J. INVESTING ACTIVITY

During first quarter 1998, Ceridian, through a Canadian subsidiary, acquired the payroll services businesses of two Canadian banks for a total cash payment of \$140.7 of which \$70.4 was borrowed from the sellers. The acquisitions resulted in the recording of \$123.5 of goodwill. Pre-acquisition revenue for these operations was approximately \$65.0 in 1997. Substantially all of the 1998 revenue for these businesses was reported in Ceridian's revenue. In November 1998, Ceridian acquired the work-life services business of Work/Family Directions, Inc., which had estimated pre-acquisition revenue of approximately \$52.0 in 1998 and \$57.0 in 1997. The acquisition resulted in a cash payment of \$77.5 and the recording of \$66.5 of goodwill. In May 1998, Ceridian purchased certain assets of Tapscan, Inc., a developer of software for broadcasters, agencies and advertisers, to be associated with its Arbitron operations. The acquisition of Tapscan and other minor purchase acquisitions made during 1998 resulted in cash payments totaling \$14.7, deferred payment obligations of \$3.0 and goodwill of \$13.6.

In January 1998, Ceridian's Comdata subsidiary exchanged its gaming services business for First Data Corporation's NTS transportation services business and \$50.5 in cash. The net cash inflow from the exchange was \$30.1 and the net reduction in goodwill was \$44.1. During the year, Ceridian sold its Resumix and Tesseract operations, along with other smaller businesses and assets. The aggregate net cash proceeds from these sales was \$19.4 with no material gain or loss. In connection with the sale of Resumix, Ceridian received a 15 percent equity interest in the successor company in the form of 1,499,900 shares of preferred stock with a liquidation preference of \$4.10 per share. In addition, Ceridian received an interest bearing note for \$22.8. The note calls for annual principal payments of \$4.5 beginning in August 2002 with the balance payable in August 2005. Ceridian will recognize gain on the note receivable as principal payments are funded and on the preferred shares when a ready market develops.

On December 31, 1997, Ceridian sold its Computing Devices International division. Further information on this transaction is provided in Note B. Also during 1997, Ceridian acquired or invested in seven small businesses. The three acquisitions associated with Comdata included a provider of cash advance services to the gaming industry, a fuel management services provider and the step acquisition of the remaining interest in International Automated Energy Systems ("IAES"), a provider of fuel management and payment systems for local trucking fleets. The two acquisitions associated with Human Resource Services included a provider of human resources management and benefits software and a provider of interactive, self service applications to facilitate human resources administration. Arbitron acquired a market research firm in the UK and invested in a company that seeks to gather data regarding credit card usage. With one exception, all the acquisitions were accounted for by the purchase method. The aggregate consideration for these acquisitions and investments consisted of \$30.0 in cash, assumption of \$8.6 of debt and 1,885,340 shares of Ceridian's common stock. Goodwill recorded for these transactions was \$40.2.

During 1996, Ceridian acquired or invested in nine small businesses, using both the pooling and purchase methods of accounting. The six acquisitions associated with Human Resource Services included providers of employee assistance and work-life services, a payroll processor in the UK, a provider of time and attendance software and providers of human resource management software and expert systems. The two acquisitions associated with Comdata included a provider of funds transfer and fuel purchase services and a provider of permit and vehicle escort services to trucking companies. Comdata also made a minority investment in IAES. The aggregate consideration for these acquisitions and investments and related advances consisted of \$30.9 in cash and 1,396,336 shares of Ceridian's common stock.

## K. COMMITMENTS AND CONTINGENCIES

## COMMITMENTS

In 1995, Comdata extended its contract arrangements with IBM Global Services ("IBM"), the successor to Integrated Systems Solutions Corporation, for substantially all data processing functions for a term of ten years. The agreement provided for a minimum monthly payment of \$1.6 in 1996 and \$1.4 thereafter. In early 1998, the agreement was amended and IBM assumed certain additional responsibilities and duties for and on behalf of Comdata. Under the terms of the 1998 amendment, the minimum monthly fee is \$1.6 in 1998 and

\$1.8 in 1999 and thereafter. The amount of expense incurred under these contract arrangements was \$20.8 in 1998, \$17.6 in 1997 and \$16.0 in 1996. Cancellation of the agreement for convenience in 1999 would require payment of a termination fee of \$8.6.

Under a Telecommunications Services Agreement with WorldCom, renewed in 1995 and amended in 1996, Comdata agreed to purchase a minimum of \$13.0 of long distance services and 80% of such services (as defined) up to \$24.0 each year until 2003. In September 1997, Comdata entered into a new Telecommunications Services Agreement with WilTel (WorldCom's wholesale services subsidiary) which replaced the WorldCom agreement. Under the 1997 Agreement, Comdata agreed to purchase a minimum of \$1.1 of such services each month until January 2003. Comdata is able to terminate its minimum purchase commitment at such time as it has purchased an aggregate of \$45.0 in services under the 1997 Agreement. Cancellation of the 1997 Agreement for convenience would result in a cancellation charge equal to 12.5% of the average monthly revenue during the last 12 months times the number of full months remaining in the term of such Agreement. Purchases charged to expense under the current contract and its predecessors amounted to \$17.1 in 1998, \$20.3 in 1997 and \$22.5 in 1996.

#### INTEREST RATE COLLARS

During 1998, Ceridian maintained in effect an average notional amount of collars of \$833.4 for the purpose of hedging interest rate risk on invested customer deposits held in its U.S. tax filing trust. The counterparties to these arrangements are commercial banks with debt ratings of A or better. Under current accounting standards, neither the collar arrangements nor the related trust investments and offsetting liability to customers are reflected in Ceridian's balance sheets. These arrangements, which do not require collateral, require the banks to pay Ceridian the amount by which a certain index of short-term interest rates falls below a specified floor strike level. Alternatively, when that index exceeds a specified cap strike level, Ceridian is required to pay out the excess above the cap strike level.

At December 31, 1998, Ceridian had ten collar transactions in effect with an aggregate notional amount of \$900.0, remaining terms of 5 to 56 months, floor strike levels ranging from 5% to 6% (averaging 5.28%) and cap strike levels ranging from 5.97% to 8.18% (averaging 7.13%). The risk of accounting loss through non-performance by the counterparties under any of these arrangements is considered negligible.

Page 39 of the Ceridian Annual Report

EXHIBIT 13.03

#### L. LEGAL MATTERS

##### SECURITIES LITIGATION

Ceridian and ten of its current and former executive officers are named as defendants in a consolidated class action complaint filed by five Ceridian shareholders in U.S. District Court in Minnesota. The lawsuit arises out of Ceridian's announcement, on August 26, 1997, that it had decided to terminate further development of its CII payroll processing software system. The named plaintiffs, who purport to act on behalf of a class of purchasers of Ceridian common stock during the period from January 23, 1996 to August 26, 1997, allege that the defendants violated federal and state securities laws and state consumer fraud laws by publicly disseminating false and misleading statements regarding Ceridian and concealing adverse information about Ceridian, with the effect of artificially inflating the market price of Ceridian's common stock, and by selling Ceridian common stock while in possession of material non-public information about Ceridian. The consolidated complaint alleges that the defendants provided false and misleading information regarding the development of the CII system and the impact that system would have on Ceridian's future operations, concealed problems with the development of the CII system and improperly capitalized the costs of the CII development effort, thereby overstating Ceridian's financial results during the development period. The complaint does not specify an amount of damages claimed. Ceridian believes that the complaint is without merit and intends to vigorously defend this action.

##### OTHER MATTERS

During 1998, Comdata resolved by settlement the examination on behalf of the various states with regard to unmatched transactions. The settlement did not have a material adverse effect on Ceridian's financial position or results of operations.

Ceridian is also involved in a number of other judicial and administrative proceedings considered normal in the nature of its current and past operations, including employment-related disputes, contract disputes and tort claims. Final disposition of some of these proceedings may not occur for several years. In the opinion of management, the final disposition of these proceedings will not, considering the merits of the claims and available reserves, have a material adverse effect on Ceridian's financial position or

results of operations.

Page 40 of the Ceridian Annual Report

<TABLE>  
<CAPTION>

Exhibit 13.04

SUPPLEMENTARY QUARTERLY DATA (Unaudited)

(Dollars in millions, except per share data)

	1998				1997			
	4TH QUARTER	3RD QUARTER	2ND QUARTER	1ST QUARTER	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ 309.6	\$ 286.1	\$ 284.1	\$ 282.3	\$ 282.5	\$ 266.6	\$ 261.8	\$ 263.9
Cost of revenue	150.4	137.2	135.0	128.9	138.9	132.4	130.2	126.1
GROSS PROFIT	159.2	148.9	149.1	153.4	143.6	134.2	131.6	137.8
Selling, general and administrative	78.5	77.7	79.3	80.5	73.5	79.8	79.2	75.5
Research and development	20.0	20.1	20.3	17.4	20.2	13.3	11.9	14.2
Other expense (income) (1)	(9.2)	0.6	1.2	0.6	144.4	150.4	1.0	13.5
EARNINGS (LOSS) BEFORE INTEREST AND TAXES	69.9	50.5	48.3	54.9	(94.5)	(109.3)	39.5	34.6
Interest income	2.5	2.7	2.5	2.7	0.9	0.4	0.5	0.5
Interest expense	(1.0)	(1.1)	(1.5)	(0.7)	(5.1)	(2.0)	(2.0)	(2.1)
EARNINGS (LOSS) BEFORE INCOME TAXES	71.4	52.1	49.3	56.9	(98.7)	(110.9)	38.0	33.0
Income tax provision (benefit) (2)	7.3	18.9	18.0	21.1	(174.8)	(0.8)	1.0	0.6
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	64.1	33.2	31.3	35.8	76.1	(110.1)	37.0	32.4
Discontinued operations (3)								
Gain on sale	25.4	--	--	--	386.3	--	--	--
Earnings from operations	--	--	--	--	11.4	16.4	11.5	11.4
NET EARNINGS (LOSS)	\$ 89.5	\$ 33.2	\$ 31.3	\$ 35.8	\$ 473.8	\$ (93.7)	\$ 48.5	\$ 43.8
EARNINGS (LOSS) PER SHARE (4) (5)								
BASIC								
Continuing operations	\$ 0.45	\$ 0.23	\$ 0.22	\$ 0.25	\$ 0.51	\$ (0.70)	\$ 0.23	\$ 0.20
Net earnings	\$ 0.62	\$ 0.23	\$ 0.22	\$ 0.25	\$ 3.17	\$ (0.59)	\$ 0.30	\$ 0.28
DILUTED								
Continuing operations	\$ 0.44	\$ 0.23	\$ 0.21	\$ 0.24	\$ 0.50	\$ (0.70)	\$ 0.23	\$ 0.20
Net earnings	\$ 0.61	\$ 0.23	\$ 0.21	\$ 0.24	\$ 3.12	\$ (0.59)	\$ 0.30	\$ 0.27
SHARES USED IN CALCULATIONS (5)								
(IN THOUSANDS)								
Basic	143,234	144,020	144,931	144,110	149,382	158,378	160,384	159,197
Diluted	147,154	147,520	148,601	147,195	152,103	158,378	162,900	162,030
COMMON STOCK-PER SHARE								
Market price ranges (5) (6)								
High	36	32 1/4	30 7/8	27 13/16	23 7/8	22 13/16	21 13/16	21 1/4
Low	24	24 1/4	25 5/16	21 3/4	17 5/8	16 1/16	14 3/4	16 1/8
No cash dividends have been declared on common stock during the periods presented.								

</TABLE>

- (1) Includes fourth quarter 1998 unusual gains of \$9.2 and 1997 unusual charges of \$144.6 in fourth quarter, \$150.0 in third quarter and \$13.0 in first quarter as described in Note B.
- (2) For information on a fourth quarter 1998 unusual tax benefit and the fourth quarter 1997 FAS 109 tax benefit, see Note D.
- (3) For information on discontinued operations, see Note B.
- (4) For information on the calculation of earnings (loss) per share, see Note A.
- (5) Reflects a 2-for-1 stock split in the form of a 100% stock dividend announced January 20, 1999 and effective for holders of record on February 10, 1999.
- (6) From the New York Stock Exchange - Composite Transactions Listing.

CERIDIAN CORPORATION

SUBSIDIARIES

MARCH 15, 1999

<TABLE>  
<CAPTION>

SUBSIDIARIES AND THEIR AFFILIATES:

-----  
<S>  
Ceridian Canada Holdings, Inc.  
    Ceridian Canada Ltd.  
    Ceridian Performance Partners Ltd.  
Ceridian Holdings U.K. Limited  
    Centre-file Limited (f/k/a Datacarrer Limited)  
    CSW Research Limited  
    Ceridian Performance Partners Limited  
    (f/k/a Letterallied Limited)  
Ceridian Infotech (India) Private Limited  
Ceridian Small Business Solutions, Inc.  
    (f/k/a Minidata Services, Inc.)  
Ceridian Tax Service, Inc.  
Comdata Network, Inc.  
    Archco, Inc.  
    Comdata Network Inc. of California  
    Comdata Telecommunications Services, Inc.  
    International Automated Energy Systems, Inc.  
    Permicom Permits Services, Inc.  
Partnership Group, Inc., The  
Scarborough Research (General Partnership)  
Stored Value Systems, Inc.  
User Technology Services Inc.  
Web Northstar Interactive Corp.  
</TABLE>

STATE OR  
OTHER JURISDICTION  
OF INCORPORATION

-----  
<C>  
Delaware  
Canada  
Canada  
United Kingdom  
United Kingdom  
United Kingdom  
United Kingdom  
  
India  
New Jersey  
  
Delaware  
Maryland  
Minnesota  
California  
Delaware  
Florida  
Canada  
Pennsylvania  
Delaware  
Delaware  
New York  
New York

Certain subsidiaries, which in the aggregate would not constitute a significant subsidiary, are omitted from this listing.

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors  
of Ceridian Corporation:

We consent to incorporation by reference in Registration Statements Nos. 33-49601, 33-61551, 33-34035, 2-97570, 33-56833, 33-54379, 33-56325, 33-62319, 33-64913, 333-01793, 333-01887, 333-03661, 333-28069, 333-58143, 333-58145, 333-66643 and 333-50757 on Form S-8 of Ceridian Corporation of our reports dated January 20, 1999. Such reports relate to the consolidated financial statements and related financial statement schedule of Ceridian Corporation and subsidiaries as of December 31, 1998 and 1997 and for each of the years in the three-year period ended December 31, 1998 and are included or incorporated by reference in the 1998 Annual Report on Form 10-K of Ceridian Corporation.

/s/ KPMG Peat Marwick LLP

Minneapolis, Minnesota  
March 25, 1999

POWER OF ATTORNEY

The undersigned, a Director of Ceridian Corporation (the "Company"), a Delaware corporation, does hereby make, nominate and appoint GARY M. NELSON and JOHN R. EICKHOFF, and each of them, to be my attorney-in-fact for three months from the date hereof, with full power and authority to execute for and on behalf of the undersigned the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, to be filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended; provided that such Form 10-K is first reviewed by the Audit Committee of the Board of Directors of the Company and by my attorney-in-fact, and his name, when thus signed, shall have the same force and effect as though I had manually signed such Form 10-K.

I have signed this Power of Attorney as of February 3, 1999.

/s/ Bruce R. Bond  
-----  
Bruce R. Bond

/s/ Nicholas D. Chabraja  
-----  
Nicholas D. Chabraja

/s/ Ruth M. Davis  
-----  
Ruth M. Davis

/s/ Robert H. Ewald  
-----  
Robert H. Ewald

/s/ Richard G. Lareau  
-----  
Richard G. Lareau

/s/ Ronald T. LeMay  
-----  
Ronald T. LeMay

/s/ George R. Lewis  
-----  
George R. Lewis

/s/ Ronald A. Matricaria  
-----  
Ronald A. Matricaria



/s/ Lawrence Perlman

-----  
Lawrence Perlman

/s/ Ronald L. Turner

-----  
Ronald L. Turner

/s/ Carole J. Uhrich

-----  
Carole J. Uhrich

/s/ Paul S. Walsh

-----  
Paul S. Walsh

<TABLE> <S> <C>

<ARTICLE> 5

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	DEC-31-1998
<PERIOD-END>	DEC-31-1998
<CASH>	101,800
<SECURITIES>	0
<RECEIVABLES>	406,200
<ALLOWANCES>	21,700
<INVENTORY>	0
<CURRENT-ASSETS>	633,700
<PP&E>	237,100
<DEPRECIATION>	145,800
<TOTAL-ASSETS>	1,289,700
<CURRENT-LIABILITIES>	436,700
<BONDS>	54,200
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	80,800<F1>
<OTHER-SE>	569,800
<TOTAL-LIABILITY-AND-EQUITY>	1,289,700
<SALES>	0
<TOTAL-REVENUES>	1,162,100
<CGS>	0
<TOTAL-COSTS>	551,500
<OTHER-EXPENSES>	(6,800)
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	4,300
<INCOME-PRETAX>	229,700
<INCOME-TAX>	65,300
<INCOME-CONTINUING>	164,400
<DISCONTINUED>	(25,400)
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	189,800
<EPS-PRIMARY>	1.32<F1>
<EPS-DILUTED>	1.29<F1>
<FN>	
<F1>	

EPS and Common Stock reflect the effect of a 2-for-1 stock split in the form of a 100% stock dividend.

</FN>

</TABLE>