

STATE OF CONNECTICUT

SUPERIOR COURT

PENNSYLVANIA AVENUE PARTNERS on)
Behalf of Itself and All Others Similarly)
Situating,)

Plaintiff,)

vs.)

SECURITY CAPITAL CORPORATION,)
BRIAN D. FITZGERALD, A. GEORGE)
GEBAUER, SAMUEL B. FORTENBAUGH)
III, JOHN H. F. HASKELL, EDWARD W.)
KELLEY, JR., M. PAUL KELLY and)
ROBERT M. WILLIAMS,)

Defendants.)
_____)

Case No.

CLASS ACTION

COMPLAINT BASED UPON SELF
DEALING AND BREACH OF FIDUCIARY
DUTY

Plaintiff, by its attorneys, alleges as follows:

SUMMARY OF THE ACTION

1. This is a stockholder class action brought by plaintiff on behalf of the holders of Security Capital Corporation (“Security Capital” or the “Company”) common stock against Security Capital and its directors arising out of defendants’ efforts to complete a management-led buyout of Security Capital at a grossly inadequate and unfair price (the “Acquisition”) and their efforts to provide certain insiders and directors with preferential treatment at the expense of, and which is unfair to, the public shareholders.

2. In pursuing the unlawful plan to cash out Security Capital’s public stockholders for grossly inadequate consideration, each of the defendants violated applicable law by directly breaching and/or aiding the other defendants’ breaches of their fiduciary duties of loyalty, due care, independence, good faith and fair dealing.

3. In fact, instead of attempting to obtain the highest price reasonably available for Security Capital for its shareholders, the individual defendants spent a substantial effort tailoring the structural terms of the Acquisition to meet the specific needs of Sedgwick CMS Holdings, Inc. (“Sedgwick”) and the Company’s controlling majority shareholder (81%), defendant Brian D. Fitzgerald (“Fitzgerald”), also the Company’s Chief Executive Officer (“CEO”).

4. In essence, the proposed Acquisition is the product of a hopelessly flawed process that was designed to ensure the sale of Security Capital to one buying group, and one buying group only, on terms preferential to Sedgwick and Fitzgerald and to subvert the interests of plaintiff and the other public stockholders of Security Capital. Plaintiff seeks to enjoin the proposed transaction.

JURISDICTION AND VENUE

5. This Court has jurisdiction over the cause of action asserted herein pursuant to the Connecticut Constitution, Article __, §__, because this case is a cause not given by statute to other trial courts.

6. This Court has jurisdiction over Security Capital because Security Capital conducts business in Connecticut and is a citizen of Connecticut, as it has its principal place of business at Eight Greenwich Office Park, Third Floor, Greenwich, Connecticut. Security Capital is a citizen of Connecticut. Likewise, certain of the individual defendants, including defendants Fitzgerald and A. George Gebauer (“Gebauer”) are citizens of Connecticut. This action is not removable.

7. Venue is proper in this Court because the conduct at issue took place and had an effect in this County.

PARTIES

8. Plaintiff Pennsylvania Avenue Partners is, and at all times relevant hereto was, a shareholder of Security Capital.

9. Defendant Security Capital, through its subsidiaries, provides employer cost containment and health services, as well as educational services in the United States.

10. Defendant Fitzgerald has served as Chairman of the Board of the Company since January 1990 and President and CEO of the Company since July 2000. He is also President of FGS, Inc., and partner, general partner, officer and/or director of various entities of Capital Partners, Inc.

11. Defendant Gebauer has served as Vice Chairman of the Board of the Company since July 2000 and Secretary of the Company since February 1994. He was President of the Company from January 1990 to July 2000. Gebauer is also Vice President, Secretary and a director of FGS, Inc. and partner, general partner, officer and/or director of various entities of Capital Partners, Inc.

12. Defendant Samuel B. Fortenbaugh III (“Fortenbaugh”) is a director of the Company. He is the former chairman of the law firm of Morgan, Lewis & Bockius LLP (“MLB”), an international law firm; a senior partner of MLB from January 1980 to September 2001 and a senior counsel from October 2001 to August 2002. Fortenbaugh also serves as a director of Baldwin

Technology Company, Inc., a leading international manufacturer of controls and accessories for the printing industry.

13. Defendant John H. F. Haskell, Jr (“Haskell”) is a director of the Company. He was an advisor to UBS Securities LLC, an investment banking firm, from March 2004 to May 2005. Haskell was managing director of Dillon, Read & Co. Inc. and its successors, Warburg Dillon Read LLC and UBS Warburg LLC, from 1975 to 2003. He also serves as a director of Pall Corporation, an international manufacturer of filtration and separation products and systems for the medical, biopharmaceutical, industrial, aerospace and microelectronic industries.

14. Defendant Edward W. Kelley, Jr. (“Kelley”) is a director of the Company.

15. Defendant M. Paul Kelly (“Kelly”) is a director of the Company. Kelly is Founder and President of PK Enterprises, an equity investment and operational consulting practice.

16. Defendant Robert M. Williams, Sr. (“Williams”) is a director of the Company. Williams founded RFE Investment Partners in 1979 and managed six private equity funds.

17. The defendants named above in ¶¶ ___ - ___ are sometimes collectively referred to herein as the “Individual Defendants.”

Defendants’ Fiduciary Duties

18. In any situation where the directors of a publicly traded corporation undertake a transaction that will result in either (i) a change in corporate control or (ii) a break-up of the corporation’s assets, the directors have an affirmative fiduciary obligation to obtain the highest value reasonably available for the corporation’s shareholders, and if such transaction will result in a change of corporate control, the shareholders are entitled to receive a significant premium. To diligently comply with these duties, the directors may not take any action that:

- (a) adversely affects the value provided to the corporation’s shareholders;

(b) will discourage or inhibit alternative offers to purchase control of the corporation or its assets;

(c) contractually prohibits them from complying with their fiduciary duties;

(d) will otherwise adversely affect their duty to search and secure the best value reasonably available under the circumstances for the corporation's shareholders; and/or

(e) will provide the directors with preferential treatment at the expense of, or separate from, the public shareholders.

19. In accordance with their duties of loyalty and good faith, the defendants, as directors and/or officers of Security Capital, are obligated to refrain from:

(a) participating in any transaction where the directors' or officers' loyalties are divided;

(b) participating in any transaction where the directors or officers receive or are entitled to receive a personal financial benefit not equally shared by the public shareholders of the corporation; and/or

(c) unjustly enriching themselves at the expense or to the detriment of the public shareholders.

20. Plaintiff alleges herein that the Individual Defendants, separately and together, in connection with the Acquisition, violated the fiduciary duties owed to plaintiff and the other public shareholders of Security Capital, including their duties of loyalty, good faith and independence, insofar as they stood on both sides of the transaction and engaged in self-dealing and obtained for themselves personal benefits, including personal financial benefits not shared equally by plaintiff or the Class. As a result of the Individual Defendants' self-dealing and divided loyalties, neither plaintiff nor the Class will receive adequate or fair value for their Security Capital common stock in the proposed Acquisition.

21. Because the Individual Defendants have breached their duties of loyalty, good faith and independence in connection with the Acquisition, the burden of proving the inherent or entire fairness of the Acquisition, including all aspects of its negotiation, structure, price and terms, is placed upon the Individual Defendants as a matter of law.

CLASS ACTION ALLEGATIONS

22. Plaintiff brings this action on its own behalf and as a class action pursuant to Connecticut Code of Civil Procedure §____ on behalf of all holders of Security Capital stock who are being and will be harmed by defendants' actions described below (the "Class"). Excluded from the Class are defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any defendants.

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

24. The Class is so numerous that joinder of all members is impracticable. According to Security Capital's SEC filings, there were more than 7.5 million shares of Security Capital common stock outstanding as of May 1, 2006.

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

(a) whether defendants have breached their fiduciary duties of undivided loyalty, independence or due care with respect to plaintiff and the other members of the Class in connection with the Acquisition;

(b) whether the Individual Defendants are engaging in self-dealing in connection with the Acquisition;

(c) whether the Individual Defendants have breached their fiduciary duty to secure and obtain the best price reasonable under the circumstances for the benefit of plaintiff and the other members of the Class in connection with the Acquisition;

(d) whether the Individual Defendants are unjustly enriching themselves and other insiders or affiliates of Security Capital;

(e) whether defendants have breached any of their other fiduciary duties to plaintiff and the other members of the Class in connection with the Acquisition, including the duties of good faith, diligence, honesty and fair dealing;

(f) whether the defendants, in bad faith and for improper motives, have impeded or erected barriers to discourage other offers for the Company or its assets;

(g) whether the Acquisition compensation payable to plaintiff and the Class is unfair and inadequate; and

(h) whether plaintiff and the other members of the Class would be irreparably damaged were the transactions complained of herein consummated or alternatively whether they have suffered compensable damages.

26. Plaintiff's claims are typical of the claims of the other members of the Class and plaintiff does not have any interests adverse to the Class.

27. Plaintiff is an adequate representative of the Class, has retained competent counsel experienced in litigation of this nature and will fairly and adequately protect the interests of the Class.

28. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class which would establish incompatible standards of conduct for the party opposing the Class.

29. Plaintiff anticipates that there will be no difficulty in the management of this litigation. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

30. Defendants have acted on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole.

THE PROPOSED ACQUISITION

31. On June 13, 2006, the Company issued a press release which stated in part:

Security Capital Corporation announced today that it has entered into a merger agreement to be acquired by Sedgwick CMS Holdings, Inc. The merger contemplated by the merger agreement is subject to a vote of the stockholders of Security Capital at a special meeting to be held at the end of the third quarter or the beginning of the fourth quarter of 2006.

Under the terms of the merger agreement, Security Capital stockholders are to receive \$16.46 per share in cash, subject to a downward adjustment to the merger consideration if the Company's indebtedness at the time the proxy statement is mailed is in excess of the Company's expected indebtedness and an upward or downward adjustment to the merger consideration if the actual costs and expenses of preparing the Company's proxy statement and holding its special meeting are more or less than the expected costs and expenses. All adjustments will be finalized prior to the time that the Company's proxy statement is mailed to its stockholders, and such proxy statement will include a definitive cash price per share payable to the Company's stockholders.

Security Capital operates as a holding company that actively participates in the management of its subsidiaries. The Company conducts business through its approximately 84%-owned subsidiary WC Holdings, Inc. ("WC"). WC, through its wholly owned subsidiary, CompManagement, Inc., is a leading independent provider of comprehensive claims management, cost containment and consulting services designed to control the cost to employers of workers' compensation, medical malpractice, automobile, general liability, unemployment and short- and long-term disability insurance benefits. WC's activities are primarily centered in Ohio, California, Virginia, Maryland, Texas, Michigan, Florida, Washington, Minnesota and New York.

Sedgwick CMS is the parent company of Sedgwick Claims Management Services, Inc., a leading provider of innovative claims and productivity management solutions. The principal equity holders of Sedgwick CMS are Fidelity National Financial, Inc, Thomas H. Lee Partners, L.P. and Evercore Capital Partners.

As previously announced, the Company is pursuing a formal sale process for the Company in order to seek the highest price reasonably obtainable for the stockholders of the Company. In the course of conducting the formal sale process, the Company's Board of Directors determined that the best way to maximize value for the Company's stockholders was to sell its educational services segment, which was conducted through the Company's former subsidiary Primrose Holdings, Inc. ("Primrose"), and the balance of the Company in separate transactions. The Company sold its 91.52% (on a fully diluted basis) interest in Primrose on March 31, 2006. As previously announced, the Company has declared a special cash dividend of \$9.04 per share of Class A Common Stock, par value \$0.01 per share, and Common Stock, par value \$0.01 per share, which dividend will be paid principally from the net proceeds of the Company's sale of its interest in Primrose. The special cash dividend will be payable on June 28, 2006 to stockholders of record at the close of business on June 14, 2006.

Commenting on the proposed merger, Brian D. Fitzgerald, Chairman, President and CEO of the Company, stated that: "This transaction with Sedgwick CMS represents the final step in completing Security Capital's formal sale process. The Company's Board of Directors has unanimously approved the merger and believes that the formal sale process has resulted in the Company's stockholders receiving the highest price reasonably obtainable for their shares."

Concurrently with the execution of the merger agreement, the holders of approximately 81% of the Company's outstanding Class A Common Stock and Common Stock (including Brian D. Fitzgerald and CP Acquisition, L.P. No. 1) entered into a voting agreement with Sedgwick CMS pursuant to which these stockholders have agreed, among other things, to vote all of their shares in favor of the merger. The voting agreement will terminate if the merger agreement is terminated.

In order to enable Sedgwick CMS to acquire 100% of the principal subsidiaries of Security Capital, the Company has also entered into a stock purchase agreement to acquire all of the outstanding shares of WC not currently owned by the Company. It is expected that the Company will acquire such shares of WC immediately prior to consummating the merger.

Additionally, concurrently with the execution of the merger agreement and the WC stock purchase agreement, certain of the Company's stockholders (including Brian D. Fitzgerald, CP Acquisition, L.P. No. 1 and each of the Company's directors) and the minority holders of WC shares and options have entered into an indemnification agreement pursuant to which such parties have agreed to provide Sedgwick CMS with indemnification with respect to certain matters. As security for such indemnification, a portion of the consideration otherwise payable to such stockholders under the merger agreement and the WC stock purchase agreement will be placed into escrow at the time such transactions are consummated. The Company's public stockholders will not be subject to such indemnification agreement, and none of the merger consideration payable to the public stockholders will be placed into escrow.

The consummation of the merger is subject to customary closing conditions, including the approval of Security Capital stockholders, the Company's acquisition of all of the outstanding shares of WC not currently owned by the Company and the receipt of certain regulatory and third-party consents, including the expiration of all waiting periods required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The merger is expected to close around the end of the third quarter or the beginning of the fourth quarter of 2006. Upon such closing, shares of the Company's Class A Common Stock will no longer be listed on the American Stock Exchange and will be deregistered under the Securities Exchange Act of 1934, as amended.

UBS Securities LLC is the Company's financial advisor and has provided a fairness opinion. Hill Street Capital LLC has also provided a fairness opinion. Morgan, Lewis & Bockius LLP and Richards, Layton & Finger, P.A. are the Company's legal counsel.

SELF-DEALING

32. The self-dealing, conflicts of interest and conduct harmful to the interests of the shareholders results from at least the following:

(a) It is in Sedgwick's interest to buy the public's shares at the lowest possible price. The proposed Acquisition consideration does not reflect the fact that the offer is a substantial discount to where Security Capital stock would have traded had the defendants not agreed to a predetermined price reflecting only the Company's March 2006 results but where Sedgwick is not obligated to pay shareholders until *after* the Company's Q2, Q3 and possibly Q4 results are known and disclosed.

(b) The Security Capital Board is fraught with conflicts. It consists of, and is controlled by, Fitzgerald who has caused Security Capital to agree to terms to deter a more lucrative and fair offer for Security Capital shareholders.

(c) While Fitzgerald was exploring personal opportunities to sell Security Capital on terms that met his own personal needs, the conflicted Board did not search for competitive suitors.

33. The Acquisition is designed to essentially freeze Security Capital's public stockholders out of a large portion of the valuable assets which have produced, and defendants

expect will continue to produce, substantial revenue and earnings, and these assets are being sold for grossly inadequate consideration to Sedgwick.

34. The consideration which Sedgwick proposes to pay to Class members is grossly unfair and inadequate because, among other things, the defendants timed the announcement of the Acquisition to place an artificial cap on the price for Security Capital stock to enable them to acquire the stock at the lowest possible price. Although the Company's shares were trading in a range which reflected the Company's stale financial results for the quarter which ended in March 2006, Sedgwick and Fitzgerald structured the Acquisition in a manner to ensure that *when Sedgwick actually pays for the Company*, Sedgwick is guaranteed an even greater discount a Sedgwick is only obligated to pay the shareholders *after* the Company reports its Q2, Q3 and possibly Q4 results.

35. The shareholders have been denied the fair process and arm's-length negotiated terms to which they are entitled in a sale of their Company. The officers and directors are obligated to *maximize* shareholder value, not structure a preferential deal for themselves.

36. The director defendants are obligated to maximize the value of Security Capital to the shareholders. The Class members are being deprived of their right to a fair and unbiased process to sell the Company and the opportunity to obtain maximum value and terms for their interests, without preferential treatment to the insiders.

37. By reason of their positions with Security Capital, the Individual Defendants are in possession of non-public information concerning the financial condition and prospects of Security Capital, and especially the true value and expected increased future value of Security Capital and its assets, which they have not disclosed to Security Capital's public stockholders. Moreover, despite their duty to maximize shareholder value, the defendants have clear and material conflicts of interest and are acting to better their own interests at the expense of Security Capital's public shareholders.

In fact, in order to further their own interests, defendants withheld Security Capital's preliminary Q2 operating results until *after* they announced the acquisition.

38. The Board members and advisors identified herein have irremediable positions of conflict and cannot be expected to act in the best interests of Security Capital's public stockholders in connection with this proposed Acquisition, as they are beholden to Fitzgerald.

39. The proposed management-led buyout is wrongful, unfair and harmful to Security Capital's public stockholders, and represents an effort by Fitzgerald to aggrandize Fitzgerald's own financial position and interests at the expense of and to the detriment of Class members. The Acquisition is an attempt to deny plaintiff and the other members of the Class their right to share proportionately in the true value of Security Capital's valuable assets and future growth in profits and earnings, while usurping the same for the benefit of the Company on unfair and inadequate terms.

40. As a result of defendants' unlawful actions, plaintiff and the other members of the Class will be damaged in that they will not receive their fair portion of the value of Security Capital's assets and business and will be prevented from obtaining the real value of their equity ownership of the Company.

41. In light of the foregoing, the Individual Defendants must, as their fiduciary obligations require:

- Undertake an appropriate evaluation of Security Capital's worth as an acquisition candidate.
- Act independently so that the interests of Security Capital's public stockholders will be protected, including, but not limited to, the retention of truly independent advisors and/or the appointment of a truly independent Special Committee.
- Adequately ensure that no conflicts of interest exist between defendants' own interests and their fiduciary obligation to maximize stockholder value or, if such conflicts exist, to ensure that all conflicts be resolved in the best interests of Security Capital's public stockholders.

42. Defendants designed the Acquisition in a manner that best serves their interests in order to secure for themselves personal benefits which will not be shared equally by plaintiff and the Class.

43. The Individual Defendants have also approved the Acquisition so that it transfers 100% of Security Capital's revenues and profits to Sedgwick, thus all of Security Capital's operations will now accrue to the personal benefit of Sedgwick. By contrast, plaintiff and the Class will be frozen out of all of these revenues, earnings and profits.

CAUSE OF ACTION

Claim for Breach of Fiduciary Duties

44. Plaintiff repeats and realleges each allegation set forth herein.

45. The defendants have violated fiduciary duties of care, loyalty, candor and independence owed to the public shareholders of Security Capital and have acted to put their personal interests ahead of the interests of Security Capital's shareholders.

46. By the acts, transactions and courses of conduct alleged herein, defendants, individually and acting as a part of a common plan, are attempting to unfairly deprive plaintiff and other members of the Class of the true value of their investment in Security Capital.

47. The Individual Defendants have violated their fiduciary duties by entering into a transaction with Security Capital without regard to the fairness of the transaction to Security Capital's shareholders. Defendant Security Capital directly breached and/or aided and abetted the other defendants' fiduciary duties to plaintiff and the other holders of Security Capital stock.

48. As demonstrated by the allegations above, the defendant directors failed to exercise the care required, and breached their duties of loyalty, good faith, candor and independence owed to the shareholders of Security Capital because, among other reasons:

(a) they failed to take steps to maximize the value of Security Capital to its public shareholders and they took steps to avoid competitive bidding, to cap the price of Security Capital's

stock and to give the Individual Defendants an unfair advantage, by, among other things, failing to solicit other potential acquirors or alternative transactions;

(b) they failed to properly value Security Capital; and

(c) they ignored or did not protect against the numerous conflicts of interest resulting from the directors' own interrelationships or connection with the Acquisition.

49. Because the Individual Defendants dominate and control the business and corporate affairs of Security Capital, and are in possession of private corporate information concerning Security Capital's assets, business and future prospects, there exists an imbalance and disparity of knowledge and economic power between them and the public shareholders of Security Capital which makes it inherently unfair for them to pursue any proposed transaction wherein they will reap disproportionate benefits to the exclusion of maximizing stockholder value.

50. By reason of the foregoing acts, practices and course of conduct, the defendants have failed to exercise ordinary care and diligence in the exercise of their fiduciary obligations toward plaintiff and the other members of the Class.

51. As a result of the actions of defendants, plaintiff and the Class have been and will be irreparably damaged in that they have not and will not receive their fair portion of the value of Security Capital's assets and businesses and have been and will be prevented from obtaining a fair price for their common stock.

52. Unless enjoined by this Court, the defendants will continue to breach their fiduciary duties owed to plaintiff and the Class, and may consummate the proposed Acquisition which will exclude the Class from its fair share of Security Capital's valuable assets and businesses, and/or benefit them in the unfair manner complained of herein, all to the irreparable harm of the Class, as aforesaid.

53. Defendants are engaging in self dealing, are not acting in good faith toward plaintiff and the other members of the Class, and have breached and are breaching their fiduciary duties to the members of the Class.

54. As a result of the defendants' unlawful actions, plaintiff and the other members of the Class will be irreparably harmed in that they will not receive their fair portion of the value of Security Capital's assets and business and will be prevented from obtaining the real value of their equity ownership of the Company. Unless the proposed Acquisition is enjoined by the Court, defendants will continue to breach their fiduciary duties owed to plaintiff and the members of the Class, will not engage in arm's-length negotiations on the Acquisition terms, and will not supply to Security Capital's minority stockholders sufficient information to enable them to cast informed votes on the proposed Acquisition and may consummate the proposed Acquisition, all to the irreparable harm of the members of the Class.

55. Plaintiff and the members of the Class have no adequate remedy at law. Only through the exercise of this Court's equitable powers can plaintiff and the Class be fully protected from the immediate and irreparable injury which defendants' actions threaten to inflict.

PRAYER FOR RELIEF

WHEREFORE, plaintiff demands injunctive relief, in its favor and in favor of the Class and against defendants as follows:

- A. Declaring that this action is properly maintainable as a class action;
- B. Declaring and decreeing that the Acquisition agreement was entered into in breach of the fiduciary duties of the defendants and is therefore unlawful and unenforceable;
- C. Enjoining defendants, their agents, counsel, employees and all persons acting in concert with them from consummating the Acquisition, unless and until the Company adopts and implements a procedure or process to obtain the highest possible price for shareholders;

D. Directing the Individual Defendants to exercise their fiduciary duties to obtain a transaction which is in the best interests of Security Capital's shareholders until the process for the sale or auction of the Company is completed and the highest possible price is obtained;

E. Rescinding, to the extent already implemented, the Acquisition or any of the terms thereof;

F. Imposition of a constructive trust, in favor of plaintiff, upon any benefits improperly received by defendants as a result of their wrongful conduct;

G. Awarding plaintiff the costs and disbursements of this action, including reasonable attorneys' and experts' fees; and

H. Granting such other and further relief as this Court may deem just and proper.

DATED: June __, 2006

[FIRM NAME]
[INSERT ATTORNEY NAMES]

[ATTORNEY SIGNATURE]

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