Note 1 — Significant Accounting Policies

(a) *Description of Business:* CA, Inc. and subsidiaries (the Company) develops, markets, delivers and licenses software products and services.

(b) *Principles of Consolidation:* The Consolidated Financial Statements include the accounts of the Company and its majority-owned and controlled subsidiaries. Investments in affiliates owned 50% or less are accounted for by the equity method and include gross unconsolidated liabilities of approximately $2 million. Intercompany balances and transactions have been eliminated in consolidation. Companies acquired during each reporting period are reflected in the results for the Company effective from their respective dates of acquisition through the end of the reporting period (see Note 2, "Acquisitions and Divestitures").

(c) *Divestiture:* In November 2006, the Company sold its 70% interest in Benit Company, formerly known as Liger Systems Co. Ltd. ("Benit"), a majority owned subsidiary, to the minority interest holder. As a result, Benit has been classified as a discontinued operation for all periods presented, and its results of operations have been reclassified in the Consolidated Statements of Operations. The assets and liabilities for Benit, as well as the cash flows were deemed immaterial for separate presentation as a discontinued operation in the Consolidated Balance Sheets and Consolidated Statements of Cash Flow. All related footnotes to the Consolidated Financial Statements have been adjusted to exclude the effect of the operating results of Benit. See Note 2, "Acquisitions and Divestitures," for additional information.

(d) *Use of Estimates:* The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, these estimates may ultimately differ from actual results.

(e) *Translation of Foreign Currencies:* Foreign currency assets and liabilities of the Company's international subsidiaries are translated using the exchange rates in effect at the balance sheet date. Results of operations are translated using the average exchange rates prevailing throughout the year. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are accumulated as part of the foreign currency translation adjustment in Stockholders' Equity. Gains and losses from foreign currency transactions are included in the "Other gains, net" line item in the Consolidated Statements of Operations in the period in which they occur. Net income includes exchange transaction gains (losses), net of taxes, of approximately $0 million, $6 million, and $(5) million in the fiscal years ended March 31, 2007, 2006, and 2005, respectively.

(f) *Basis of Revenue Recognition:* The Company generates revenue from the following primary sources: (1) licensing software products; (2) providing customer technical support (referred to as maintenance); and (3) providing professional services, such as consulting and education.

The Company recognizes revenue pursuant to the requirements of Statement of Position (SOP) 97-2, "*Software Revenue Recognition*," issued by the American Institute of Certified Public Accountants, as amended by SOP 98-9 "*Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions*." In accordance with SOP 97-2, the Company begins to recognize revenue from licensing and supporting its software products when all of the following criteria are met: (1) the Company has evidence of an arrangement with a customer; (2) the Company delivers the products; (3) license agreement terms are deemed fixed or determinable and free of contingencies or uncertainties that may alter the agreement such that it may not be complete and final; and (4) collection is probable.

The Company's software licenses generally do not include acceptance provisions. An acceptance provision allows a customer to test the software for a defined period of time before committing to license the software. If a license agreement includes an acceptance provision, the Company does not recognize revenue until the earlier of the receipt of a written customer acceptance or, if not notified by the customer to cancel the license agreement, the expiration of the acceptance period.

Under the Company's business model, software license agreements frequently include flexible contractual provisions that, among other things, allow customers to receive unspecified future software products for no additional fee. These agreements combine the right to use the software products with maintenance for the term of the agreement. Under these agreements, once all four of the above noted revenue recognition criteria are met, the Company is required to recognize revenue ratably over the term of the license agreement. For license agreements signed prior to October 2000 (the prior business model), once all four of the above noted revenue recognition criteria were met, software license fees were recognized as revenue up-front (as the contracts did not include a right to unspecified software products) and the maintenance fees were deferred and subsequently recognized as revenue over the term of the license.

Revenue from acquisitions is initially recorded on the acquired company's systems, generally under a perpetual or up-front software license agreement model, and is typically converted to the Company's ratable software license agreement model as new contracts are entered into or renewed within the first fiscal year after the acquisition. As new contracts containing the right to receive unspecified future software products are entered into or renewed under the Company's business model, revenue is recognized ratably as subscription revenue on a monthly basis over the term of the agreement.

Under the Company's business model, a relatively small percentage of the Company's revenue related to certain products is recognized on an up-front or perpetual basis once all revenue recognition criteria are met in accordance with SOP 97-2 as described above, and is reported in the "Software fees and other" line of the Consolidated Statements of Operations. License agreements pertaining to such products do not include the right to receive unspecified future software products, and maintenance is deferred and subsequently recognized over the term of the maintenance period. In the event such licenses agreements are executed within close proximity or in contemplation of other license agreements which contain the right to receive unspecified future software products, the contracts may be considered a single multi-element agreement, and as such all revenue is deferred and recognized as "subscription revenue" in the Consolidated Statement of Operations.

Maintenance revenue is derived from two primary sources: (1) combined license and maintenance agreements recorded under the prior business model; and (2) stand-alone maintenance agreements.

Under the prior business model, maintenance and license fees were generally combined into a single license agreement. The maintenance portion was deferred and amortized into revenue over the initial license agreement term. Certain of these license agreements have not reached the end of their initial terms and, therefore, continue to amortize. This amortization is recorded to the "Maintenance" line item in the Consolidated Statements of Operations. The deferred maintenance portion, which was optional to the customer, was determined using its fair value based on annual, fixed maintenance renewal rates stated in the agreement. For license agreements entered into under the Company's current business model, maintenance and license fees continue to be combined; however, the maintenance is inclusive for the entire term of the arrangement. The Company reports such combined fees on the "Subscription revenue" line item in the Consolidated Statements of Operations.

The Company also records stand-alone maintenance revenue earned from customers who elect optional maintenance. Revenue from such renewals is recognized on the "Maintenance" line item in the Consolidated Statements of Operations over the term of the renewal agreement.

The "Deferred maintenance revenue" line item on the Company's Consolidated Balance Sheets principally represents payments received in advance of maintenance services to be rendered.

Revenue from professional service arrangements is generally recognized as the services are performed. Revenues from committed professional services arrangements that are sold as part of a software transaction are deferred and recognized on a ratable basis over the life of the related software transaction. If it is not probable that a project will be completed or the payment will be received, revenue is deferred until the uncertainty is removed.

Revenue recognition from sales to distributors, resellers, and value-added resellers (VARs) commences when all four of the SOP 97-2 revenue recognition criteria noted above are met and when these entities sell the software product to their customers. This is commonly referred to as the sell-through method. Beginning July 1, 2004, a majority of sales of products to distributors, resellers and VARs incorporate the right for the end-users to receive certain unspecified future software products and revenue from those contracts is therefore recognized on a ratable basis.

The Company has an established business practice of offering installment payment options to customers and has a history of successfully collecting substantially all amounts due under such agreements. The Company assesses collectibility based on a number of factors, including past transaction history with the customer and the creditworthiness of the customer. If, in the

Company's judgment, collection of a fee is not probable, revenue will not be recognized until the uncertainty is removed, which is generally through the receipt of cash payment.

The Company's standard licensing agreements include a product warranty provision for all products. Such warranties are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, "Accounting for Contingencies." The likelihood that the Company would be required to make refunds to customers under such provisions is considered remote.

Under the terms of substantially all of the Company's license agreements, the Company has agreed to indemnify customers for costs and damages arising from claims against such customers based on, among other things, allegations that its software products infringe the intellectual property rights of a third party. In most cases, in the event of an infringement claim, the Company retains the right to (i) procure for the customer the right to continue using the software product; (ii) replace or modify the software product to eliminate the infringement while providing substantially equivalent functionality; or (iii) if neither (i) nor (ii) can be reasonably achieved, the Company may terminate the license agreement and refund to the customer a pro-rata portion of the fees paid. Such indemnification provisions are accounted for in accordance with SFAS No. 5. The likelihood that the Company would be required to make refunds to customers under such provisions is considered remote. In most cases and where legally enforceable, the indemnification is limited to the amount paid by the customer.

Subscription Revenue: Subscription revenue represents the ratable recognition of revenue attributable to license agreements under the Company's business model.

Deferred subscription revenue represents the aggregate portion of all undiscounted contractual and committed license amounts pursuant to the Company's business model for which customers have been billed but revenue is deferred and will be recognized ratably over the license agreement duration.

Software Fees and Other: Software fees and other revenue consists of revenue related to distribution and original equipment manufacturer (OEM) channel partners that has been recorded on an up-front sell-through basis, revenue from certain products that is recognized on a perpetual or up-front basis without the right to receive unspecified future software products, revenue associated with acquisitions prior to transition to the Company's business model, joint ventures, royalty revenues, and other revenue. Revenue related to distribution partners and OEMs is sometimes referred to as "indirect" or "channel" revenue. In the second quarter of fiscal year 2005, the Company began offering more flexible license terms to the end-user customers of the Company's channel partners, which necessitates the deferral of primarily all of the indirect revenue. The ratable recognition of this deferred revenue is reflected on the "Subscription revenue" line item in the Consolidated Statements of Operations.

Financing Fees: Financing fee revenue represents accounts receivable resulting from prior business model product sales with extended payment terms which were discounted to their present values at the then prevailing market rates. In subsequent periods, the accounts receivable are increased to the amounts due and payable by the customers through the accretion of financing fee revenue on the unpaid accounts receivable due in future years. Under the Company's business model, additional unamortized discounts are no longer recorded, since the Company does not account for the present value of product sales as earned revenue at license agreement signing.

(g) *Sales Commissions:* Sales commissions are recognized in the period the commissions are earned by employees, which is typically upon the signing of the contract. The Company accrues for sales commissions based on, among other things, estimates of how the sales personnel will perform against specified annual sales quotas. These estimates involve assumptions regarding the Company's projected new product sales and billings. All of these assumptions reflect the Company's best estimates, but these items involve uncertainties, and as a result, if other assumptions had been used in the period, sales commission expense could have been impacted for that period. Under the Company's current sales compensation model, during periods of high growth and sales of new products relative to revenue in that period, the amount of sales commission expense attributable to the license agreement would be recognized fully in the year and could negatively impact income and earnings per share in that period.

(h) *Accounting for Stock-Based Compensation:* Effective April 1, 2005, the Company adopted, under the modified retrospective basis, the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *"Share-Based Payment"* (SFAS No. 123(R)), which establishes accounting for stock-based awards exchanged for employee services. Under the provisions of SFAS No. 123(R), stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee requisite service period (generally the vesting period of the equity grant).

(i) *Net Income From Continuing Operations per Share:* Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing (i) the sum of net income and the after-tax amount of interest expense recognized in the period associated with outstanding dilutive Convertible Senior Notes by (ii) the sum of the weighted average number of common shares outstanding for the period and dilutive common share equivalents.

For the year ended March 31, 2007, 2006 and 2005, approximately 15 million, 11 million and 15 million options to purchase common stock, respectively, were excluded from the calculation, as the exercise prices were greater than the average market price of the common stock during the respective periods.

	YEAR ENDED MARCH 31,		
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	2007	2006	2005
Income from continuing operations, net of taxes	121	160	27
Interest expense associated with the 1.625% Convertible Senior Notes, net of tax[1]	5	5	—
Numerator in calculation of diluted income per share	126	165	27
Weighted average shares outstanding and common share equivalents			
Weighted average common shares outstanding	544	581	588
Weighted average shares upon assumed conversion of 1.625% Convertible Senior Notes	23	23	—
Weighted average awards outstanding	2	3	2
Denominator in calculation of diluted income per share[2]	569	607	590
Diluted income per share from continuing operations	$ 0.22	$ 0.27	$ 0.05

1 If the common share equivalents for the 5% Convertible Senior Notes (27 million shares) issued in March 2002 and 1.625% Convertible Senior Notes (23 million shares) issued in December 2002 had been dilutive, interest expense, net of tax, related to the 1.625% Convertible Senior Notes would have been added back to income from continuing operations to calculate diluted earnings per share from continuing operations in fiscal years 2005. The related interest expense, net of tax, for the fiscal year ended March 31, 2005 was approximately $25 million.

2 If all common share equivalents for the fiscal year ended March 31, 2005 had been dilutive, the denominator in calculation of diluted income per share would have been 640 million shares.

(j) *Comprehensive Income:* Comprehensive income includes net income, foreign currency translation adjustments and unrealized gains (losses), net of taxes on the Company's available-for-sale securities. As of March 31, 2007 and 2006, accumulated other comprehensive loss included foreign currency translation losses of $98 million and $110 million, respectively. Accumulated other comprehensive loss also includes an unrealized gain on equity securities, net of tax, of $2 million for the fiscal year ended March 31, 2007 and an unrealized gain on equity securities, net of tax, of $3 million for the fiscal year ended March 31, 2006. The components of comprehensive income, net of applicable tax, for the fiscal years ended March 31, 2007, 2006 and 2005 are included within the Consolidated Statements of Stockholders' Equity.

(k) *Fair Value of Financial Instruments:* The carrying value of financial instruments classified as current assets and current liabilities, such as cash and cash equivalents, accounts payable, accrued expenses, and short-term debt, approximate fair value due to the short-term maturity of the instruments. The fair values of marketable securities and long-term debt, including current maturities, have been based on quoted market prices. See Note 4, "Marketable Securities", and Note 7, "Debt".

(l) *Concentration of Credit Risk:* Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of marketable securities and accounts receivable. Amounts included in accounts receivable expected to be collected from customers, as disclosed in Note 6, "Trade and Installment Accounts Receivable," have limited exposure to concentration of credit risk due to the diverse customer base and geographic areas covered by operations. Unbilled amounts due under our prior business model that are expected to be collected from customers includes one large IT outsourcer with a license arrangement that extends through fiscal year 2012 with a net unbilled receivable balance in excess of $400 million.

(m) *Cash and Cash Equivalents and Marketable Securities:* All financial instruments purchased with a maturity of three months or less are considered cash equivalents. The Company has determined that all of its investment securities should be classified as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in Stockholders' Equity under the caption "Accumulated Other Comprehensive Loss." The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion is included in the "Interest expense, net" line item in the Consolidated Statements of Operations. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in the "Selling, general, and administrative" line item in the Consolidated Statements of Operations. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in the "Interest expense, net" line item in the Consolidated Statements of Operations.

(n) *Restricted Cash:* The Company's insurance subsidiary requires a minimum restricted cash balance of $50 million. In addition, the Company has other restricted cash balances, including cash collateral for letters of credit. The total amount of restricted cash as of March 31, 2007 and 2006 was $61 million and $60 million, respectively, and is included in the "Other noncurrent assets" line item on the Consolidated Balance Sheets.

(o) *Long-Lived Assets*

Property and Equipment: Land, buildings, equipment, furniture, and improvements are stated at cost. Depreciation and amortization are provided over the estimated useful lives of the assets by the straight-line method. Building and improvements are estimated to have 5- to 40-year lives, and the remaining property and equipment are estimated to have 3- to 7-year lives.

A summary of property and equipment is as follows:

(DOLLARS IN MILLIONS)	MARCH 31, 2007	2006
Land and buildings	$ 233	$ 488
Equipment, furniture, and improvements	1,158	1,066
	1,391	1,554
Accumulated depreciation and amortization	(922)	(920)
Net property and equipment	$ 469	$ 634

Depreciation expense for the fiscal years ended March 31, 2007, 2006, and 2005 was approximately $92 million, $83 million, and $89 million, respectively.

On August 15, 2006, the Company entered into a purchase and sale agreement, pursuant to which the Company sold its corporate headquarters located in Islandia, New York with a net book value of $194 million for approximately $201 million in net cash proceeds. In connection with the sale of the building, the Company entered into a fifteen year lease agreement for its corporate headquarters with renewal options for an additional twenty years. The Company is responsible for paying real estate taxes and operating expenses, as well as any capital expenditures required to maintain the premises in good condition and repair and in compliance with applicable laws. The Company concluded that the sale of its corporate headquarters qualifies for sale-leaseback and operating lease accounting treatment. Accordingly, the Company recorded a deferred gain of approximately $7 million, which is being amortized as a reduction to rent expense on a straight-line basis over the initial lease term of fifteen years.

Future minimum lease payments to be made under this non-cancelable operating lease as of March 31, 2007 are as follows:

FISCAL YEARS (IN MILLIONS)	
2008	$ 15
2009	15
2010	15
2011	16
2012	16
And thereafter	152
Total minimum lease payments	$ 229

Total rent expense related to this lease arrangement during fiscal year 2007 was approximately $10 million.

Capitalized Software Costs and Other Identified Intangible Assets: Capitalized software costs include the fair value of rights to market software products acquired in purchase business combinations (Purchased Software Products). In allocating the purchase price to the assets acquired in a purchase business combination, the Company allocates a portion of the purchase price equal to the fair value at the acquisition date of the rights to market the software products of the acquired company. The purchase price of Purchased Software Products is capitalized and amortized over the estimated useful life of such products over a period not exceeding eight years. In connection with the acquisition of Cybermation, Inc. (Cybermation), MDY Group International, Inc. (MDY), XOsoft, Inc. (XOsoft), and Cendura Corporation (Cendura) the Company capitalized approximately $9 million, $5 million, $9 million, and $21 million of purchased software, respectively.

In accordance with SFAS No. 86, *"Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed,"* internally generated software development costs associated with new products and significant enhancements to existing software products are expensed as incurred until technological feasibility has been established. Internally generated software development costs of $85 million, $84 million, and $70 million were capitalized during fiscal years 2007, 2006, and 2005, respectively. The Company recorded amortization of $54 million, $48 million, and $41 million for the fiscal years ended March 31, 2007, 2006, and 2005, respectively, which was included in the "Amortization of capitalized software costs" line item in the Consolidated Statements of Operations. Unamortized, internally generated software development costs included in the "Other noncurrent assets" line item on the Consolidated Balance Sheets as of March 31, 2007 and 2006 were $226 million and $195 million, respectively. Annual amortization of capitalized software costs is the greater of the amount computed using the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or the straight-line method over the remaining estimated economic life of the software product, generally estimated to be five years from the date the product became available for general release to customers. The Company amortized capitalized software costs using the straight-line method in fiscal years 2007, 2006, and 2005, as anticipated future revenue is projected to increase for several years considering the Company is continuously integrating current software technology into new software products.

Other identified intangible assets include both customer relationships and trademarks/trade names.

In connection with the acquisition of Cybermation, MDY, and XOsoft in fiscal year 2007, the Company recognized approximately $19 million, $3 million, and $7 million, respectively of customer relationships and trademarks/trade names. In connection with the acquisition of Concord Communications, Inc. (Concord), Niku Corporation (Niku), iLumin Software Services, Inc. (iLumin), and Wily Technology, Inc. (Wily) in fiscal year 2006, the Company recognized approximately $22 million, $44 million, $21 million and $126 million, respectively of customer relationships and trademarks/trade names.

In accordance with SFAS No. 142, *"Goodwill and Other Intangible Assets"*, certain identified intangible assets with indefinite lives are not subject to amortization. The Company periodically reviews its long lived assets and certain identifiable intangible assets with indefinite lives for impairment annually or whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. During the fourth quarter of fiscal year 2007, the Company recorded an impairment charge of approximately $12 million, relating to a certain identifiable intangible asset that was acquired in conjunction with a prior year acquisition and not subject to amortization. For fiscal year 2007, the impairment charge was reported in the "Restructuring and other" line item in the Consolidated Statements of Operations. The balance of these identified intangible assets with indefinite lives at March 31, 2007 and 2006 was $14 million and $26 million, respectively.

The Company amortizes all other identified intangible assets over their remaining economic lives, estimated to be between six and twelve years. The Company recorded amortization of other identified intangible assets of $57 million, $51 million and $40 million in the fiscal years ended March 31, 2007, 2006 and 2005, respectively. The net carrying value of other identified intangible assets as of March 31, 2007 and 2006 was $348 million and $388 million, respectively, and was included in the "Other noncurrent assets" line item on the Consolidated Balance Sheets.

The gross carrying amounts and accumulated amortization for identified intangible assets are as follows:

	AT MARCH 31, 2007		
(IN MILLIONS)	GROSS ASSETS	ACCUMULATED AMORTIZATION	NET ASSETS
Capitalized software:			
Purchased	$ 4,803	$ 4,600	$ 203
Internally developed	639	413	226
Other identified intangible assets subject to amortization	657	323	334
Other identified intangible assets not subject to amortization	14	—	14
Total	$ 6,113	$ 5,336	$ 777

	AT MARCH 31, 2006		
(IN MILLIONS)	GROSS ASSETS	ACCUMULATED AMORTIZATION	NET ASSETS
Capitalized software:			
Purchased	$ 4,760	$ 4,299	$ 461
Internally developed	558	363	195
Other identified intangible assets subject to amortization	628	266	362
Other identified intangible assets not subject to amortization	26	—	26
Total	$ 5,972	$ 4,928	$ 1,044

Based on the identified intangible assets recorded through March 31, 2007, the annual amortization expense over the next five fiscal years is expected to be as follows:

	YEAR ENDED MARCH 31,				
(IN MILLIONS)	2008	2009	2010	2011	2012
Capitalized software:					
Purchased	$ 58	$ 48	$ 37	$ 25	$ 15
Internally developed	59	56	48	37	21
Other identified intangible assets subject to amortization	62	56	51	51	31
Total	$ 179	$ 160	$ 136	$ 113	$ 67

Accounting for Long-Lived Assets: The carrying values of purchased software products, other intangible assets, and other long-lived assets, including investments, are reviewed on a regular basis for the existence of facts or circumstances, both internally and externally, that may suggest impairment. If an impairment is deemed to exist, any related impairment loss is calculated based on net realizable value for capitalized software and fair value for all other intangibles.

Goodwill: Goodwill represents the excess of the aggregate purchase price over the fair value of the net tangible and identifiable intangible assets and in-process research and development acquired by the Company in a purchase business combination.

Goodwill is not amortized into results of operations but instead is reviewed for impairment. During the fourth quarter of fiscal year 2007, the Company performed its annual impairment review of goodwill and concluded that there was no impairment in the current fiscal year. Similar impairment reviews were performed during the fourth quarter of fiscal years 2006 and 2005. The Company concluded that there was no impairment to be recorded in these fiscal years.

The carrying value of goodwill was $5.35 billion and $5.31 billion as of March 31, 2007 and March 31, 2006, respectively. During fiscal year 2007, goodwill increased by approximately $121 million as a result of fiscal year 2007 acquisitions, which was partially offset by approximately $53 million of goodwill adjustments for prior year acquisitions. The goodwill adjustments for the fiscal year 2007 primarily consisted of a $20 million favorable resolution to certain foreign tax credits that were acquired and fully reserved that resulted from the conclusion of an Internal Revenue Service audit and approximately $19 million related to other adjustments to deferred tax assets and liabilities associated with acquired businesses from prior periods. Goodwill was also reduced by approximately $31 million due to the divesture of Benit. Refer to Note 2, "Acquisitions and Divestitures," for additional information relating to the Company's sale of Benit.

The carrying value of goodwill was $5.31 billion and $4.54 billion as of March 31, 2006 and 2005, respectively. During fiscal year 2006, goodwill increased approximately $764 million due primarily to the acquisitions of Concord, Niku, iLumin and Wily of approximately $345 million, $226 million, $36 million and $232 million, respectively. Subsequent to the acquisition dates, in fiscal year 2006, the goodwill balances for Concord and Niku were increased/(decreased) to revise the initial purchase price allocation by approximately $12 million and ($83) million, respectively. Goodwill adjustments of approximately $7 million were also recorded in connection with smaller acquisitions made during fiscal year 2006. Goodwill associated with acquisitions prior to fiscal year 2006 were reduced by approximately $3 million. Goodwill was also reduced by $8 million for the sale of MultiGen-Paradigm, Inc. Refer to Note 2 "Acquisitions and Divestitures," for additional information relating to the Company's sale of MultiGen.

(p) *Derivative Financial Instruments:* Derivatives are accounted for in accordance with Statement of Financial Accounting Standards No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* ("SFAS No. 133"). Periodically, as part of the Company's on-going risk management program, the Company enters into derivative contracts with the intent of mitigating a certain portion of the Company's operating exposures, which could include its exposure to foreign currency denominated monetary assets and liabilities. The Company did not apply hedge accounting treatment under SFAS No. 133 for these exposures. Accordingly, all outstanding derivatives are recognized on the balance sheet at fair value and the changes in fair value from these contracts are recorded as other gains or expenses, in the statement of operations.

During fiscal year 2007, the Company entered into derivative contracts with a total notional value of approximately 208 million euros and 2.5 billion yen, of which 75 million euros were outstanding as of March 31, 2007. The derivative contracts that were entered into during fiscal year 2007 resulted in a loss of approximately $3 million, of which $1 million related to unrealized losses on outstanding derivative contracts as of March 31, 2007. These results are included in the "Other gains, net" line item of the Consolidated Statement of Operations for the fiscal year ended March 31, 2007. The derivatives outstanding at the end of March 31, 2007 matured in April 2007. In April and May 2007, the Company entered into similar derivative contracts as those entered during the fiscal year 2007 relating to the Company's operating exposures.

For the fiscal year ended March 31, 2006, the Company entered into derivative contracts with a total notional value of 280 million euros. Derivatives with a notional value of 80 million euros were entered into with the intent of mitigating a certain portion of the Company's euro operating exposure and were part of the Company's on-going risk management program. Derivatives with a notional value of 200 million euros were entered into during March 2006 with the intent of mitigating a certain portion of the foreign exchange variability associated with the Company's repatriation of approximately $584 million from its foreign subsidiaries. Hedge accounting under SFAS No. 133 was not applied to any of the derivatives entered into during the fiscal year ended March 31, 2006. The resulting gain of approximately $1 million for the fiscal year ending March 31, 2006 is included in the "Other gains, net" line in the Consolidated Statement of Operations. At March 31, 2006, there were no derivative contracts outstanding.

(q) *Stock Repurchase:* During fiscal year 2007, the Company repurchased approximately 10 million shares of its common stock for approximately $225 million prior to August 15, 2006 as part of the Company's previously authorized $600 million common stock repurchase plan. On August 15, 2006, the Company announced the commencement of a tender offer to purchase outstanding shares of CA common stock, at a price not less than $22.50 and not greater than $24.50 per share. This tender offer represented the initial phase of the up to $2 billion stock repurchase plan that the Company announced in June 2006, which replaced the prior $600 million common stock repurchase plan. In the tender offer, CA offered to purchase for cash up to 40,816,327 shares of its common stock, par value $0.10 per share, including the Associated Rights to Purchase Series One Junior Participating Preferred Stock, Class A at a per share purchase price of not less than $22.50 nor greater than $24.50, net to the seller in cash, without interest. The tender offer also allowed CA the right to purchase up to 11,345,647 additional shares without amending or extending the offer.

On September 14, 2006, the expiration date of the tender offer, CA purchased 41,225,515 shares at a purchase price of $24.00 per share, for a total price of approximately $989 million, which excludes bank, legal and other associated charges of approximately $2 million. Upon completion of the tender offer, the Company retired all the shares that were purchased, which resulted in a reduction of the common stock issued and outstanding as reflected in the Company's stockholders' equity on the Consolidated Balance Sheet at March 31, 2007. A total of $750 million was drawn down from the Company's revolving credit facility (the 2004 Revolving Credit Facility) in September 2006 in order to finance a portion of the tender offer. The Company's current borrowing rate is 6.49%. The maximum committed amount available under the 2004 Revolving Credit Facility is $1 billion, exclusive of incremental credit increases of up to an additional $250 million which are available subject to certain conditions and the agreement of the Company's lenders. Total interest expense relating to the borrowing for the fiscal year 2007 was approximately $25 million.

(r) *Reclassifications and other adjustments:* Certain prior year balances have been reclassified to conform to the current period's presentation.

Approximately $134 million of current liabilities that were components of "Accounts payable" at March 31, 2006 have been reclassified to "Accrued expenses and other current liabilities" on the Consolidated Balance Sheet to conform to the March 31, 2007 presentation.

Approximately $5 million of capital lease obligations that were components of "Accrued expenses and other current liabilities" at March 31, 2006 have been reclassified accordingly between "Current portion of long-term debt and loans payable" and "Long-term debt, net of current portion" on the Consolidated Balance Sheet to conform to the March 31, 2007 presentation.

Approximately $32 million of deferred tax assets that were offset against "Deferred income taxes — long term liabilities" at March 31, 2006 have been reclassified to "Deferred income taxes — current assets" on the Consolidated Balance Sheet to conform to the March 31, 2007 presentation.

Subsequent to the filing of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2006, the Company determined in the second quarter of fiscal year 2007 that deferred tax assets associated with certain outstanding stock options were understated by approximately $47 million through an $8 million understatement in "Deferred income taxes — current assets" and a $39 million overstatement in "Deferred income taxes — noncurrent liabilities" on the Consolidated Balance Sheet as of March 31, 2006. Correspondingly, "Additional paid-in capital" was understated by $47 million on the Consolidated Balance Sheet and Statement of Stockholders' Equity as of and for the year ended March 31, 2006. This error has been corrected on the Consolidated Balance Sheet as of March 31, 2006 in this Annual Report on Form 10-K. The impact of this correction on the affected line items is not considered material to the March 31, 2006 financial statements and does not affect the previously reported Consolidated Statements of Operations or Cash Flows for any prior periods.

During fiscal year 2007, the Company transferred its right and interest in future committed installment payments of approximately $111 million due under certain software license agreements. In accordance with Emerging Issue Task Force 88-18 (EITF 88-18), "*Sales of Future Revenues*", the Company determined that these types of transactions should be reported as a financing obligation as opposed to deferred subscription revenue (collected). As of March 31, 2006, approximately $25 million of "Deferred subscription revenue (collected) — current" and $25 million of "Deferred subscription revenue (collected) — noncurrent", was reclassified to "Financing obligations (collected) — current" and "Financing obligations (collected) — noncurrent", respectively, on the Consolidated Balance Sheet to conform to the March 31, 2007 presentation.

Approximately $47 million of deferred professional services revenue that was a component of “Trade and installment accounts receivable, net” at March 31, 2006 has been reclassified between “Accrued expenses and other current liabilities” and “Other noncurrent liabilities” on the Consolidated Balance Sheet to conform to the March 31, 2007 presentation.

The Company determined in the fourth quarter of fiscal year 2007 that certain tax balances were not properly classified in the Consolidated Balance Sheet. Specifically, the net asset balance of “Deferred income taxes” was overstated by approximately $31 million, while “Federal, State, and foreign income taxes payable” was overstated by $58 million. The net difference of $27 million was related to the impacts from foreign exchange and was reflected as an adjustment to the opening balance of “Other Comprehensive Income” in the Consolidated Statement of Stockholders’ Equity. This error has been corrected on the Consolidated Balance Sheet as of March 31, 2006 in this Annual Report on Form 10-K. The impact of this correction on the affected line items is not considered material to the March 31, 2006 or prior financial statements and does not affect the previously reported Consolidated Statements of Operations or Cash Flows for any prior periods.

(s) *Statements of Cash Flows:* Interest payments for the fiscal years ended March 31, 2007, 2006 and 2005 were $112 million, $114 million and $120 million, respectively. Income taxes paid for these fiscal years were $296 million, $207 million and $12 million (net of a tax refund of $191 million), respectively.

Note 2 — Acquisitions and Divestitures

Acquisitions

During fiscal year 2007, the Company acquired the following companies:

- Cybermation, Inc., a privately held provider of enterprise workload automation solutions.
- MDY Group International, Inc., a privately held provider of enterprise records management software and services.
- XOsoft, Inc., a privately held provider of complete recovery management solutions.
- Cendura Corporation, a privately held provider of IT service management service delivery solutions.

The total cost of these acquisitions was approximately $173 million, net of approximately $20 million of cash and cash equivalents acquired and excluding a holdback of approximately $9 million.

The acquisitions of Cybermation, MDY, XOsoft and Cendura were accounted for as purchases and accordingly, their results of operations have been included in the Consolidated Financial Statements since the dates of their acquisitions. The Company recorded a charge of approximately $10 million for in-process research and development costs associated with the acquisition of XOsoft during the second quarter of fiscal year 2007. Total goodwill recognized in these transactions amounted to approximately $121 million. The allocation of a significant portion of the purchase price to goodwill was predominantly due to the relatively short lives of the developed technology assets, whereby a substantial amount of the purchase price was based on anticipated earnings beyond the estimated lives of the intangible assets. The 2007 fiscal year acquisitions included net deferred tax liabilities of approximately $15 million. The purchase price allocations for Cybermation, MDY, XOsoft and Cendura are based upon estimates which may be revised within one year of the date of acquisition as additional information becomes available. It is anticipated that the final purchase price allocation for these acquisitions will not differ materially from their preliminary allocations. The acquisitions completed in fiscal year 2007 were considered immaterial, both individually and in the aggregate, and therefore pro-forma information for both fiscal years 2007 and 2006 was not presented.

During the fourth quarter of fiscal year 2006, the Company completed its acquisition of Wily. Wily was a provider of enterprise application management software solutions that enable companies to manage their web applications and infrastructure. The total purchase price of the acquisition was approximately $374 million which included a holdback of approximately 10% of the initial purchase price. The acquisition of Wily has been accounted for as a purchase and accordingly, its results of operations have been included in the Consolidated Financial Statements since the date of its acquisition, March 3, 2006.

The acquisition cost of Wily has been allocated to assets acquired and liabilities assumed based on estimated fair values at the date of acquisition as follows:

(IN MILLIONS)	
Cash and cash equivalents	$ 13
Purchased software	54
Deferred tax assets	34
Other assets assumed	8
Other intangibles—customer relationships	119
Other intangibles—tradenames	7
Goodwill	225
Deferred tax liabilities	(67)
Deferred revenue	(10)
Other liabilities assumed	(9)
Purchase price	$ 374

Purchased software products are being amortized over an estimated life of eight years, and customer relationships and tradenames will be amortized over ten years.

The allocation of a significant portion of the Wily purchase price to goodwill was predominantly due to the relatively short lives of the acquired developed technology assets, whereby a substantial amount of the purchase price was based on earnings beyond the estimated lives of the intangible assets.

During the third quarter of fiscal year 2006, the Company completed its acquisition of iLumin. The total purchase price of the acquisition was approximately $48 million. iLumin was a privately held provider of enterprise message management and archiving software. iLumin's Assentor product line has been added to the Company's storage management solutions. The acquisition of iLumin has been accounted for as a purchase and accordingly, its results of operations have been included in the Consolidated Financial Statements since the date of its acquisition, October 14, 2005.

The acquisition cost of iLumin has been allocated to assets acquired and liabilities assumed based on estimated fair values at the date of acquisition as follows:

(IN MILLIONS)	
Purchased software products	$ 2
Other assets	4
Customer relationships	21
Goodwill	35
Deferred tax liability	(8)
Other liabilities assumed	(6)
Purchase price	$ 48

Purchased software products are being amortized over an estimated life of seven years, and customer relationships will be amortized over ten years.

The allocation of a significant portion of the iLumin purchase price to goodwill was predominantly due to the relatively short lives of the acquired developed technology assets, whereby a substantial amount of the purchase price was based on earnings beyond the estimated lives of the intangible assets.

During the second quarter of fiscal year 2006, the Company acquired the common stock of Niku, including its information technology governance (ITG) solution, for approximately $337 million. In addition, the Company converted options to acquire the common stock of Niku and incurred acquisition costs of approximately $5 million and $3 million, respectively, for an aggregate purchase price of $345 million. Niku was a provider of information technology management and governance

(IT-MG) solutions and the Company has integrated Niku's ITG solutions with its business service optimization solutions. The acquisition of Niku has been accounted for as a purchase and accordingly, its results of operations have been included in the Consolidated Financial Statements since the date of its acquisition, July 29, 2005 (the Niku Acquisition Date).

The acquisition cost of Niku has been allocated to assets acquired, liabilities assumed and in-process research and development based on estimated fair values as follows:

(IN MILLIONS)	
Cash	$ 44
Marketable securities	19
Deferred taxes assets	104
Other assets acquired	20
Purchased software products	23
In-process research and development	14
Customer relationships	42
Trademarks/tradenames	2
Goodwill	139
Deferred revenue	(4)
Deferred tax liabilities	(27)
Other liabilities assumed	(31)
Purchase price	$ 345

Approximately $14 million of the purchase price represents the estimated fair value of projects that, as of the Niku Acquisition Date, had not reached technological feasibility and had no alternative future use. Accordingly, this amount was immediately expensed and has been included in the "Charge for in-process research and development costs" line item in the Consolidated Statement of Operations for the fiscal year ended March 31, 2006.

Purchased software products are being amortized over approximately five years, trademarks/tradenames will be amortized over seven years, and customer relationships will be amortized over eight years.

The allocation of a significant portion of the Niku purchase price to goodwill was predominantly due to the relatively short lives of the acquired developed technology assets, whereby a substantial amount of the purchase price was based on earnings beyond the estimated lives of the intangible assets.

Based upon additional information received subsequent to the Niku Acquisition Date, goodwill was adjusted downward by approximately $87 million as of March 31, 2007, primarily due to the recognition of deferred tax assets associated with acquired net operating losses. This adjustment has been included in the allocation presented above.

The following unaudited pro-forma financial information presents the combined results of operations of the Company, Wily, iLumin and Niku as if the acquisitions had occurred at April 1, 2004. The historical results of the Company for the fiscal year ended March 31, 2006 include the results of Wily, iLumin and Niku from their respective acquisition dates. The pro-forma results presented below for the fiscal year ended March 31, 2006 combine the results of the Company for the fiscal year ended March 31, 2006 and the historical results of Wily, iLumin and Niku for their comparable reporting periods. The pro-forma results for the fiscal year ended March 31, 2005 combine the historical results of the Company for the fiscal year ended March 31, 2005 with the combined historical results for the comparable reporting periods for Wily, iLumin and Niku. The unaudited pro-forma financial information is not intended to represent or be indicative of the Company's consolidated results of operations or financial condition that would have been reported had the acquisitions of Wily, iLumin and Niku been completed as of the beginning of the periods presented and should not be taken as indicative of the Company's future consolidated results of operations or financial condition. Pro-forma adjustments are tax-effected at the Company's statutory tax rate.

UNAUDITED (IN MILLIONS)	FOR THE YEAR ENDED MARCH 31, 2006	2005
Revenue	$ 3,880	$ 3,711
Income (loss) from continuing operations	109	(29)
Net income (loss)	112	(29)
Basic earnings (loss) per share:		
Income (loss) from continuing operations	$ 0.19	$ (0.05)
Discontinued operations	0.01	—
Net income (loss)	$ 0.20	$ (0.05)
Diluted earnings (loss) per share:		
Income (loss) from continuing operations	$ 0.18	$ (0.05)
Discontinued operations	0.01	—
Net income (loss)	$ 0.19	$ (0.05)

During the first quarter of fiscal year 2006, the Company acquired the common stock of Concord, including its Aprisma Management Technologies subsidiary, for an aggregate purchase price of approximately $359 million. The Company converted options to acquire the common stock of Concord and incurred acquisition costs of approximately $15 million and $7 million, respectively. Concord was a provider of network service management software solutions, and the Company has integrated Concord's network management products into the Company's Unicenter Enterprise Systems Management suite. The acquisition of Concord has been accounted for as a purchase and, accordingly, its results of operations have been included in the Consolidated Financial Statements since the date of its acquisition, June 7, 2005 (the Concord Acquisition Date). The pro-forma results shown above do not include the results of Concord as Concord was not considered a significant subsidiary at the time of acquisition.

The acquisition cost of Concord has been allocated to assets acquired, liabilities assumed, and in-process research and development based on estimated fair values as follows:

(IN MILLIONS)	
Cash	$ 18
Marketable securities	58
Deferred tax assets	31
Other assets acquired	44
Purchased software products	18
In-process research and development	4
Customer relationships	19
Trademarks/tradenames	3
Goodwill	351
Deferred revenue	(19)
Deferred tax liabilities	(24)
3% convertible notes payable	(86)
Other liabilities assumed	(58)
Purchase price	$ 359

Approximately $4 million of the purchase price represents the estimated fair value of projects that, as of Concord Acquisition Date, had not reached technological feasibility and had no alternative future use. Accordingly, this amount was immediately expensed and has been included in the "Charge for in-process research and development costs" line item in the Consolidated Statement of Operations for the fiscal year ended March 31, 2006.

Purchased software products are being amortized over five years, trademarks/tradenames are being amortized over six years, and customer relationships are being amortized over seven years.

The allocation of a significant portion of the Concord purchase price to goodwill was predominantly due to the relatively short lives of the developed technology assets; whereby a substantial amount of the purchase price was based on earnings beyond the estimated lives of the intangible assets.

Based upon additional information received subsequent to the Concord Acquisition Date, goodwill was adjusted downward by approximately $18 million as of March 31, 2007, primarily due to the recognition of deferred tax assets and adjustments to net liabilities assumed. This adjustment has been included in the allocation presented above.

In connection with the acquisition of Concord, the Company assumed $86 million in 3% convertible senior notes payable due 2023. In accordance with the notes' terms, the Company paid off the notes in full in July 2005.

At March 31, 2007, the Company had approximately $9 million in remaining holdback payments related to the acquisitions of Wily, XOsoft, and Cendura, which were included in the "Accrued expenses and other current liabilities" line on the Consolidated Balance Sheet. During fiscal year 2007, the Company made payments against these liabilities of approximately $38 million and the remaining balances are expected to be paid within the next twelve months.

Accrued acquisition-related costs and changes in these accruals, including additions related to the Company's fiscal year 2007 and 2006 acquisitions were as follows:

(IN MILLIONS)	DUPLICATE FACILITIES & OTHER COSTS	EMPLOYEE COSTS
Balance at March 31, 2005	$ 41	$ 9
Additions	31	23
Settlements	(18)	(18)
Adjustments	6	—
Balance at March 31, 2006	60	14
Additions	1	3
Settlements	(12)	(10)
Adjustments	(22)	(1)
Balance at March 31, 2007	$ 27	$ 6

The liabilities for duplicate facilities and other costs relate to operating leases, which are actively being renegotiated and expire at various times through 2010, negotiated buyouts of the operating lease commitments, and other contractual liabilities. The liabilities for employee costs primarily relate to involuntary termination benefits. Adjustments to the corresponding liability and related goodwill accounts are recorded when obligations are settled at amounts less than those originally estimated. Adjustments for fiscal year 2007 primarily consisted of a $20 million favorable resolution to certain foreign tax credits that were acquired and fully reserved that resulted from the conclusion of an Internal Revenue Service audit. The remaining liability balances are included in the "Accrued expenses and other current liabilities" line item on the Consolidated Balance Sheets.

Discontinued Operations

In November 2006, the Company sold its 70% interest in Benit for approximately $3.3 million. The 70% interest sold represented all of the Company's outstanding equity interest in Benit. As a result of the sale, the Company realized a loss of approximately $2 million, net of taxes, in the third quarter of fiscal year 2007. Included in the loss is the recognition of the cumulative foreign currency translation amount related to Benit of approximately $10 million which was previously included in "Accumulated other comprehensive loss". The book value of the net assets disposed of was approximately $16 million, which included goodwill of approximately $31 million, and was not considered material to the March 31, 2006 Consolidated Balance Sheet. The assets and liabilities for Benit, as well as the cash flows were deemed immaterial for separate presentation as a discontinued operation in the Consolidated Balance Sheets and Consolidated Statements of Cash Flow. Benit offered a wide range of corporate solution services, such as IT outsourcing, business integration services, enterprise solutions and IT service management in Korea. The sale was part of the Company's fiscal year 2007 cost reduction and restructuring plan (the fiscal 2007 plan), which included an estimated headcount reduction of 300 positions associated with consolidated subsidiaries considered to be joint ventures. The sale of Benit resulted in a headcount reduction of approximately 250 positions. Pursuant to SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets,"* the Company has separately presented the results of Benit as a discontinued operation, including the loss on the sale on the Consolidated Statement of Operations.

The operating results of Benit are summarized as follows:

	YEARS ENDED MARCH 31,		
(IN MILLIONS)	2007	2006	2005
Subscription revenue	$ —	$ 1	$ 1
Maintenance	11	15	15
Software fees and other	3	2	—
Professional services	7	6	4
Total revenue	$ 21	$ 24	$20
Loss from sale of discontinued operation, net of taxes	$ (2)	—	$ —
Loss from discontinued operation, net of taxes	$ (1)	$ (4)	$ 1

In December 2005, the Company sold its wholly-owned subsidiary MultiGen-Paradigm, Inc. (MultiGen) to Parallax Capital Partners. MultiGen was a provider of real-time, end-to-end 3D solutions for visualizations, simulations and training applications used for both civilian and government purposes. The sale price was approximately $6 million, which includes reimbursement for certain employee-related costs. The purchase price was received in the form of an interest bearing note, which was paid in full during the first quarter of fiscal year 2008. Prior to the sale, MultiGen had revenues of approximately $9 million and $15 million for fiscal years 2006 and 2005, respectively. As a result of the sale in the third quarter of fiscal year 2006, the Company recorded a $3 million gain, net of a tax benefit of approximately $10 million. The Company has separately presented the gain on the disposal of MultiGen as a discontinued operation for the period ending December 31, 2005. The impact of MultiGen's results on prior periods was not considered material.

Other

In December 2005, the Company acquired certain assets and liabilities of Control F-1 Corporation (Control F-1) for a total purchase price of approximately $14 million which was paid in January 2006. Control F-1 was a privately held provider of support automation solutions that automatically prevent, detect, and repair end-user computer problems before they disrupt critical IT services.

In November 2005, the Company announced an agreement with Garnett & Helfrich Capital, a private equity firm, to create an independent corporate entity, Ingres Corporation (Ingres). As part of the agreement, the Company contributed intellectual property, support contracts, the services of certain employees and other assets used exclusively in the business of the intellectual property contributed. The contributions from the Company and Garnett & Helfrich Capital, L.P., formed Ingres. The Company has a 25% ownership interest in the newly formed entity, in which it received an equity stake of $15 million. As a result of the transaction, the Company recorded a non-cash pre-tax gain for the three months ended December 31, 2005 of approximately $7 million due to the value of assets that were contributed during the formation of Ingres in accordance with *Emerging Issues Task Force (EITF) Issue No. 01-2 Interpretations of APB Opinion No. 29.* The gain was recorded as "Other gains, net" in the Consolidated Statements of Operations. As of March 31, 2007, the net book value of the investment in Ingres was reduced to $0, as a result of reported losses by Ingres subsequent to its formation, which were recorded under the equity method of accounting.

Note 3 — Restructuring and Other

Restructuring

Fiscal 2007 Plan: In August 2006, the Company announced the fiscal 2007 plan to significantly improve the Company's expense structure and increase its competitiveness. The fiscal 2007 plan's objectives include a workforce reduction, global facilities consolidations and other cost reduction initiatives. The total cost of the fiscal 2007 plan is expected to be approximately $200 million, of which approximately $147 million was recognized in fiscal year 2007.

Severance: The Company currently estimates a reduction in workforce of approximately 2,000 individuals under the fiscal 2007 plan, including approximately 300 positions from the divestitures of consolidated majority owned subsidiaries considered joint ventures during the fiscal year ended March 31, 2007. The termination benefits the Company has offered in connection with this workforce reduction are substantially the same as the benefits the Company has provided historically for non-performance-based workforce reductions, and in certain countries have been provided based upon prior experiences with the restructuring plan announced in July 2005 (the fiscal 2006 plan) as described below. These costs have been recognized in accordance with SFAS No. 112, "*Employers Accounting for Post Employment Benefits, an Amendment of FASB Statements No. 5 and 43*" (SFAS No. 112). Enhancements to termination benefits which exceed past practice, will be recognized as incurred in accordance with SFAS No. 146 *"Accounting for Costs Associated With Exit or Disposal Activities"* (SFAS No. 146). The Company incurred approximately $124 million of severance costs for the fiscal year ended March 31, 2007, relating to a total of approximately 1,400 individuals. The Company anticipates total severance for the fiscal 2007 plan will cost approximately $150 million, the remainder of which will be recognized in fiscal year 2008. The plans associated with the balance of the reductions in workforce are still being finalized and the associated charges will be recorded once the actions are approved by management.

Facilities Abandonment: The Company recorded the costs associated with lease termination or abandonment when the Company ceased to utilize the leased property. Under SFAS No. 146, the liability associated with lease termination or abandonment is measured as the present value of the total remaining lease costs and associated operating costs, less probable sublease income. The Company accretes its obligations related to the facilities abandonment to the then-present value and, accordingly, recognizes accretion expense as a restructuring expense in future periods. The Company incurred approximately $23 million of charges related to abandoned properties during the fiscal year ending March 31, 2007 and anticipates that the remaining amounts will be incurred by the end of fiscal year 2008. The Company anticipates the facility portion of the fiscal 2007 plan will cost approximately $50 million.

Accrued restructuring costs and actual payments for fiscal year 2007 and the ending accrual balances at March 31, 2007 associated with the fiscal 2007 plan were as follows:

(IN MILLIONS)	SEVERANCE	FACILITIES ABANDONMENT
Additions	$ 124	$ 23
Payments	(37)	(6)
Accrued Balance at March 31, 2007	$ 87	$ 17

The liability balance for the severance portion of the remaining reserve is included in the "Salaries, wages and commissions" line on the Consolidated Balance Sheet. The liability for the facilities portion of the remaining reserve is included in the "Accrued expenses and other current liabilities" line item on the Consolidated Balance Sheet. The costs are included in the "Restructuring and other" line item on the Consolidated Statement of Operations for the fiscal year ended March 31, 2007.

Fiscal 2006 Plan: In July 2005, the Company announced the fiscal 2006 plan to increase efficiency and productivity and to more closely align its investments with strategic growth opportunities. The Company accounted for the individual components of the restructuring plan as follows:

Severance: The fiscal 2006 plan included a workforce reduction of approximately five percent, or 800 positions, worldwide. The termination benefits the Company offered in connection with this workforce reduction were substantially the same as the benefits the Company has provided historically for non-performance-based workforce reductions, and in certain countries have been provided based upon statutory minimum requirements. The employee termination obligations incurred in connection with the fiscal 2006 plan were accounted for in accordance with SFAS No. 112. In certain countries, the Company elected to provide termination benefits in excess of legal requirements subsequent to the initial implementation of the plan. These additional costs have been recognized as incurred in accordance with SFAS No. 146. The Company incurred approximately $22 million and $36 million of severance costs for the fiscal years ended March 31, 2007 and March 31, 2006, respectively. The Company has recognized substantially all of the severance related costs associated with the fiscal 2006 plan. Final payment of these amounts is dependent upon settlement with the works councils in certain international locations.

Facilities Abandonment: The Company recorded the costs associated with lease termination or abandonment when the Company ceased to utilize the leased property. Under SFAS No. 146, the liability associated with lease termination and/or abandonment is measured as the present value of the total remaining lease costs and associated operating costs, less probable sublease income. The Company accretes its obligations related to the facilities abandonment to the then-present value and, accordingly, recognizes accretion expense as a restructuring expense in future periods. The Company reduced the accrual for facilities abandonment related costs by approximately $3 million for the fiscal year ended March 31, 2007 due to revised estimates for sublease income on certain properties, and incurred approximately $30 million in costs for the fiscal year ended March 31, 2006. The Company has recognized substantially all of the facilities abandonment costs associated with the fiscal 2006 plan.

Accrued restructuring costs and changes in the accruals for fiscal years 2007 and 2006 associated with the fiscal 2006 plan were as follows:

(IN MILLIONS)	SEVERANCE	FACILITIES ABANDONMENT
Balance at March 31, 2005	$ —	$ —
Additions	36	30
Payments	(19)	(3)
Adjustments	1	—
Balance at March 31, 2006	18	27
Additions (reductions)	22	(3)
Payments	(34)	(10)
Balance at March 31, 2007	$ 6	$ 14

The liability balance for the severance portion of the remaining reserve is included in the "Salaries, wages and commissions" line on the Consolidated Balance Sheets of the respective periods. The liability for the facilities portion of the remaining reserve is included in the "Accrued expenses and other current liabilities" line item on the Consolidated Balance Sheets.

Other

During the fiscal years ended March 31, 2007 and March 31, 2006, the Company incurred approximately $4 million and $10 million, respectively, in connection with the Company's Deferred Prosecution Agreement entered into with the United States Attorney's Office for the Eastern District of New York (see also Note 8, "Commitments and Contingencies", in the Notes to the Consolidated Financial Statements). During fiscal year 2007, the Company incurred approximately $15 million in legal fees in connection with matters under review by the Special Litigation Committee, composed of independent members of the Board of Directors (refer to Note 8, "Commitments and Contingencies", in the Notes to the Consolidated Financial Statements for further details). Additionally, in the fourth quarter of fiscal year 2007, the Company recorded an impairment charge of approximately $12 million, relating to certain separately identifiable intangible assets acquired in conjunction with a prior year acquisition that were not subject to amortization, and a charge of approximately $4 million for software that was capitalized for internal use but was determined to be impaired for future periods.

As part of the Company's restructuring initiatives and associated review of the benefits of owning versus leasing certain properties, the Company entered into three sale/leaseback transactions during fiscal year 2006. Two of these transactions resulted in a loss totaling approximately $7 million which was recorded under "Restructuring and other" in the Consolidated Statements of Operations. The third sale/leaseback transaction resulted in a gain of approximately $5 million which is being recognized ratably as a reduction to rent expense over the life of the lease term. During fiscal year 2006, the Company also incurred approximately $5 million due to the termination of a non-core application development professional services project.

Note 4 — Marketable Securities

The following is a summary of marketable securities classified as available-for-sale:

(IN MILLIONS)	YEAR ENDED MARCH 31, 2007	2006
Debt/Equity Securities:		
Cost	$2	$30
Gross unrealized gains	3	4
Estimated fair value	$5	$34

There were no marketable securities that were considered restricted as of March 31, 2007 and March 31, 2006.

The Company realized net gains on sales of marketable securities of approximately $13 million, $2 million and $8 million for the fiscal years ended March 31, 2007, 2006 and 2005, respectively.

The estimated fair value of debt and equity securities is based upon published closing prices of those securities as of March 31, 2007 and March 31, 2006. For debt securities, amortized cost is classified by contractual maturity. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

In September 2006, the Company sold an investment in marketable securities and received net cash proceeds of approximately $32 million. The transaction resulted in a gain of approximately $14 million, which has been recorded in the "Other gains, net" line item of the Consolidated Statement of Operations for the fiscal year ended March 31, 2007.

The Company reviewed its investment portfolio for impairment and determined that, as of March 31, 2007 and 2006, the total unrealized loss for investments impaired for both greater and less than 12 months was immaterial. See also Note 1, "Significant Accounting Policies".

The following table summarizes the cost and fair market value of the Company's marketable securities at March 31, 2007 and 2006:

	MARCH 31, 2007		MARCH 31, 2006	
(IN MILLIONS)	COST	ESTIMATED FAIR VALUE	COST	ESTIMATED FAIR VALUE
Debt securities, which are recorded at market, maturing:				
Within one year or less	$ —	$ —	$ 1	$ 1
Between one and three years	—	—	5	5
Between three and five years	—	—	1	1
Beyond five years	—	—	5	5
Debt securities, which are recorded at market	—	—	12	12
Equity securities, which are recorded at market	2	5	18	22
Total marketable securities	$ 2	$ 5	$ 30	$ 34

Total interest income, which primarily related to the Company's cash and cash equivalent balances, for the fiscal years ended March 31, 2007, 2006, and 2005 was approximately $66 million, $57 million, and $50 million, respectively, and is included in the "Interest expense, net" line item in the Consolidated Statements of Operations.

Note 5 — Segment and Geographic Information

The Company's chief operating decision makers review financial information presented on a consolidated basis, accompanied by disaggregated information about revenue, by geographic region, for purposes of assessing financial performance and making operating decisions. Accordingly, the Company considers itself to be operating in a single industry segment. The Company does not manage its business by solution or focus area and therefore does not maintain financial statements on such a basis.

In addition to its United States operations, the Company operates through branches and wholly-owned subsidiaries in 46 foreign countries located in North America (3), Africa (1), South America (6), Asia/Pacific (16), and Europe (20). Revenue is allocated to a geographic area based on the location of the sale. The following table presents information about the Company by geographic area for the fiscal years ended March 31, 2007, 2006 and 2005:

(IN MILLIONS)	UNITED STATES	EUROPE	OTHER	ELIMINATIONS	TOTAL
March 31, 2007					
Revenue					
To unaffiliated customers	$ 2,131	$ 1,131	$ 681	$ —	$ 3,943
Between geographic areas[1]	510	—	—	(510)	—
Total revenue	2,641	1,131	681	(510)	3,943
Property and equipment, net	242	177	50	—	469
Identifiable assets	9,241	908	436	—	10,585
Total liabilities	5,545	879	471	—	6,895
March 31, 2006					
Revenue					
To unaffiliated customers	$ 2,006	$ 1,123	$ 643	$ —	$ 3,772
Between geographic areas[1]	459	—	—	(459)	—
Total revenue	2,465	1,123	643	(459)	3,772
Property and equipment, net	428	166	40	—	634
Identifiable assets	9,130	1,054	336	—	10,520
Total liabilities	4,296	948	522	—	5,766
March 31, 2005					
Revenue:					
To unaffiliated customers	$ 1,878	$ 1,096	$ 609	$ —	$ 3,583
Between geographic areas[1]	472	—	—	(472)	—
Total revenue	2,350	1,096	609	(472)	3,583
Property and equipment, net	404	184	34	—	622
Identifiable assets	9,916	1,144	395	—	11,455
Total liabilities	5,081	903	401	—	6,385

1 Represents royalties from foreign subsidiaries determined as a percentage of certain amounts invoiced to customers.

No single customer accounted for 10% or more of total revenue for the fiscal years ended March 31, 2007, 2006, or 2005.

Note 6 — Trade and Installment Accounts Receivable

The Company uses installment license agreements as a standard business practice and has a history of successfully collecting substantially all amounts due under the original payment terms without making concessions on payments, software products, maintenance, or professional services. Net trade and installment accounts receivable represent financial assets derived from the committed amounts due from the Company's customers that have been earned by the Company. These accounts receivable balances are reflected net of unamortized discounts based on imputed interest for the time value of money for license agreements under our prior business model, unearned revenue attributable to maintenance and allowances for doubtful accounts. These balances do not include unbilled contractual commitments executed under the Company's current business model. Trade and installment accounts receivable are composed of the following components:

(IN MILLIONS)	MARCH 31, 2007	MARCH 31, 2006
Current:		
Accounts receivable	$ 779	$ 828
Other receivables	101	77
Unbilled amounts due within the next 12 months — prior business model	146	149
Less: Allowance for doubtful accounts	(32)	(25)
Less: Unearned revenue — current	(604)	(477)
Net trade and installment accounts receivable — current	$ 390	$ 552
Noncurrent:		
Unbilled amounts due beyond the next 12 months — prior business model	$ 357	$ 511
Less: Allowance for doubtful accounts	(5)	(20)
Less: Unearned revenue — noncurrent	(21)	(42)
Net installment accounts receivable — noncurrent	$ 331	$ 449

The components of unearned revenue consist of the following:

(IN MILLIONS)	MARCH 31, 2007	MARCH 31, 2006
Current:		
Unamortized discounts	$ 32	$ 44
Unearned maintenance	1	4
Deferred subscription revenue (billed, uncollected)	571	429
Total unearned revenue — current	$ 604	$ 477
Noncurrent:		
Unamortized discounts	$ 18	$ 34
Unearned maintenance	3	8
Total unearned revenue — noncurrent	$ 21	$ 42

During fiscal years 2007 and 2006, the Company transferred its rights and interest in future committed installments under ratable software license agreements to third party financial institutions with an aggregate contract value of approximately \$111 million and \$65 million, respectively, for which the Company received cash of approximately \$104 million and \$60 million, respectively. If the Company transfers its financial interest in future committed installments under a license agreement to a third party financing institution, for which revenue has not yet been recognized, the Company records the liability associated with the receipt of the cash as "Financing obligations (collected)" in the Consolidated Balance Sheets. The amounts received from third party financing institutions are classified as either current or non-current, depending upon when amounts are expected to be payable by the customer under the license agreement. When the payment is due from the customer to the third party, the Company relieves its liability to the financing institution and recognizes the previously financed amount as "Deferred subscription revenue (collected)" in the Consolidated Balance Sheets. As of March 31, 2007 and 2006, the aggregate remaining amounts due to the third party financing institutions classified as "Financing obligations (collected)" in the Consolidated Balance Sheets were approximately \$102 million and \$50 million, respectively. The financing agreements may contain limited recourse provisions with respect to the Company's continued performance under the license agreements. Based on our historical experience, the Company believes that any liability which may be incurred as a result of these limited recourse provisions is remote.

Note 7 — Debt

Credit Facilities

As of March 31, 2007 and 2006, the Company's committed bank credit facilities consisted of a \$1 billion, unsecured bank revolving credit facility expiring in December 2008 (the 2004 Revolving Credit Facility).

(IN MILLIONS)	2007 MAXIMUM AVAILABLE	2007 OUTSTANDING BALANCE	2006 MAXIMUM AVAILABLE	2006 OUTSTANDING BALANCE
	YEAR ENDED MARCH 31,			
2004 Revolving Credit Facility	$ 1,000	$ 750	$ 1,000	$ —

2004 Revolving Credit Facility

In December 2004, the Company entered into the 2004 Revolving Credit Facility. The maximum committed amount available under the 2004 Revolving Credit Facility is $1 billion, exclusive of incremental credit increases of up to an additional $250 million which are available subject to certain conditions and the agreement of the lenders. The 2004 Revolving Credit Facility expires in December 2008 and $750 million was drawn as of March 31, 2007. No amounts were drawn as of March 31, 2006.

The Company drew down $750 million in September 2006 in order to finance the $1 billion tender offer, which is further described in the "Stock repurchase" section of Note 1 — "Significant Accounting Policies" in this Annual Report on Form 10-K. Borrowings under the 2004 Revolving Credit Facility bear interest at a rate dependent on the Company's credit ratings at the time of such borrowings and are calculated according to a base rate or a Eurocurrency rate, as the case may be, plus an applicable margin and utilization fee. The Company's current borrowing rate is 6.49%. Depending on the Company's credit rating at the time of borrowing, the applicable margin can range from 0% to 0.325% for a base rate borrowing and from 0.50% to 1.325% for a Eurocurrency borrowing, and the utilization fee can range from 0.125% to 0.250%. Based on the Company's credit ratings as of May 2007, the applicable margin is 0.025% for a base rate borrowing and 1.025% for a Eurocurrency borrowing, and the utilization fee is 0.125%. In addition, the Company must pay facility fees quarterly at rates dependent on the Company's credit ratings. The facility fees can range from 0.125% to 0.30% of the amount of the committed amount under the facility (without taking into account any outstanding borrowings under such commitments). Based on the Company's credit ratings as of May 2007, the facility fee is 0.225% of the $1 billion committed amount.

The 2004 Revolving Credit Facility contains customary covenants for transactions of this type, including two financial covenants: (i) for the 12 months ending each quarter-end, the ratio of consolidated debt for borrowed money to consolidated cash flow, each as defined in the 2004 Revolving Credit Facility, must not exceed 4.00 for the quarters ended March 31, 2007 and thereafter; and (ii) for the 12 months ending each quarter-end, the ratio of consolidated cash flow to the sum of interest payable on, and amortization of debt discount in respect of, all consolidated debt for borrowed money, as defined in the 2004 Revolving Credit Facility, must not be less than 5.00. In addition, as a condition precedent to each borrowing made under the 2004 Revolving Credit Facility, as of the date of such borrowing, (i) no event of default shall have occurred and be continuing and (ii) the Company is to reaffirm that the representations and warranties made in the 2004 Revolving Credit Facility (other than the representation with respect to material adverse changes, but including the representation regarding the absence of certain material litigation) are correct. As of May 2007, the Company is in compliance with these debt covenants.

Senior Note Obligations

As of March 31, 2007 and 2006, the Company had the following unsecured, fixed-rate interest, senior note obligations outstanding:

(IN MILLIONS)	YEAR ENDED MARCH 31, 2007	2006
6.500% Senior Notes due April 2008	$ 350	$ 350
4.750% Senior Notes due December 2009	500	500
1.625% Convertible Senior Notes due December 2009	460	460
5.625% Senior Notes due December 2014	500	500

Fiscal Year 1999 Senior Notes

In fiscal year 1999, the Company issued $1.75 billion of unsecured Senior Notes in a transaction pursuant to Rule 144A under the Securities Act of 1933 (Rule 144A). Amounts borrowed, rates, and maturities for each issue were $575 million at 6.25%

due and paid in April 2003, $825 million at 6.375% due and paid in April 2005, and $350 million at 6.5% due April 15, 2008. As of March 31, 2007, $350 million of the 6.5% Senior Notes remained outstanding.

Fiscal Year 2005 Senior Notes

In November 2004, the Company issued an aggregate of $1 billion of unsecured Senior Notes (2005 Senior Notes) in a transaction pursuant to Rule 144A. The Company issued $500 million of 4.75%, 5-year notes due December 2009 and $500 million of 5.625%, 10-year notes due December 2014. The Company used the net proceeds from this issuance to repay debt. The Company has the option to redeem the 2005 Senior Notes at any time, at redemption prices equal to the greater of (i) 100% of the aggregate principal amount of the notes of such series being redeemed and (ii) the present value of the principal and interest payable over the life of the 2005 Senior Notes, discounted at a rate equal to 15 basis points and 20 basis points for the 5-year notes and 10-year notes, respectively, over a comparable U.S. Treasury bond yield. The maturity of the 2005 Senior Notes may be accelerated by the holders upon certain events of default, including failure to make payments when due and failure to comply with covenants in the 2005 Senior Notes. The 5-year notes were issued at a price equal to 99.861% of the principal amount and the 10-year notes at a price equal to 99.505% of the principal amount for resale under Rule 144A and Regulation S. The Company also agreed for the benefit of the holders to register the 2005 Senior Notes under the Securities Act of 1933 pursuant to a registered exchange offer so that the 2005 Senior Notes could be sold in the public market. Because the Company did not meet certain deadlines for completion of the exchange offer, the interest rate on the 2005 Senior Notes increased by 25 basis points as of September 27, 2005 and increased by an additional 25 basis points as of December 26, 2005 since the delay was not cured prior to that date. The additional 50 basis points ceased to accrue as of November 18, 2006, when the 2005 Senior Notes could be sold under Rule 144, without registration, to the public by holders who are not affiliated with the Company.

1.625% Convertible Senior Notes

In fiscal year 2003, the Company issued $460 million of unsecured 1.625% Convertible Senior Notes (1.625% Notes), due December 15, 2009, in a transaction pursuant to Rule 144A. The 1.625% Notes are senior unsecured indebtedness and rank equally with all existing senior unsecured indebtedness. Concurrent with the issuance of the 1.625% Notes, we entered into call spread repurchase option transactions (1.625% Notes Call Spread) to partially mitigate potential dilution from conversion of the 1.625% Notes. The option purchase price of the 1.625% Notes Call Spread was $73 million and the entire purchase price was charged to Stockholders' Equity in December 2002. Under the terms of the 1.625% Notes Call Spread, the Company can elect to receive (i) outstanding shares equivalent to the number of shares that will be issued if all of the 1.625% Notes are converted into shares (23 million shares) upon payment of an exercise price of $20.04 per share (aggregate price of $460 million); or (ii) a net cash settlement, net share settlement or a combination, whereby the Company will receive cash or shares equal to the increase in the market value of the 23 million shares from the aggregate value at the $20.04 exercise price (aggregate price of $460 million), subject to the upper limit of $30.00 discussed below. The 1.625% Notes Call Spread is designed to partially mitigate the potential dilution from conversion of the 1.625% Notes, depending upon the market price of the Company's common stock at such time. The 1.625% Notes Call Spread can be exercised in December 2009 at an exercise price of $20.04 per share. To limit the cost of the 1.625% Notes Call Spread, an upper limit of $30.00 per share has been set, such that if the price of the common stock is above that limit at the time of exercise, the number of shares eligible to be purchased will be proportionately reduced based on the amount by which the common share price exceeds $30.00 at the time of exercise. As of March 31, 2007, the estimated fair value of the 1.625% Notes Call Spread was approximately $122 million, which was based upon independent valuations from third-party financial institutions.

3% Concord Convertible Notes

In connection with our acquisition of Concord in June 2005, we assumed $86 million in 3% convertible senior notes due 2023. In accordance with the notes' terms, we redeemed (for cash) the notes in full in July 2005.

Other Indebtedness

(IN MILLIONS)	YEAR ENDED MARCH 31, 2007 MAXIMUM AVAILABLE	2007 OUTSTANDING BALANCE	2006 MAXIMUM AVAILABLE	2006 OUTSTANDING BALANCE
International line of credit	$ 20	$ —	$ 5	$ —
Capital lease obligations and other	—	23	—	6

International Line of Credit

An unsecured and uncommitted multi-currency line of credit is available to meet short-term working capital needs for the Company's subsidiaries operating outside the United States. The line of credit is available on an offering basis, meaning that transactions under the line of credit will be on such terms and conditions, including interest rate, maturity, representations, covenants and events of default, as mutually agreed between the Company's subsidiaries and the local bank at the time of each specific transaction. As of March 31, 2007, the amount available under this line totaled approximately $20 million and approximately $3 million was pledged in support of bank guarantees. Amounts drawn under these facilities as of March 31, 2007 were minimal.

In addition to the above facility, the Company and its subsidiaries use guarantees and letters of credit issued by financial institutes to guarantee performance on certain contracts. At March 31, 2007, none of these arrangements had been drawn down by third parties.

Other

As of March 31, 2007 and 2006, the Company had various other debt obligations outstanding, which approximated $23 million and $6 million, respectively.

At March 31, 2007, our senior unsecured notes were rated Ba1, BB, and BB+ by Moody's Investor Service (Moody's), Standard and Poor's (S&P) and Fitch Ratings (Fitch), respectively. The outlook on these unsecured notes is negative by all three rating agencies. As of May 2007, the Company's rating and outlook remained unchanged. Peak borrowings under all debt facilities during the fiscal year 2007 totaled approximately $2.58 billion, with a weighted average interest rate of 5.4%.

The Company conducts an ongoing review of its capital structure and debt obligations as part of its risk management strategy. Excluding the 2004 Revolving Credit Facility, the fair value of the Company's long-term debt, including the current portion of long-term debt, was $1.92 billion and $1.96 billion at March 31, 2007 and 2006, respectively. The fair value of long-term debt is based on quoted market prices. See also Note 1, "Significant Accounting Policies".

Interest expense for the fiscal years ended March 31, 2007, 2006, and 2005 was $122 million, $95 million, and $153 million, respectively.

The maturities of outstanding debt are as follows:

(IN MILLIONS)	YEAR ENDED MARCH 31, 2008	2009	2010	2011	2012	THEREAFTER
Amount due	$ 11	$ 1,109	$ 963	$ —	$ —	$ 500

Note 8 — Commitments and Contingencies

The Company leases real estate and certain data processing and other equipment with lease terms expiring through 2023. The leases are operating leases and provide for renewal options and additional rentals based on escalations in operating expenses and real estate taxes. The Company has no material capital leases.

Rental expense under operating leases for facilities and equipment was $196 million, $199 million, and $187 million for the fiscal years ended March 31, 2007, 2006, and 2005, respectively. Rental expense for the fiscal years ended March 31, 2007, 2006, and 2005 includes sublease income of $31 million, $10 million and $16 million, respectively.

Future minimum lease payments under non-cancelable operating leases at March 31, 2007, were as follows:

(IN MILLIONS)

2008	$ 163
2009	130
2010	107
2011	82
2012	67
Thereafter	335
Total	884
Less income from sublease	(101)
Net minimum operating lease payments	$ 783

The Company has commitments to invest approximately $3 million in connection with joint venture agreements.

Prior to fiscal year 2001, the Company sold individual accounts receivable under the prior business model to a third party subject to certain recourse provisions. The outstanding principal balance of these receivables subject to recourse approximated $115 million and $146 million as of March 31, 2007 and 2006, respectively.

Stockholder Class Action and Derivative Lawsuits Filed Prior to 2004

The Company, its former Chairman and CEO Charles B. Wang, its former Chairman and CEO Sanjay Kumar, its former Chief Financial Officer Ira Zar, and its Executive Vice President Russell M. Artzt were defendants in one or more stockholder class action lawsuits, filed in July 1998, February 2002, and March 2002 in the United States District Court for the Eastern District of New York (the Federal Court), alleging, among other things, that a class consisting of all persons who purchased the Company's common stock during the period from January 20, 1998 until July 22, 1998 were harmed by misleading statements, misrepresentations, and omissions regarding the Company's future financial performance. In addition, in May 2003, a class action lawsuit captioned *John A. Ambler v. Computer Associates International, Inc., et al.* was filed in the Federal Court. The complaint in this matter, a purported class action on behalf of the CA Savings Harvest Plan (the CASH Plan) and the participants in, and beneficiaries of, the CASH Plan for a class period running from March 30, 1998, through May 30, 2003, asserted claims of breach of fiduciary duty under the federal Employee Retirement Income Security Act (ERISA). The named defendants were the Company, the Company's Board of Directors, the CASH Plan, the Administrative Committee of the CASH Plan, and the following current or former employees and/or former directors of the Company: Messrs. Wang, Kumar, Zar, Artzt, Peter A. Schwartz, and Charles P. McWade; and various unidentified alleged fiduciaries of the CASH Plan. The complaint alleged that the defendants breached their fiduciary duties by causing the CASH Plan to invest in Company securities and sought damages in an unspecified amount.

A derivative lawsuit was filed by Charles Federman against certain current and former directors of the Company, based on essentially the same allegations as those contained in the February and March 2002 stockholder lawsuits discussed above. This action was commenced in April 2002 in Delaware Chancery Court, and an amended complaint was filed in November 2002. The defendants named in the amended complaint were the Company as a nominal defendant, current Company directors Mr. Lewis S. Ranieri, and The Honorable Alfonse M. D'Amato, and former Company directors Ms. Shirley Strum Kenny and Messrs. Wang, Kumar, Artzt, Willem de Vogel, Richard Grasso, and Roel Pieper. The derivative suit alleged breach of fiduciary duties on the part of all the individual defendants and, as against the former management director defendants, insider trading on the basis of allegedly misappropriated confidential, material information. The amended complaint sought an accounting and recovery on behalf of the Company of an unspecified amount of damages, including recovery of the profits allegedly realized from the sale of common stock of the Company.

On August 25, 2003, the Company announced the settlement of all outstanding litigation related to the above-referenced stockholder and derivative actions as well as the settlement of an additional derivative action filed by Charles Federman that had been pending in the Federal Court. As part of the class action settlement, which was approved by the Federal Court in December 2003, the Company agreed to issue a total of up to 5.7 million shares of common stock to the stockholders represented in the three class action lawsuits, including payment of attorneys' fees. The Company has completed the issuance of the settlement shares as well as payment of $3.3 million to the plaintiffs' attorneys in legal fees and related expenses.

In settling the derivative suits, which settlement was also approved by the Federal Court in December 2003, the Company committed to maintain certain corporate governance practices. Under the settlement, the Company, the individual defendants and all other current and former officers and directors of the Company were released from any potential claim by stockholders arising from accounting-related or other public statements made by the Company or its agents from January 1998 through February 2002 (and from January 1998 through May 2003 in the case of the employee ERISA action). The individual defendants were released from any potential claim by or on behalf of the Company relating to the same matters.

On October 5, 2004 and December 9, 2004, four purported Company stockholders served motions to vacate the Order of Final Judgment and Dismissal entered by the Federal Court in December 2003 in connection with the settlement of the derivative action. These motions primarily seek to void the releases that were granted to the individual defendants under the settlement. On December 7, 2004, a motion to vacate the Order of Final Judgment and Dismissal entered by the Federal Court in December 2003 in connection with the settlement of the 1998 and 2002 stockholder lawsuits discussed above was filed by Sam Wyly and certain related parties. The motion seeks to reopen the settlement to permit the moving stockholders to pursue individual claims against certain present and former officers of the Company. The motion states that the moving stockholders do not seek to file claims against the Company. On June 14, 2005, the Federal Court granted movants' motion to be allowed to take limited discovery prior to the Federal Court's ruling on the 60(b) Motions. No hearing date is currently set for the 60(b) Motions.

On February 1, 2005, the Company established a Special Litigation Committee of independent members of its Board of Directors to, among other things, control and determine the Company's response to the 60(b) Motions. The Special Litigation Committee has announced its conclusions, determinations, recommendations and actions with respect to the 60(b) Motions (see "— Derivative Actions Filed in 2004" below).

The Government Investigation — DPA Concluded

In September 2004, the Company reached agreements with the United States Attorney's Office for the Eastern Division of New York (USAO) and the Northeast Region of the Securities and Exchange Commission (SEC) by entering into a Deferred Prosecution Agreement (DPA) with the USAO and consenting to the entry of a Final Consent Judgment (Consent Judgment) in a parallel proceeding brought by the SEC in the United States District Court for the Eastern District of New York (the Federal Court). The Federal Court approved the DPA on September 22, 2004 and entered the Consent Judgment on September 28, 2004. The agreements resolved USAO and SEC investigations into certain of the Company's past accounting practices, including its revenue recognition policies and procedures during certain periods prior to the adoption of the business model in October 2000, and obstruction of their investigations.

On May 21, 2007, based on the Company's compliance with the DPA's terms, the Federal Court ordered dismissal of the charges that had been filed against the Company in connection with the DPA. As a result of the dismissal and as provided in the DPA, the DPA thereupon expired and is thus concluded.

The Consent Judgment contains provisions which are parallel to the DPA, and it permanently enjoins the Company from violating certain provisions of the federal securities laws. The injunctive provisions of the Consent Judgment remain in effect. For additional information concerning the DPA, the Consent Judgment, and related matters, see discussion below.

The Government Investigation

In 2002, the United States Attorney's Office for the Eastern District of New York (the USAO) and the staff of the Northeast Regional Office of the SEC commenced an investigation concerning certain of the Company's past accounting practices, including the Company's revenue recognition procedures in periods prior to the adoption of the Company's business model in October 2000.

In response to the investigation, the Board of Directors authorized the Audit Committee (now the Audit and Compliance Committee) to conduct an independent investigation into the timing of revenue recognition by the Company. On October 8, 2003, the Company reported that the ongoing investigation by the Audit and Compliance Committee had preliminarily found that revenues were prematurely recognized in the fiscal year ended March 31, 2000, and that a number of software license agreements appeared to have been signed after the end of the quarter in which revenues associated with such software license agreements had been recognized in that fiscal year. Those revenues, as the Audit and Compliance Committee found, should have been recognized in the quarter in which the software license agreements were signed. Those preliminary findings were reported to government investigators.

Following the Audit and Compliance Committee's preliminary report and at its recommendation, David Kaplan, David Rivard, Lloyd Silverstein and Ira Zar, the executives who oversaw the relevant financial operations during the period in question, resigned at the Company's request. On January 22, 2004, Mr. Silverstein pled guilty to federal criminal charges of conspiracy to obstruct justice in connection with the ongoing investigation. On April 8, 2004, Messrs. Kaplan, Rivard and Zar pled guilty to charges of conspiracy to obstruct justice and conspiracy to commit securities fraud in connection with the investigation. Mr. Zar also pled guilty to committing securities fraud.

On January 26, 2007, Mr. Zar was sentenced to a term of imprisonment for seven months and home confinement for seven months. On January 29, 2007, Mr. Kaplan was sentenced to home confinement for six months. On January 30, 2007, Mr. Rivard was sentenced to home confinement for four months. On January 31, 2007, Mr. Silverstein was sentenced to home confinement for six months. The Federal Court has deferred its decisions on restitution owed by Messrs. Kaplan, Rivard and Zar until a date to be determined.

The SEC filed related actions against each of the four former executives, alleging that they participated in a widespread practice that resulted in the improper recognition of revenue by the Company. Without admitting or denying the allegations in the complaints filed by the SEC, Messrs. Kaplan, Rivard, Silverstein and Zar each consented to a permanent injunction against violating, or aiding and abetting violations of, the securities laws, and also to a permanent bar from serving as an officer or director of a publicly held company. Litigation with respect to the SEC's claims for disgorgement and penalties is continuing.

A number of other employees, primarily in the Company's legal and finance departments were terminated or resigned as a result of matters under investigation by the Audit and Compliance Committee, including Steven Woghin, the Company's former General Counsel. Stephen Richards, the Company's former Executive Vice President of Sales, resigned from his position and was relieved of all duties in April 2004, and left the Company at the end of June 2004. Additionally, on April 21, 2004, Sanjay Kumar resigned as Chairman, director and Chief Executive Officer of the Company, and assumed the role of Chief Software Architect. Thereafter, Mr. Kumar resigned from the Company effective June 30, 2004.

In April 2004, the Audit and Compliance Committee completed its investigation and determined that the Company should restate certain financial data to properly reflect the timing of the recognition of license revenue for the Company's fiscal years ended March 31, 2001 and 2000. The Audit and Compliance Committee believes that the Company's financial reporting related to contracts executed under its current business model is unaffected by the improper accounting practices that were in place prior to the adoption of the current business model in October 2000 and that had resulted in the aforementioned restatements, and that the historical issues it had identified in the course of its independent investigation concerned the premature recognition of revenue. However, certain of these prior period accounting errors have had an impact on the subsequent financial results of the Company as described in Note 12 to the Consolidated Financial Statements in the Company's amended Annual Report on Form 10-K/A for the fiscal year ended March 31, 2005.

As noted above, in September 2004, the Company agreed to, and the Federal Court approved, the DPA and the Consent Judgment.

Under the DPA, the Company agreed to establish a $225 million fund for purposes of restitution to current and former stockholders of the Company, with $75 million to be paid within 30 days of the date of approval of the DPA by the Federal Court, $75 million to be paid within one year after the approval date and $75 million to be paid within 18 months after the approval date. The Company made the first $75 million restitution payment into an interest-bearing account under terms approved by the USAO on October 22, 2004. The Company made the second $75 million restitution payment into an interest-bearing account under terms approved by the USAO on September 22, 2005. The Company made the third and final $75 million restitution payment into an interest-bearing account under terms approved by the USAO on March 22, 2006.

Pursuant to the DPA, the Company proposed and the USAO accepted, on or about November 4, 2004, the appointment of Kenneth R. Feinberg as Fund Administrator. Also, pursuant to the Agreements, Mr. Feinberg submitted to the USAO on or about June 28, 2005, a Plan of Allocation for the Restitution Fund (the Restitution Fund Plan). The Restitution Fund Plan was approved by the Federal Court on August 18, 2005. The Company's payments to the restitution fund, which will be allocated and distributed to certain current and former stockholders of the Company as determined by the Fund Administrator, are in addition to the amounts that the Company previously agreed to provide current and former stockholders in settlement of certain class action lawsuits in August 2003 (see "— Stockholder Class Action and Derivative Lawsuits Filed Prior to 2004"). This latter amount was paid by the Company in December 2004 in shares at a then total value of approximately $174 million.

Under the Agreements, the Company also agreed, among other things, to take the following actions by December 31, 2005: (1) to add a minimum of two new independent directors to its Board of Directors; (2) to establish a Compliance Committee of the Board of Directors; (3) to implement an enhanced compliance and ethics program, including appointment of a Chief Compliance Officer; (4) to reorganize its Finance and Internal Audit Departments; and (5) to establish an executive disclosure committee. The reorganization of the Finance Department is in progress and the reorganization of the Internal Audit Department is substantially complete. On December 9, 2004, the Company announced that Patrick J. Gnazzo had been named Senior Vice President, Business Practices, and Chief Compliance Officer, effective January 10, 2005. On February 11, 2005, the Board of Directors elected William McCracken to serve as a new independent director, and also changed the name of the Audit Committee of the Board of Directors to the Audit and Compliance Committee of the Board of Directors and amended the Committee's charter. On April 11, 2005, the Board of Directors elected Ron Zambonini to serve as a new independent director. On November 11, 2005, the Board of Directors elected Christopher Lofgren to serve as a new independent director. On April 26, 2007, the Board of Directors elected Raymond J. Bromark to serve as a new independent director.

Under the Agreements, the Company also agreed to the appointment of an Independent Examiner to examine the Company's practices for the recognition of software license revenue, its ethics and compliance policies and other specified matters. The Agreements provided that the Independent Examiner would also review the Company's compliance with the Agreements and periodically report findings and recommendations to the USAO, SEC and Board of Directors. On March 16, 2005, the Federal Court appointed Lee S. Richards III, Esq. of Richards Spears Kibbe & Orbe LLP (now, Richards Kibbe & Orbe LLP), to serve as Independent Examiner. On September 15, 2005, Mr. Richards issued his six-month report concerning his recommendations for best practices regarding certain areas specified in the Agreements. On December 15, 2005, March 15, 2006, June 15, 2006, September 15, 2006 and December 15, 2006, Mr. Richards issued quarterly reports concerning the Company's compliance with the Agreements. On May 1, 2007, Mr. Richards issued a Final Report concerning the Company's compliance with the Agreements.

Pursuant to the Consent Judgment with the SEC, the Company is permanently enjoined from violating Section 17(a) of the Securities Act of 1933 (the Securities Act), Sections 10(b), 13(a) and 13(b)(2) of the Securities Exchange Act of 1934 (the Exchange Act) and Rules 10b-5, 12b-20, 13a-1 and 13a-13 under the Exchange Act.

Under the DPA, the USAO agreed to seek dismissal of the charges the USAO filed against the Company in connection with the DPA, upon the Company's compliance with the DPA. However, it was also agreed that the USAO could prosecute such charges against the Company at any time while the DPA was in effect if the USAO were to determine that the Company deliberately gave materially false, incomplete or misleading information pursuant to the DPA, committed any federal crime while the DPA was in effect or knowingly, intentionally and materially violated any provision of the DPA.

In his Fourth Report, dated June 15, 2006, the Independent Examiner described certain issues regarding the Company's internal accounting controls and reorganization of the Finance Department. Accordingly, by letter dated September 14, 2006, the USAO informed the Federal Court that the USAO had determined to extend the term of the Independent Examiner to May 1, 2007. The extension was made pursuant to paragraph 22 of the DPA and with the consent of the Company. The Independent Examiner's term was otherwise set to expire on September 16, 2006. The USAO, the SEC, the Independent Examiner and the Company agreed that the extension to May 1, 2007 was appropriate in light of the control-environment and commission-related material weaknesses announced in the 2006 Form 10-K, and issues concerning the reorganization of the Finance Department to be addressed by the Company's then new Chief Financial Officer, Nancy Cooper, who had joined the

Company in August 2006. Beyond the control issues identified in the Independent Examiner's June 15, 2006 report, the USAO advised the Federal Court that the Company had, as of the date of the above-referenced letter, substantially complied with the terms of the DPA. The USAO also informed the Federal Court that if the control issues described above were resolved by May 1, 2007, and the Company were otherwise in compliance with the DPA, the USAO would seek the Federal Court's dismissal with prejudice of the charges that had been filed against the Company in connection with the DPA.

On May 15, 2007, the USAO submitted a motion to the Federal Court seeking dismissal of the charges. The USAO motion papers cited the May 1, 2007 final report of the Independent Examiner and stated that the Company complied with the DPA. On May 21, 2007, the Federal Court issued an order dismissing the charges; as a result of the dismissal and as provided in the terms of the DPA, the DPA thereupon expired and thus concluded.

On September 22, 2004, Mr. Woghin, the Company's former General Counsel, pled guilty to a two-count information charging him with conspiracy to commit securities fraud and obstruction of justice. The SEC also filed a complaint in the Federal Court against Mr. Woghin alleging that he violated Section 17(a) of the Securities Act, Sections 10(b) and 13(b)(5) of the Exchange Act, and Rules 10b-5 and 13b2-1 thereunder. The complaint further alleged that under Section 20(e) of the Exchange Act, Mr. Woghin aided and abetted the Company's violations of Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder. Mr. Woghin consented to a partial judgment imposing a permanent injunction enjoining him from committing violations in the future and permanently baring him from serving as an officer or director of a public company. The SEC's claims for disgorgement and civil penalties against Mr. Woghin are pending. On January 16, 2007, Mr. Woghin was sentenced to a term of imprisonment for two years and supervised release for a period of three years. By Order dated February 6, 2007, the Federal Court reduced Mr. Woghin's term of imprisonment to one year and one day, with the balance of the initial two-year term to be served in home confinement. The Federal Court has deferred any decisions on restitution until a date to be determined.

Additionally, on September 22, 2004, the SEC filed complaints in the Federal Court against Sanjay Kumar and Stephen Richards alleging that they violated Section 17(a) of the Securities Act, Sections 10(b) and 13(b)(5) of the Exchange Act, and Rules 10b-5 and 13b2-1 thereunder. The complaints further alleged that under Section 20(e) of the Exchange Act, Messrs. Kumar and Richards aided and abetted the Company's violations of Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder. The complaints sought to enjoin Messrs. Kumar and Richards from further violations of the Securities Act and the Exchange Act and for disgorgement of gains they received as a result of these violations. On June 14, 2006, Messrs. Kumar and Richards consented to partial judgments imposing permanent injunctions enjoining them from committing violations of the federal securities laws in the future and permanently barring them from serving as officers or directors of public companies. The SEC's claims against Messrs. Kumar and Richards for disgorgement and civil penalties are pending.

On September 23, 2004, the USAO filed, in the Federal Court, a ten-count indictment charging Messrs. Kumar and Richards with conspiracy to commit securities fraud and wire fraud, committing securities fraud, filing false SEC filings, conspiracy to obstruct justice and obstruction of justice. Additionally, Mr. Kumar was charged with one count of making false statements to an agent of the Federal Bureau of Investigation and Mr. Richards was charged with one count of perjury in connection with sworn testimony before the SEC.

On or about June 29, 2005, the USAO filed a superseding indictment against Messrs. Kumar and Richards, dropping one count and adding several allegations to certain of the nine remaining counts. On April 24, 2006, Messrs. Kumar and Richards pled guilty to all counts in the superseding indictment filed by the USAO. On November 2, 2006, Mr. Kumar was sentenced to a term of imprisonment for twelve years. On or about April 13, 2007, the Federal Court executed a Stipulation and Order directing that Mr. Kumar pay restitution in the amount of $798.6 million, of which $50 million is due to be paid within 90 days of the date of the Order or by July 31, 2007, whichever is later. On November 14, 2006, Mr. Richards was sentenced to a term of imprisonment for seven years and three years of supervised release. The Federal Court has deferred any decisions on Mr. Richards' restitution until a hearing at a date to be set by the Federal Court.

On April 21, 2006, Thomas M. Bennett, the Company's former Senior Vice President, Business Development, was arrested pursuant to an arrest warrant issued by the Federal Court. The arrest warrant charged Mr. Bennett with three counts of conspiracy to commit obstruction of justice in violation of Title 18, United States Code, Sections 1510(a) and 1505, and

Title 18, United States Code, Section 371. On June 21, 2006, Mr. Bennett pled guilty to one count of conspiracy to obstruct justice. On December 6, 2006, Mr. Bennett was sentenced to a term of home confinement for ten months, three years of supervised release, 100 hours of community service, and a fine of $15,000.

Derivative Actions Filed in 2004

In June 2004, a purported derivative action was filed in the Federal Court by Ranger Governance Ltd. against certain current or former employees and/or directors of the Company. In July 2004, two additional purported derivative actions were filed in the Federal Court by purported Company stockholders against certain current or former employees and/or directors of the Company. In November 2004, the Federal Court issued an order consolidating these three derivative actions. The plaintiffs filed a consolidated amended complaint (the Consolidated Complaint) on January 7, 2005. The Consolidated Complaint names as defendants Messrs. Wang, Kumar, Zar, Artzt, D'Amato, Richards, Ranieri and Woghin; Messrs. Kaplan, Rivard and Silverstein; Michael A. McElroy; Messrs McWade and Schwartz; Gary Fernandes; Robert E. La Blanc; Jay W. Lorsch; Kenneth Cron; Walter P. Schuetze; Messrs. de Vogel and Grasso; Roel Pieper; KPMG LLP; and Ernst & Young LLP. The Company is named as a nominal defendant. The Consolidated Complaint alleges a claim against Messrs. Wang, Kumar, Zar, Kaplan, Rivard, Silverstein, Artzt, D'Amato, Richards, McElroy, McWade, Schwartz, Fernandes, La Blanc, Ranieri, Lorsch, Cron, Schuetze, de Vogel, Grasso, Pieper and Woghin for contribution towards the consideration the Company had previously agreed to provide current and former stockholders in settlement of certain class action litigation commenced against the Company and certain officers and directors in 1998 and 2002 (see "— Stockholder Class Action and Derivative Lawsuits Filed Prior to 2004") and seeks on behalf of the Company compensatory and consequential damages in an amount not less than $500 million in connection with the USAO and SEC investigations (see "— The Government Investigation"). The Consolidated Complaint also alleges a claim seeking unspecified relief against Messrs. Wang, Kumar, Zar, Kaplan, Rivard, Silverstein, Artzt, D'Amato, Richards, McElroy, McWade, Fernandes, La Blanc, Ranieri, Lorsch, Cron, Schuetze, de Vogel and Woghin for violations of Section 14(a) of the Exchange Act for alleged false and material misstatements made in the Company's proxy statements issued in 2002 and 2003. The Consolidated Complaint also alleges breach of fiduciary duty by Messrs. Wang, Kumar, Zar, Kaplan, Rivard, Silverstein, Artzt, D'Amato, Richards, McElroy, McWade, Schwartz, Fernandes, La Blanc, Ranieri, Lorsch, Cron, Schuetze, de Vogel, Grasso, Pieper and Woghin. The Consolidated Complaint also seeks unspecified compensatory, consequential and punitive damages against Messrs. Wang, Kumar, Zar, Kaplan, Rivard, Silverstein, Artzt, D'Amato, Richards, McElroy, McWade, Schwartz, Fernandes, La Blanc, Ranieri, Lorsch, Cron, Schuetze, de Vogel, Grasso, Pieper and Woghin based upon allegations of corporate waste and fraud. The Consolidated Complaint also seeks unspecified damages against Ernst & Young LLP and KPMG LLP, for breach of fiduciary duty and the duty of reasonable care, as well as contribution and indemnity under Section 14(a) of the Exchange Act. The Consolidated Complaint requests restitution and rescission of the compensation earned under the Company's executive compensation plan by Messrs. Artzt, Kumar, Richards, Zar, Woghin, Kaplan, Rivard, Silverstein, Wang, McElroy, McWade and Schwartz. Additionally, pursuant to Section 304 of the Sarbanes-Oxley Act, the Consolidated Complaint seeks reimbursement of bonus or other incentive-based equity compensation received by defendants Wang, Kumar, Schwartz and Zar, as well as alleged profits realized from their sale of securities issued by the Company during the time periods they served as the Chief Executive Officer (Messrs. Wang and Kumar) and Chief Financial Officer (Messrs. Schwartz and Zar) of the Company. Although no relief is sought from the Company, the Consolidated Complaint seeks monetary damages, both compensatory and consequential, from the other defendants, including current or former employees and/or directors of the Company, KPMG LLP and Ernst & Young LLP in an amount totaling not less than $500 million.

The consolidated derivative action has been stayed pending resolution of the 60(b) Motions (see "— Stockholder Class Action and Derivative Lawsuits Filed Prior to 2004").

On February 1, 2005, the Company established a Special Litigation Committee of independent members of its Board of Directors to, among other things, control and determine the Company's response to the Consolidated Complaint and the 60(b) Motions. On April 13, 2007, the Special Litigation Committee issued its reports, which announced the Special Litigation Committee's conclusions, determinations, recommendations and actions with respect to the claims asserted in the Derivative Actions and in the 60(b) Motions. Also, in response to the Consolidated Complaint, the Special Litigation Committee served a motion which seeks the Federal Court's approval of the Special Litigation Committee's conclusions. As summarized in the

Company's Current Report on Form 8-K filed with the SEC on April 13, 2007 and in the bullets below, the Special Litigation Committee concluded as follows:

- The Special Litigation Committee has concluded that it would be in the best interests of the Company to pursue certain of the claims against Charles Wang (CA's former Chairman and CEO) including filing a motion to set aside releases granted to Mr. Wang in 2000 and 2003. The Special Litigation Committee has determined and directed that these claims be pursued vigorously by CA using counsel retained by the Company. Certain other claims against Mr. Wang should be dismissed as they are duplicative of the ones to be pursued and are for various legal reasons infirm. The Special Litigation Committee will seek dismissal of these claims.
- The Special Litigation Committee has reached a binding term sheet settlement (subject to court approval) with Sanjay Kumar (CA's former Chairman and CEO). Pursuant to this settlement, the Company will receive a $15.25 million judgment against Mr. Kumar secured in part by real property and executable against his future earnings. This amount is in addition to the $52 million that Mr. Kumar will repay to CA's shareholders as part of his criminal restitution proceedings. Based on his sworn financial disclosures, the Special Litigation Committee believes that, following his agreement with the government, Mr. Kumar had no material assets remaining. As a result, the Special Litigation Committee will seek dismissal of all claims against him.
- The Special Litigation Committee has concluded that it would be in the best interests of the Company to pursue certain of the claims against former officer Peter Schwartz (CA's former CFO). The Special Litigation Committee has determined and directed that these claims be pursued vigorously by CA using counsel retained by the Company. Certain other claims against Mr. Schwartz should be dismissed as they are duplicative of the ones to be pursued and are for various legal reasons infirm. The Special Litigation Committee will seek dismissal of these claims.
- The Special Litigation Committee has concluded that it would be in the best interests of the Company to pursue certain of the claims against the former CA executives who have pled guilty to various charges of securities fraud and/or obstruction of justice — including David Kaplan (CA's former head of Financial Reporting), Stephen Richards (CA's former head of Worldwide Sales), David Rivard (CA's former head of Sales Accounting), Lloyd Silverstein (CA's former head of the Global Sales Organization), Steven Woghin (CA's former General Counsel, and Ira Zar (CA's former CFO). The Special Litigation Committee has determined and directed that these claims be pursued by CA using counsel retained by the Company, unless the Special Litigation Committee is able to successfully conclude its ongoing settlement negotiations with these individuals shortly after the conclusion of their criminal restitution proceedings.
- The Special Litigation Committee has reached a settlement agreement (subject to court approval) with Russell Artzt (currently Executive Vice President of Products and a former CA Board member). The Special Litigation Committee noted that during its investigation, it did not uncover evidence that Mr. Artzt directed or participated in the "35 Day-Month" practice or that he was involved in the preparation or dissemination of the financial statements that led to the accelerated vesting of equity granted under the Company's Key Employee Stock Ownership Plan ("KESOP") as alleged in the Derivative Actions. Pursuant to this settlement, the Company will receive $9 million (the cash equivalent of approximately 354,890 KESOP shares) and, as a result, the Special Litigation Committee will seek dismissal of all claims against him.
- The Special Litigation Committee has reached a settlement agreement (subject to court approval) with Charles McWade (CA's former head of Financial Reporting and business development). Pursuant to this settlement, the Company will receive $1 million and, as a result, the Special Litigation Committee will seek dismissal of all claims against him.
- The Special Litigation Committee believes that the claims (the "Director Claims") against current and former CA directors Kenneth Cron, Alfonse D'Amato, Willem de Vogel, Gary Fernandes, Richard Grasso, Shirley Strum Kenny, Robert La Blanc, Jay Lorsch, Roel Pieper, Lewis Ranieri, Walter Schuetze, and Alex Vieux should be dismissed. The Special Litigation Committee has concluded that these directors did not breach their fiduciary duties and the claims against them lack merit.
- The Special Litigation Committee has concluded that while the Company has potentially valid claims (the "McElroy Claims") against former officer Michael McElroy (CA's former senior vice president of the Legal department), it would be in the best interests of the Company to seek dismissal of the claims against him.

- The Special Litigation Committee has concluded that it would be in the best interests of the Company to seek dismissal of the claims against CA's former independent auditors, Ernst & Young LLP ("E&Y"). The Special Litigation Committee has recommended this dismissal in light of the relevant legal standards, in particular, the applicable statutes of limitation. However, the Special Litigation Committee has recommended that CA promptly sever all economic arrangements with E&Y.
- The Special Litigation Committee has concluded that it would be in the best interests of the Company to seek dismissal of the claims against CA's current independent auditors, KPMG LLP ("KPMG"). The Special Litigation Committee has determined that KPMG's audits were professionally conducted. The Special Litigation Committee has recommended this dismissal in the exercise of its business judgment in light of legal and factual hurdles as well as the value of the Company's business relationship with KPMG.

The Special Litigation Committee has served motions which seek dismissal of the Director Claims and the McElroy Claims.

The Company is obligated to indemnify its officers and directors under certain circumstances to the fullest extent permitted by Delaware law. As a part of that obligation, the Company has advanced and will continue to advance certain attorneys' fees and expenses incurred by current and former officers and directors in various litigations and investigations arising out of similar allegations, including the litigation described above.

Derivative Actions Filed in 2006

On August 10, 2006, a purported derivative action was filed in the Federal Court by Charles Federman against certain current or former directors of the Company (the 2006 Federman Action). On September 15, 2006, a purported derivative action was filed in the Federal Court by Bert Vladimir and Irving Rosenzweig against certain current or former directors of the Company (the 2006 Vladimir Action). By order dated October 26, 2006, the Federal Court ordered the 2006 Federman Action and the 2006 Vladimir Action consolidated. Under the order, the actions are now captioned "CA, Inc. Shareholders' Derivative Litigation Employee Option Action". On January 31, 2007, plaintiffs filed a consolidated amended complaint naming as defendants the following current or former directors of the Company: Messrs. Artzt, Cron, D'Amato, de Vogel, Fernandes, Goldstein, Grasso, Kumar, La Blanc, Lofgren, Lorsch, McCracken, Pieper, Ranieri, Schuetze, Swainson, Wang, and Zambonini and Ms. Unger. The Company is named as a nominal defendant. The complaint alleges purported claims against the individual defendants for breach of fiduciary duty and for violations of Section 14(a) of the Exchange Act for alleged false and material misstatements made in the Company's proxy statements issued from 1998 through 2005. The premises for these purported claims concern the disclosures made by the Company in its Annual Report on Form 10-K for the fiscal year ended March 31, 2006 concerning the Company's restatement of prior fiscal periods to reflect additional (a) non-cash, stock-based compensation expense relating to employee stock option grants prior to the Company's fiscal year 2002, (b) subscription revenue relating to the early renewal of certain license agreements, and (c) sales commission expense that should have been recorded in the third quarter of the Company's fiscal year 2006. According to the complaint, certain of the individual defendants' actions allegedly were "in violation of the spirit, if not the letter of the DPA." The complaint seeks an unspecified amount of compensatory and punitive damages, equitable relief including an order rescinding certain stock option awards, an award of plaintiffs' costs and expenses, including reasonable attorneys' fees, and other unspecified damages allegedly sustained by the Company. On March 30, 2007, the Company and the individual director-defendants separately moved to dismiss the complaint. In the opinion of management, the resolution of this lawsuit is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

On September 13, 2006, a purported derivative action was filed in the Delaware Chancery Court by Muriel Kaufman asserting purported derivative claims against Messrs. Kumar, Wang, Zar, Silverstein, Woghin, Richards, Artzt, Cron, D'Amato, La Blanc, Ranieri, Lorsch, Schuetze, Vieux, De Vogel and Grasso, and Ms. Strum Kenny. The Company is named as a nominal defendant. The complaint alleges purported claims against the individual defendants for breach of fiduciary duty, corporate waste and contribution and indemnification, in connection with the accounting fraud and obstruction of justice that led to the criminal prosecution of certain former officials of the Company and to the DPA (see "— The Government Investigation" above) and in connection with the settlement of certain class action and derivative lawsuits (see "— Stockholder Class Action and Derivative Lawsuits Filed Prior to 2004" above). The complaint seeks an unspecified amount of compensatory damages, an accounting from each individual defendant, an award of plaintiff's costs and expenses, including reasonable attorneys' fees, and other unspecified damages allegedly sustained by the Company. On December 19, 2006, the Special Litigation Committee filed a motion to dismiss or, in the alternative, to stay the action in favor of the consolidated derivative action originally filed in the Federal Court in June 2004 (see "— Derivative Actions Filed in 2004" above). The Special Litigation Committee has announced its conclusions, determinations, recommendations and actions with respect to this litigation (see "— Derivative Actions Filed in 2004" above). In the opinion of management, the resolution of this lawsuit is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Texas Litigation

On August 9, 2004, a petition was filed by Sam Wyly and Ranger Governance, Ltd. against the Company in the District Court of Dallas County, Texas (the Ranger Governance Litigation), seeking to obtain a declaratory judgment that plaintiffs did not breach two separation agreements they entered into with the Company in 2002 (the 2002 Agreements). Plaintiffs seek to obtain this declaratory judgment in order to file a derivative suit on behalf of the Company (see "— Derivative Actions Filed in 2004" above). On September 3, 2004, the Company filed an answer to the petition and on September 10, 2004, the Company filed a notice of removal seeking to remove the action to federal court. On February 18, 2005, Mr. Wyly filed a separate lawsuit in the United States District Court for the Northern District of Texas (the Texas Federal Court) alleging that he is entitled to attorneys' fees in connection with the original litigation filed in Texas. The two actions have been consolidated. On March 31, 2005, the plaintiffs amended their complaint to allege a claim that they were defrauded into entering the 2002 Agreements and to seek rescission of those agreements and damages. The amended complaint in the Ranger Governance Litigation seeks rescission of the 2002 Agreements, unspecified compensatory, consequential and exemplary damages and a declaratory judgment that the 2002 Agreements are null and void and that plaintiffs did not breach the 2002 Agreements. On May 11, 2005, the Company moved to dismiss the Texas litigation. On July 21, 2005, the plaintiffs filed a motion for summary judgment. On July 22, 2005, the Texas Federal Court dismissed the latter two motions without prejudice to refiling the motions later in the action. On September 1, 2005, the Texas Federal Court granted the Company's motion to transfer the action to the Federal Court. Since the transfer, there have been no significant activities or developments.

Other Civil Actions

In June 2004, a lawsuit captioned *Scienton Technologies, Inc. et al. v. Computer Associates International, Inc.*, was filed in the Federal Court. The complaint seeks monetary damages in various amounts, some of which are unspecified, but which are alleged to exceed $868 million, based upon claims for, among other things, breaches of contract, misappropriation of trade secrets, and unfair competition. This matter is in the early stages of discovery. Although the ultimate outcome cannot be determined, the Company believes that the claims are unfounded and that the Company has meritorious defenses. In the opinion of management, the resolution of this lawsuit is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

On September 21, 2004, a complaint to compel production of the Company's books and records, including files that have been produced by the Company to the USAO and SEC in the course of their joint investigation of the Company's accounting practices (see "— The Government Investigation"), was filed by a purported stockholder of the Company in Delaware Chancery Court pursuant to Section 220 of the Delaware General Corporation Law. The complaint concerns the inspection of documents related to Mr. Kumar's compensation, the independence of the Board of Directors and ability of the Board of Directors to sue for return of that compensation. The Company filed its answer to this complaint on October 15, 2004 and there have been no developments since that time.

In December 2006, a lawsuit captioned *Diagnostic Systems Corp. v. CA, Inc. et al.*, Case No. SACV06-1211 CJC(ANx), was filed in the United States District Court for the Central District of California, Southern Division. The complaint seeks a preliminary and permanent injunction, as well as monetary damages in various amounts, all of which are unspecified, based upon claims for patent infringement. The Company has not yet responded to the complaint. Although the ultimate outcome cannot be determined, the Company believes that the claims are unfounded and that the Company has meritorious defenses. In the opinion of management, the resolution of this lawsuit is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

On May 23, 2007, a lawsuit captioned *The Bank of New York v. CA, Inc. et al.*, Index No. 07/601738, was filed in the Supreme Court of the State of New York, New York County. The complaint seeks unspecified damages and other relief, including acceleration of principal, based upon a claim for breach of contract. Specifically, the complaint alleges that the Company failed to comply with certain purported obligations in connection with its 5.625% Senior Notes due 2014, issued in November 2004, insofar as the Company failed to carry out a purported obligation to cause a registration statement to become effective to permit the exchange of the notes for substantially similar securities of the Company registered under the Securities Act that would be freely tradable, and, having failed to effect such exchange offer, failed to carry out the purported obligation to pay additional interest of 0.5% per annum after November 18, 2006. The Company has not yet responded to the complaint. Although the ultimate outcome cannot be determined, the Company believes that the claims are unfounded and that the Company has meritorious defenses. In the opinion of management, the resolution of this lawsuit is not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

The Company, various subsidiaries, and certain current and former officers have been named as defendants in various other lawsuits and claims arising in the normal course of business. The Company believes that it has meritorious defenses in connection with such lawsuits and claims, and intends to vigorously contest each of them. In the opinion of the Company's management, the results of these other lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Note 9 — Income Taxes

The amounts of income (loss) from continuing operations before taxes attributable to domestic and foreign operations are as follows:

	YEAR ENDED MARCH 31,		
(IN MILLIONS)	2007	2006	2005
Domestic	$ 111	(84)	(208)
Foreign	43	205	241
	$ 154	121	33

Income tax expense (benefit) consists of the following:

	YEAR ENDED MARCH 31,		
(IN MILLIONS)	2007	2006	2005
Current:			
Federal	$ 211	$ 108	$ 50
Federal tax cost of repatriation under the American Jobs Creation Act	—	55	—
State	6	5	20
Foreign	65	137	129
	282	305	199
Deferred:			
Federal	(51)	(180)	(138)
Federal tax cost of repatriation under the American Jobs Creation Act	—	(55)	55
State	(25)	(32)	(27)
Foreign	(173)	(73)	(82)
	(249)	(340)	(192)
Total:			
Federal	160	(72)	(88)
Federal tax cost of repatriation under the American Jobs Creation Act	—	—	55
State	(19)	(27)	(7)
Foreign	(108)	64	47
	$ 33	$ (35)	$ 7

The provision (benefit) for income taxes is allocated as follows:

(IN MILLIONS)	YEAR ENDED MARCH 31, 2007	2006	2005
Continuing operations	$ 33	$ (35)	$ 7
Discontinued operations	(1)	(10)	(1)
	$ 32	$ (45)	$ 6

The tax expense (benefit) from continuing operations is reconciled to the tax expense from continuing operations computed at the federal statutory rate as follows:

(IN MILLIONS)	YEAR ENDED MARCH 31, 2007	2006	2005
Tax expense at U.S. federal statutory rate	$ 54	$ 42	$ 12
Increase in tax expense resulting from:			
Nondeductible portion of class action settlement and litigation charge	—	—	3
Federal tax cost of repatriation under the American Jobs Creation Act	—	—	55
U.S. share-based compensation	8	6	—
Effect of international operations, including foreign export benefit and nondeductible share-based compensation	(47)	(84)	(72)
Tax credits	—	—	(26)
Foreign export benefit refund	—	(51)	—
State taxes, net of federal tax benefit	(17)	1	5
Valuation allowance	8	21	15
Other, net	27	30	15
Tax expense (benefit) from continuing operations	$ 33	$ (35)	$ 7

Deferred income taxes reflect the impact of temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes. The tax effects of the temporary differences are as follows:

	MARCH 31,	
(IN MILLIONS)	2007	2006
Deferred tax assets:		
Modified accrual basis accounting	$ 384	$ 103
Acquisition accruals	10	13
Share-based compensation	118	149
Restitution fund/class action settlement	1	1
Accrued expenses	71	85
Net operating losses	220	257
Purchased intangibles amortizable for tax purposes	41	52
Depreciation	35	32
Other	52	56
Total deferred tax assets	932	748
Valuation allowances	(131)	(122)
Total deferred tax assets, net of valuation allowances	801	626
Deferred tax liabilities:		
Purchased software	(4)	84
Other intangible assets	128	150
Capitalized development costs	90	76
Total deferred tax liabilities	214	310
Net deferred tax asset	$ 587	$ 316

Worldwide net operating losses (NOLs) totaled approximately $653 million and $766 million as of March 31, 2007 and 2006, respectively. These NOLs expire between 2007 and 2027. In management's judgment, the total deferred tax assets of $801 million for certain acquisition liabilities, NOLs, and other deferred tax assets, will more likely than not be realized as reductions of future taxable income or by utilizing available tax planning strategies. The valuation allowance increased $9 million and $20 million in March 31, 2007 and 2006, respectively. The change in the valuation allowance primarily relates to acquired NOLs and NOLs in foreign jurisdictions that more likely than not in management's judgment will not be realized. Additionally, approximately $61 million and $57 million of the valuation allowance as of March 31, 2007 and March 31, 2006, respectively, is attributable to acquired NOLs which are subject to annual limitations under IRS Code Section 382. The valuation allowance related to the acquired NOLs, if realized, will first reduce any remaining goodwill and then any remaining other non-current intangible assets.

The Company is subject to tax in many jurisdictions and a certain degree of estimation is required in recording assets and liabilities related to income taxes. Management believes that adequate provision has been made for any adjustments that may result from tax examinations. The outcome of tax examinations, however, cannot be predicted with certainty as tax matters could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, timing or inclusion of revenue and expenses or the sustainability of income tax credits for a given audit cycle. The Company has established a liability of $245 million related to these matters which is included in the "Federal, state, and foreign income taxes payable" line on the Consolidated Balance Sheet. Should any issues addressed in the Company's tax audits be resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs.

The income tax provision recorded for the fiscal year ended March 31, 2007 includes benefits of approximately $23 million primarily arising from the resolution of certain international and U.S. Federal tax liabilities.

The income tax benefit recorded for the fiscal year ended March 31, 2006 includes benefits of approximately $51 million arising from the recognition of certain foreign tax credits, $18 million arising from international stock based compensation deductions and $66 million arising from foreign export benefits and other international tax rate benefits. Partially offsetting these benefits was a charge of approximately $46 million related to additional tax liabilities.

During the fourth quarter of fiscal year 2006, the Company repatriated approximately $584 million from foreign subsidiaries. Total taxes related to the repatriation were approximately $55 million. The repatriation was initially planned in fiscal year 2005 in response to the favorable tax benefits afforded by the American Jobs Creation Act of 2004 (AJCA), which introduced a special one-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer (repatriation provision), provided that certain criteria were met. During fiscal year 2005, we recorded an estimate of this tax charge of $55 million based on an estimated repatriation amount up to $500 million. In the first quarter of fiscal year 2006, we recorded a benefit of approximately $36 million reflecting the Department of Treasury and IRS Notice 2005-38 issued on May 10, 2005. In the fourth quarter of fiscal year 2006, the Company finalized its estimates of tax liabilities and determined that an adjustment was necessary and, accordingly, recorded an additional tax charge in the amount of $36 million. As a result of this complex tax matter, the Company identified a material weakness in its internal controls over documenting and communicating tax planning strategies in fiscal year 2006. No provision has been made for federal income taxes on the remaining balance of the unremitted earnings of the Company's foreign subsidiaries since the Company plans to permanently reinvest all such earnings outside the U.S. Unremitted earnings totaled approximately $838 million and $685 million at March 31, 2007 and 2006, respectively.

Note 10 — Stock Plans

Share-based incentive awards are provided to employees under the terms of the Company's equity compensation plans (the Plans). The Plans are administered by the Compensation and Human Resource Committee of the Board of Directors (the Committee). Awards under the Plans may include at-the-money stock options, premium-priced stock options, restricted stock awards (RSAs), restricted stock units (RSUs), performance share units (PSUs), or any combination thereof. The non-employee members of the Company's Board of Directors receive deferred stock units under separate director compensation plans.

RSAs are stock awards issued to employees that are subject to specified restrictions and a risk of forfeiture. The restrictions typically lapse over a two or three year period. The fair value of the awards is determined and fixed based on the quoted market value of the Company's stock on the grant date.

RSUs are stock awards issued to employees that entitle the holder to receive shares of common stock as the awards vest, typically over a two or three year period. The fair value of the awards is determined and fixed based on the quoted market value of the Company's stock on the grant date, except that for RSUs not entitled to dividend equivalents, the quoted market value is reduced by the present value of dividends expected to be paid on the Company's stock prior to vesting of the RSUs using a risk free interest rate.

PSUs are target awards issued under the long-term incentive plan to senior executives where the number of shares ultimately granted to the employees depends on Company performance measured against specified targets. The Committee determines the number of shares to grant after either a one-year or three-year performance period as applicable, the "1-year and 3-year PSUs", respectively. The fair value of each award is estimated on the date that the performance targets are established based on the quoted market value of the Company's stock adjusted for dividends as described above for RSUs, and the Company's estimate of the level of achievement of the performance targets, as described below. The Company is required to recalculate the fair value of issued PSUs each reporting period until they are granted, as defined in SFAS No. 123(R). The adjustment is based on the quoted market value of the Company's stock on the reporting period date, adjusted for dividends as described above for RSUs, and the Company's estimate of the level of achievement of the performance targets, as described below.

Stock options are awards issued to employees that entitle the holder to purchase shares of the Company's stock at a fixed price. Under the 2002 Incentive Plan as amended and restated effective as of April 27, 2007, (the 2002 Plan), as described below, stock options are granted at an exercise price equal to or greater than the Company's stock price on the date of grant.

Stock option awards granted after fiscal year 2000 generally vest one-third per year, become fully vested two or three years from the grant date and have a contractual term of ten years.

All Plans, with the exception of acquired companies' stock plans, have been approved by the Company's shareholders. Descriptions of the Plans are as follows:

The Company's 1991 Stock Incentive Plan (the 1991 Plan) provided that stock appreciation rights and/or options, both qualified and non-statutory, to purchase up to 67.5 million shares of common stock of the Company could be granted to employees (including officers of the Company). Options granted thereunder may be exercised in annual increments commencing one year after the date of grant and become fully exercisable after five years. As of March 31, 2007, options covering 70.9 million shares have been granted, including option shares issued that were previously terminated due to employee forfeitures. As of March 31, 2007, all of the options outstanding under the 1991 Plan, which cover 7.6 million shares, are exercisable with exercise prices ranging from $27.00–$74.69 per share.

The 1993 Stock Option Plan for Non-Employee Directors (the 1993 Plan) provided for non-statutory options to purchase up to a total of 337,500 shares of common stock of the Company to be available for grant to each member of the Board of Directors who is not otherwise an employee of the Company. Pursuant to the 1993 Plan, the exercise price was the fair market value (FMV) of the Company's stock on the date of grant. All options expire 10 years from the date of grant unless otherwise terminated. As of March 31, 2007, options covering 222,750 shares have been granted under this plan. As of March 31, 2007, all of the options outstanding under the 1993 Plan, which cover 13,500 shares, are exercisable with exercise prices ranging from $32.38–$51.44 per share.

The 1996 Deferred Stock Plan for Non-Employee Directors (the 1996 Plan) provided for each director to receive annual director fees in the form of deferred shares. As of March 31, 2007, approximately 16,000 deferred shares are outstanding in connection with annual director fees under the 1996 Plan.

The 2001 Stock Option Plan (the 2001 Plan) provided that non-statutory and incentive stock options to purchase up to 7.5 million shares of common stock of the Company could be granted to select employees and consultants. All options expire 10 years from the date of grant unless otherwise terminated. As of March 31, 2007, options covering 6.5 million shares have been granted. These options are exercisable in annual increments commencing one year after the date of grant and become fully exercisable after three years. As of March 31, 2007, all of the options outstanding under the 2001 Plan, which cover 2.1 million shares, are exercisable with an exercise price of $21.89 per share.

The 2002 Plan provides that annual performance bonuses, long-term performance bonuses, both qualified and non-statutory stock options, restricted stock, and other equity-based awards to purchase up to 45 million shares of common stock of the Company may be granted to select employees and consultants. In addition, any shares of common stock that were subject to issuance but not awarded under the 2001 Plan are available for issuance under the 2002 Plan. As of March 31, 2007, 2.9 million of such shares were available for future issuance. All options expire 10 years from the date of grant unless otherwise terminated. Options cannot be repriced pursuant to the provisions of the 2002 Plan without shareholder approval. As of March 31, 2007, options covering 19.8 million shares have been granted under the 2002 Plan. These options are generally exercisable in annual increments commencing one year after the date of grant and become fully exercisable after three years. As of March 31, 2007, options covering 10.5 million shares are outstanding, of which options covering 6.3 million shares are exercisable. The outstanding options have exercise prices ranging from $12.89–$32.80 per share. As of March 31, 2007, 4.5 million RSAs have been awarded to employees, of which approximately 2.8 million shares are unreleased. As of March 31, 2007, 2.3 million RSUs have been awarded to employees, of which 1.3 million are unreleased. As of March 31, 2007, the Company estimates that it will grant awards covering approximately 1.2 million and 0.1 million shares as a result of outstanding PSUs under the long term incentive plans for fiscal years 2007 and 2006, respectively.

The 2002 Compensation Plan for Non-Employee Directors (the 2002 Director Plan) provided for each eligible director to receive annual fees in the form of deferred shares and automatic option grants to purchase 6,750 shares of common stock of the Company, up to a total of 650,000 shares. Pursuant to the 2002 Director Plan, the exercise price of the options granted was the FMV of the Company's stock price on the day of grant. All options expire 10 years from the date of grant unless otherwise terminated. As of March 31, 2007, all of the options outstanding under the 2002 Director Plan, which cover

35,000 shares, were exercisable, with exercise prices ranging from $11.04–$23.37 per share. As of March 31, 2007, 21,000 deferred shares are outstanding in connection with annual director fees.

The 2003 Compensation Plan for Non-Employee Directors (the 2003 Director Plan) was effective as of August 27, 2003 and amended on August 24, 2005. The 2003 Director Plan provides for each director to receive annual director fees of $175,000 in the form of deferred shares with an option to elect to receive up to 50% of the fees in cash. In addition, certain directors receive an additional annual fee for their work as a committee chair, and the chairman of the board receives an additional fee for his work as the lead director. As of March 31, 2007, approximately 137,000 deferred shares are outstanding in connection with annual director fees.

As of March 31, 2007, options related to acquired companies' stock plans covering 1.0 million shares are outstanding, of which options covering 0.8 million shares are exercisable with exercise prices ranging from $1.37–$72.69 per share. Options granted under these acquired companies' plans generally become exercisable over periods ranging from one to five years and generally expire five to ten years from the date of grant.

Beginning with awards granted in fiscal year 2006, the Company changed its equity-based compensation strategy to provide the general population of employees with RSUs as opposed to stock options, which had been the Company's previous practice. For the grants made during fiscal year 2007, the Company changed its compensation structure toward a greater use of RSAs and a lesser use of RSUs.

Share-Based Compensation

Effective April 1, 2005, the Company adopted, under the modified retrospective basis, the provisions of SFAS No. 123(R), which requires share-based awards exchanged for employee services to be accounted for under the fair value method. Accordingly share-based compensation cost is measured at the grant date, based on the fair value of the award. The Company uses the straight-line attribution method to recognize share-based compensation costs related to awards with only service conditions. The expense is recognized over the employee's requisite service period (generally the vesting period of the award).

Upon adoption of SFAS No. 123(R), the Company has elected to treat awards with only service conditions and with graded vesting as one award. Consequently, the total compensation expense is recognized ratably over the entire vesting period, so long as compensation cost recognized at any date at least equals the portion of the grant-date fair value of the award that is vested at that date.

The application of the modified retrospective method of SFAS No. 123(R) by the Company provides that the financial statements of prior periods are adjusted to reflect the fair value method of expensing share-based compensation for all awards granted on or after April 1, 1995, and accordingly, financial statement amounts for periods prior to April 1, 2005 presented in this Form 10-K were previously restated to reflect the fair value method of expensing share-based compensation, which was materially consistent with the pro-forma disclosures required for those periods by SFAS No. 123, *"Accounting for Stock-Based Compensation"* (SFAS No. 123).

The Company applied the provisions of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees,"* and related interpretations for share-based awards granted prior to April 1, 2003 and, for fiscal years 2005 and 2004, applied the fair value recognition provisions of SFAS No. 123 under the prospective transition method, which applied the fair value recognition provisions only to awards granted on or after April 1, 2003.

In accordance with SFAS No. 123(R), the Company is required to base initial compensation cost on the estimated number of awards for which the requisite service is expected to be rendered. Historically, and as permitted under SFAS No. 123, the Company chose to record reductions in compensation expense in the periods the awards were forfeited. The cumulative effect on prior periods of the change to an estimated number of awards for which the requisite service is expected to be rendered generated an approximate $1 million credit to the "Selling, general, and administrative" expense line item in the Consolidated Statements of Operations during the first quarter of fiscal year 2006. In addition, as a result of the Company's adoption of SFAS No. 123(R), an additional deferred tax asset of $51 million was recorded at March 31, 2005.

The Company recognized share-based compensation in the following line items in the Consolidated Statements of Operations for the periods indicated:

(IN MILLIONS)	YEAR ENDED MARCH 31, 2007	2006	2005
Cost of professional services	$ 4	$ 3	$ 5
Selling, general, and administrative	63	64	60
Product development and enhancements	26	32	35
Share-based compensation expense before tax	93	99	100
Income tax benefit	(27)	(28)	(27)
Net compensation expense	$ 66	$ 71	$ 73

The decrease in share-based compensation expense in fiscal year 2007 as compared with fiscal years 2006 and 2005 was principally the result of an increase in the Company's estimated forfeiture rate of share-based awards based on historical experience.

The Company adjusts share-based compensation on a quarterly basis for changes to the estimate of expected equity award forfeitures based on a review of recent forfeiture activity and expected future employee turnover. The effect of adjusting the forfeiture rate is recognized in the period the forfeiture estimate is changed.

The following table summarizes information about unrecognized share-based compensation costs as of March 31, 2007:

	UNRECOGNIZED COMPENSATION COSTS (IN MILLIONS)	WEIGHTED AVERAGE PERIOD EXPECTED TO BE RECOGNIZED (IN YEARS)
Stock option awards	$ 27	1.4
Restricted stock unit awards	17	1.1
Restricted stock awards	39	1.6
Performance share unit awards	16	1.4
Stock purchase plan	2	0.3
Total unrecognized share-based compensation costs	$ 101	1.4

There were no capitalized share-based compensation costs at March 31, 2007, 2006 or 2005.

Stock Option Awards

As of March 31, 2007, options outstanding that have vested and are expected to vest are as follows:

	NUMBER OF SHARES (IN MILLIONS)	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	AGGREGATE INTRINSIC VALUE[1]
Vested	16.9	$ 29.78	4.3	$ 33.5
Expected to vest	4.0	$ 24.76	7.7	$ 8.6
Total	20.9	$ 28.82	4.9	$ 42.1

1 These amounts represent the difference between the exercise price and $25.91, the closing price of the Company's stock on March 30, 2007, the last trading day of the Company's fiscal year as reported on the New York Stock Exchange.

Options outstanding that are expected to vest are net of estimated future option forfeitures.

Additional information with respect to stock option plan activity is as follows:

(SHARES IN MILLIONS)	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at March 31, 2004	43.8	$ 28.63
Granted	0.8	28.56
Exercised	(3.9)	18.42
Acquired through acquisition	1.4	20.91
Expired or terminated	(8.5)	32.43
Outstanding at March 31, 2005	33.6	$ 28.50
Granted	2.7	28.59
Exercised	(5.0)	19.63
Acquired through acquisition	2.3	20.62
Expired or terminated	(2.8)	32.29
Outstanding at March 31, 2006	30.8	$ 28.96
Granted	3.4	23.28
Exercised	(2.4)	17.96
Expired or terminated	(10.5)	30.04
Outstanding at March 31, 2007	21.3	$ 28.72

(SHARES IN MILLIONS)	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Options exercisable at:		
March 31, 2005	25.5	$ 29.81
March 31, 2006	25.8	29.27
March 31, 2007	16.9	29.78

The following table summarizes stock option information as of March 31, 2007:

RANGE OF EXERCISE PRICES (SHARES AND AGGREGATE INTRINSIC VALUE IN MILLIONS)	OPTIONS OUTSTANDING				OPTIONS EXERCISABLE			
	SHARES	AGGREGATE INTRINSIC VALUE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	AGGREGATE INTRINSIC VALUE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
$ 1.37 — $ 20.00	2.0	$ 24.9	5.8	$ 13.64	2.0	$ 24.1	5.8	$ 13.61
$ 20.01 — $ 30.00	14.3	18.4	5.8	25.70	10.1	9.4	5.0	26.18
$ 30.01 — $ 40.00	2.0	0.0	3.9	34.28	1.8	0.0	3.4	34.62
$ 40.01 — $ 50.00	1.4	0.0	0.9	47.11	1.4	0.0	0.9	47.11
$ 50.01 — $ 74.69	1.6	0.0	2.3	52.12	1.6	0.0	2.3	52.12
	21.3	$ 43.3	5.0	$ 28.72	16.9	$ 33.5	4.3	$ 29.78

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model, consistent with the provisions of SFAS No. 123(R) and the Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 107, "*Interaction Between FASB Statement No. 123(R), and Certain SEC Rules and Regulations Regarding the Valuation of Share-Based Payment Arrangements for Public Companies*" (SAB 107). The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company's stock options granted in the fiscal years ended March 31, 2007, 2006, and 2005. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards.

Excluding options granted as part of the employee option exchange offer as described below, the weighted average estimated values of employee stock option grants, as well as the weighted average assumptions that were used in calculating such values during fiscal years 2007, 2006 and 2005 were based on estimates at the date of grant as follows:

	YEAR ENDED MARCH 31,		
	2007	2006	2005
Weighted average fair value	$ 8.40	$ 15.06	$ 15.44
Dividend yield	.73%	.57%	.28%
Expected volatility factor[1]	.41	.56	.65
Risk-free interest rate[2]	4.9%	4.1%	3.6%
Expected life (in years)[3]	4.5	6.0	4.5

1 Measured using historical daily price changes of the Company's stock over the respective expected term of the options and the implied volatility derived from the market prices of the Company's options traded by third parties.

2 The risk-free rate for periods within the contractual term of the share options is based on the U.S. Treasury yield curve in effect at the time of grant.

3 The expected life is the number of years that the Company estimates, based primarily on historical experience, that options will be outstanding prior to exercise. The decrease in the expected life in fiscal year 2007 as compared with fiscal year 2006 was primarily due to the exclusion of employee exercise behavior related to grants authorized prior to fiscal year 1997, which expired prior to fiscal year 2007, in estimating the expected term in fiscal year 2007.

The following table summarizes information on shares exercised and shares vested for the periods indicated:

	YEAR ENDED MARCH 31,		
	2007	2006	2005
Cash received from options exercised	$ 39	$ 97	$ 73
Intrinsic value of options exercised	17	41	36
Tax benefit from options exercised	5	10	14

The Company settles employee stock option exercises with stock held in treasury.

Employee Option Exchange Offer

Under Section 409A of the U.S. Internal Revenue Code of 1986, as amended (Section 409A), as interpreted in the then proposed regulations issued by the U.S. Internal Revenue Service, options granted with a below market exercise price, to the extent they were not vested as of December 31, 2004, may be subject to regular income tax, a 20% additional tax and other penalties before (and regardless of whether) they were exercised. The Company determined that due to delays in communicating a July 20, 2000 option grant to employees after they were approved for grant, the fair market value on the Company's common stock on the measurement date was higher than the exercise price. This grant may be considered to have been granted with an exercise price below the fair market value of the Company's common stock for the purposes of Section 409A. This grant vested in five installments, and only the last installment — covering 30% of the grant — vested after 2004 (on July 20, 2005) and was possibly subject to adverse tax consequences under Section 409A. On November 7, 2006, the Company extended an offer to holders of this grant who were U.S. taxpayers in 2005 to exchange the last vesting installment of each July 20, 2000 grant, to the extent not exercised and outstanding (the Eligible Option), for a new option (the New Option) to be granted under the 2002 Plan with, among other things, an exercise price equal to the higher of $27 (the exercise price of the Eligible Option) or the closing price of the Company's common stock on the date of grant of the New Option.

In connection with the exchange offer, the Company issued New Options covering approximately 0.9 million shares in exchange for Eligible Options. The number of shares underlying the New Options were the same as the number of shares underlying the Eligible Options cancelled in connection with the exchange offer. The New Options were granted on December 8, 2006 at an exercise price of $27. The New Options will vest on June 8, 2007 (six months from the grant date) and will expire on July 10, 2010.

In accordance with SFAS No. 123(R), the compensation cost associated with the New Options is calculated as the difference between the fair value of the New Option and the fair value of the Eligible Option measured immediately before its terms or conditions were considered modified. The Company is recognizing $0.2 million of share-based compensation expense related to the exchange offer, which is being amortized over the requisite six-month service period of the awards.

Restricted Stock and Restricted Stock Unit Awards

The following table summarizes the activity of the RSU's under the Plans:

(SHARES IN THOUSANDS)	NUMBER OF SHARES	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Outstanding at March 31, 2004	106	$ 52.88
Restricted units granted	153	29.53
Restricted units released	(53)	28.42
Restricted units cancelled	—	—
Outstanding at March 31, 2005	206	$ 41.85
Restricted units granted	1,825	27.00
Restricted units released	(11)	52.88
Restricted units cancelled	(198)	27.00
Outstanding at March 31, 2006	1,822	$ 28.53
Restricted units granted	314	21.97
Restricted units released	(564)	27.48
Restricted units cancelled	(207)	26.38
Outstanding at March 31, 2007	1,365	$ 26.86

The following table summarizes the activity of RSA's under the Plans:

(SHARES IN THOUSANDS)	NUMBER OF SHARES	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Outstanding at March 31, 2004	627	$ 26.86
Restricted stock granted	577	25.30
Restricted stock released	(105)	26.96
Restricted stock cancelled	(382)	26.75
Outstanding at March 31, 2005	717	$ 25.64
Restricted stock granted	354	27.41
Restricted stock released	(302)	26.12
Restricted stock cancelled	(63)	23.51
Outstanding at March 31, 2006	706	$ 26.51
Restricted stock granted	2,988	22.05
Restricted stock released	(397)	25.18
Restricted stock cancelled	(492)	23.47
Outstanding at March 31, 2007	2,805	$ 22.48

The total intrinsic value of restricted awards released during the fiscal years 2007, 2006 and 2005 was $25 million, $9 million and $4 million, respectively.

Under the 1998 Incentive Award Plan (the 1998 Plan), a total of four million Phantom Shares, as defined in the 1998 Plan, were available for grant to certain of the Company's employees from time to time through March 31, 2003. Each Phantom Share is equivalent to one share of the Company's common stock. Vesting, at 20% of the grant amount per annum, was contingent upon attainment of specific criteria, including an annual Target Closing Price (Price) for the Company's common stock and the participant's continued employment. The Price was based on the average closing price of the Company's common stock on the New York Stock Exchange for the 10 days up to and including March 31 of each fiscal year. The Price for the first tranche was met on March 31, 2000 and the Price was not met for any subsequent tranche. Under SFAS No. 123(R), the Company is required to record a non-cash charge over the employment period irrespective of the attainment of the Price for each tranche. However, the Company is required to reverse expense for any shares that were forfeited as a result of a failure to fulfill the service condition. As a result, for the fiscal year ended March 31, 2005 the pre-tax non-cash amounts credited to expense were approximately $5 million. There were no such credits for the fiscal year ended March 31, 2007 and 2006. As of March 31, 2007, approximately 106,000 Phantom Shares have vested and approximately 75,000 were outstanding under the

1998 Plan. The remaining vested shares will be paid out in increments of 30% and 40% of the total on August 25, 2007 and 2008, respectively.

Performance Awards

Under the Company's long-term incentive program for fiscal year 2007, senior executives were granted stock options and issued PSUs, under which the senior executives are eligible to receive RSAs or RSUs and unrestricted shares at the end of the performance period if certain performance targets are achieved. Upon completion of the requisite performance period, the actual number of shares granted is subject to the approval of the Committee. Each quarter, the Company compares the performance the Company expects to achieve with the performance targets. As of March 31, 2007, the Company has accrued compensation cost based on its current expectation of achievement of approximately 85% and 92% of the aggregate targets for the 1-year and 3-year PSUs, respectively. Compensation cost will continue to be amortized over the requisite service period of the awards. At the conclusion of the performance periods for the fiscal year 2007 1-year and 3-year PSUs, the applicable number of shares of RSAs, RSUs or unrestricted stock granted may vary based upon the level of achievement of the performance targets and the approval of the Committee (which has discretion to reduce any award for any reason). The related compensation cost recognized will be based on the number of shares granted.

Under the Company's long-term incentive plan for fiscal year 2006, senior executives were granted stock options and issued PSUs, under which the senior executives are eligible to receive RSAs or RSUs and unrestricted shares at the end of the performance period if certain performance targets are achieved. Upon completion of the requisite performance period, the actual number of shares granted is subject to the approval of the Committee. In the first quarter of fiscal year 2007, the Committee granted 0.3 million RSAs under the fiscal year 2006 1-year PSU with a weighted average grant date fair value of $21.88. The 3-year PSUs have not yet been granted. Consequently, each quarter, the Company compares the performance the Company expects to achieve with the performance targets for the 3-year PSUs. As of March 31, 2007, the Company has accrued compensation cost based on its current expectation of achievement of approximately 44% of the aggregate targets for the 3-year PSUs. Compensation cost for the RSAs granted under the 1-year PSUs and the 3-year PSUs will continue to be amortized over the requisite service period of the awards. At the conclusion of the performance period for the 3-year PSUs, the number of shares of unrestricted stock issued may vary based upon the level of achievement of the performance targets and the approval of the Committee (which has discretion to reduce any award for any reason). The related compensation cost recognized will be based on the number of shares granted.

Stock Purchase Plan

The Company maintains the Year 2000 Employee Stock Purchase Plan (the Purchase Plan) for all eligible employees. The Purchase Plan is considered compensatory. Under the terms of the Purchase Plan, employees may elect to withhold between 1% and 25% of their base pay through regular payroll deductions, subject to Internal Revenue Code limitations. Shares of the Company's common stock may be purchased at six-month intervals at 85% of the lower of the FMV of the Company's stock on the first or last day of each six-month period. During fiscal years 2007, 2006, and 2005, employees purchased approximately 1.5 million, 1.1 million and 0.9 million shares, respectively, at average prices of $17.47, $23.31, and $23.38 per share, respectively. As of March 31, 2007, approximately 22.5 million shares were reserved for future issuance under the purchase plan.

The fair value is estimated on the first date of the offering period using the Black-Scholes option pricing model. The weighted average fair values as well as the weighted average assumptions that were used for the Purchase Plan shares in the respective periods are as follows:

	YEAR ENDED MARCH 31,		
	2007	2006	2005
Weighted average fair value	$ 4.73	$ 5.86	$ 6.52
Dividend yield	.74%	.58%	.27%
Expected volatility factor[1]	.22	.20	.25
Risk-free interest rate[2]	5.2%	3.9%	2.1%
Expected life (in years)[3]	0.5	0.5	0.5

1 Expected volatility is measured using historical daily price changes of the Company's stock over the respective term of the offer period and the implied volatility is derived from the market prices of the Company's options traded by third parties.

2 The risk-free rate for periods within the contractual term of the offer period is based on the U.S. Treasury yield curve in effect at the beginning of the offer period.

3 The expected term is the offer period.

Note 11 — Profit-Sharing Plan

The Company maintains a defined contribution plan, the CA, Inc. Savings Harvest Plan (CASH Plan), for the benefit of the U.S. employees of the Company. The CASH Plan is intended to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986 (the Code), and contains a qualified cash or deferred arrangement as described under Section 401(k) of the Code. Pursuant to the CASH Plan, eligible participants may elect to contribute a percentage of their base compensation. The matching contributions of CA Stock to the CASH Plan totaled approximately $13 million for the fiscal year ended March 31, 2007, approximately $13 million for the fiscal year ended March 31, 2006 and, excluding the discontinued operations of ACCPAC, totaled approximately $12 million for the fiscal year ended March 31, 2005. In addition, the Company may make discretionary contributions to the CASH Plan. Charges for the discretionary contributions to the CASH plan totaled approximately $24 million, $0 and $15 million (excluding the discontinued operations of ACCPAC) for the fiscal years ended March 31, 2007, 2006 and 2005, respectively.

The Company made contributions to international retirement plans of $21 million, $20 million, and $23 million in the fiscal years ended March 31, 2007, 2006, and 2005, respectively.

Note 12 — Rights Plan

Each outstanding share of the Company's common stock carries a stock purchase right issued under the Company's Stockholder Protection Rights Agreement, dated October 16, 2006 (the Rights Agreement). Under certain circumstances, each right may be exercised to purchase one one-thousandth of a share of Series One Junior Participating Preferred Stock, Class A, for $100. Under certain circumstances, following (i) the acquisition of 20% or more of the Company's outstanding common stock by an Acquiring Person (as defined in the Rights Agreement), or (ii) the commencement of a tender offer or exchange offer which would result in a person or group owning 20% or more of the Company's outstanding common stock, each right, other than rights held by an Acquiring Person, may be exercised to purchase common stock of the Company or a successor company with a market value of twice the $100 exercise price, provided that the rights will not be triggered by a Qualifying Offer, as defined in the Rights Agreement, if holders of at least 10 percent of the outstanding shares of the Company's common stock request that a special meeting of stockholders be convened for the purpose of exempting such offer from the Rights Agreement, and thereafter the stockholders vote at such meeting to exempt such Qualifying Offer from the Rights Agreement. The rights, which are redeemable by the Company at one cent per right, expire November 30, 2009.

Note 13 — Subsequent Events

On May 23, 2007, the Company announced that as part of its previously authorized share repurchase plan of up to $2 billion, it will repurchase $500 million of its shares under an Accelerated Share Repurchase program (ASR). The Company anticipates that the ASR will be completed during the first half of fiscal year 2008.