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Computer Associates International, Inc.
NYSE: CA
Industry: Software & Programming
Meeting Date: August 25, 2004
Record Date: June 30, 2004

2004 Annual Meeting			
Proposal	Issue	Board	GL&Co.
1.00	Election of Directors	For	Split
1.01	Elect Russell M. Artzt	For	Withhold
1.02	Elect Kenneth D. Cron	For	For
1.03	Elect Alfonse M. D'Amato	For	Withhold
1.04	Elect Gary J. Fernandes	For	For
1.05	Elect Robert E. La Blanc	For	For
1.06	Elect Jay W. Lorsch	For	For
1.07	Elect Lewis S. Ranieri	For	For
1.08	Elect Walter P. Schuetze	For	For
1.09	Elect Laura S. Unger	For	For
2.00	Ratification of Auditor	For	Against
3.00	Shareholder Proposal Regarding Bonuses and Other Awards to Executive Officers during the Period of Restatement	Against	Against

Company Details

As of 08/02/2004

Enterprise Value: \$14,747.3 million
 Total Return 1 Yr: 2.5%
 P/E: 0.0x

1 Yr Stock Price: 2.2%
 3 Yr Stock Price: (27.9)%
 5 Yr Stock Price: (56.0)%

Dividend Rate: 0.3%

Return On Equity: (79.3)%
 Return On Assets: (0.3)%

Last Twelve Months (in Millions)

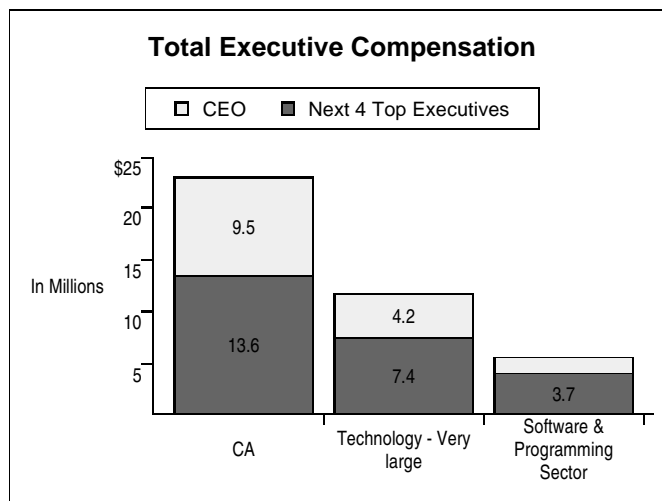
Revenue: \$3,276.0
 Net Income: (36.0)
 EPS: \$(0.06)

Accountants: KPMG LLP

Company Description

Computer Associates International, Inc. is an enterprise software company. The Company's solutions address all aspects of process management, information management and infrastructure management. The Company offers solutions in six focus areas under seven brand names: Unicenter for enterprise management, eTrust for security, BrightStor for Storage, CleverPath for portal and business intelligence, AllFusion for application life cycle management and Advantage and Jasmine for data management and application development. CA Common Services enable the Company's solutions to be deployed stand-alone, or to interoperate with one another, giving customers the freedom to choose the solution or combination of solutions they need with assurances that they will work together.

Source: FactSet



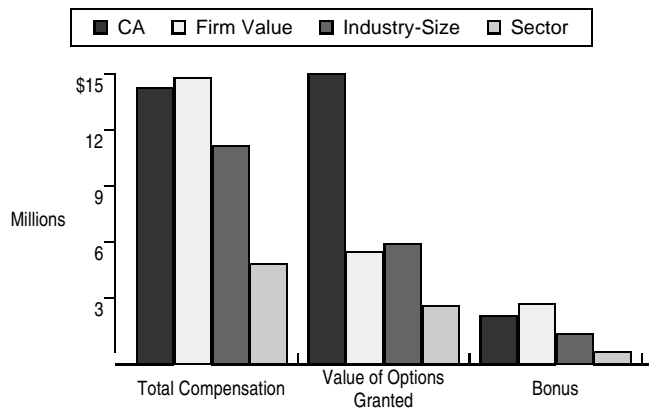
Top 10 Institutional Holders

Holder	% Owned
1. Private Capital Management, Inc. (FL)	9.9%
2. AIM Management Group, Inc.	4.9%
3. Barclays Global Investors, N.A.	4.5%
4. NWQ Investment Management Co. LLC	4.1%
5. Janus Capital Management LLC	2.8%
6. SSgA Funds Management	2.4%
7. Merrill Lynch Investment Managers, Inc./Mercury Advisors	2.1%
8. Hotchkis & Wiley Capital Management LLC	2.0%
9. Vanguard Group	2.0%
10. Citigroup Asset Management	1.5%

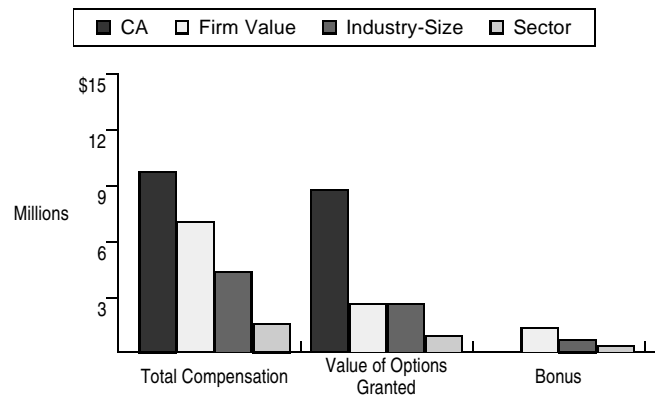
Pay-For-Performance

Computer Associates International's executive compensation received a **D** grade in our proprietary pay-for-performance model, which uses 32 measurement points. The Company paid: more compensation to its top five officers than the median compensation for 28 similarly sized companies with an average enterprise value of \$6 billion; more than a sector group of 144 software & programming companies; and more than a market cap segmented industry group of 142 very large technology companies. The CEO was paid above the median CEO in these peer groups. Overall, the Company paid more than its peers, but performed about the same as its peers.

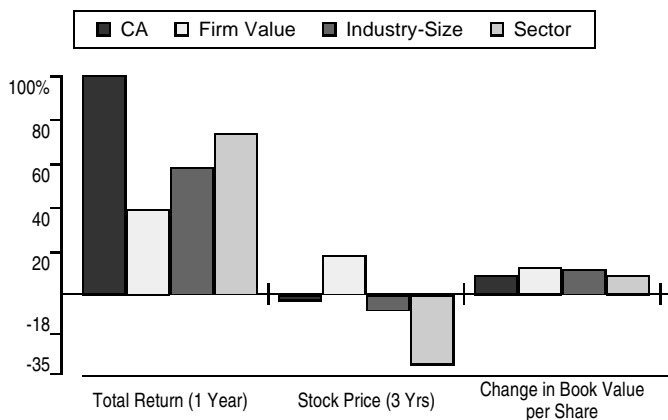
Company Compared with Median



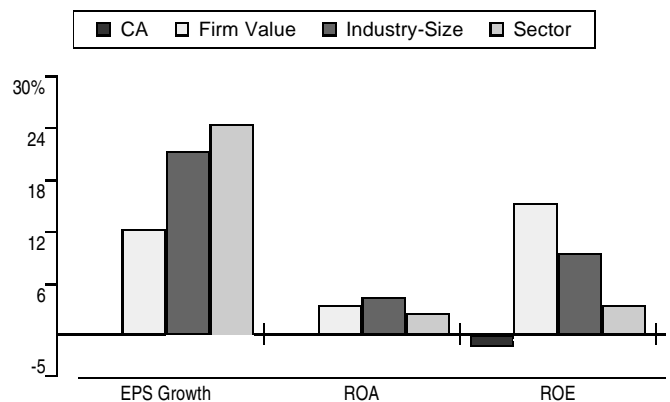
CEO Compared with Median



Shareholder Wealth



Business Performance



Note: Compensation analysis for period ending 03/2004. Chart does not include LTIP payouts.

PROPOSAL 1.00: ELECTION OF DIRECTORS

SPLIT

Name	Up	Age	GLC Classification	Committee			Since	Term- End	Attended at least 75% of Meetings
				Audit	Comp	Nom/Gov			
Russell M. Artzt	✓	57	Insider ¹				1980	2004	Yes
Kenneth D. Cron	✓	47	Insider ²				2002	2004	Yes
Alfonse M. D'Amato	✓	66	Independent	✓		✓	1999	2004	Yes
Gary J. Fernandes	✓	60	Independent		✓		2003	2004	Yes
Robert E. La Blanc	✓	70	Independent	✓		✓	2002	2004	Yes
Jay W. Lorsch	✓	71	Independent		✓	C	2002	2004	Yes
Lewis S. Ranieri	✓	57	Independent ³		C		2001	2004	Yes
Walter P. Schuetze	✓	71	Independent ⁴	C			2002	2004	Yes
Laura S. Unger	✓	43	Independent				-	-	Yes

C = Chair

2004.0

1. Executive vice president, eTrust Solutions and senior development officer. The Company rents a corporate suite and purchases advertising from an arena football team in which Mr. Artzt has a minority ownership interest.
2. Interim CEO.
3. Chairman.
4. Former consultant (until April 2002). Received \$125,000 in additional director fees for his services in connection with the audit committee investigation concerning the Company's prior revenue recognition practices in fiscal 2004.

The board has nominated nine candidates to serve a one-year term each. If elected, their terms would expire at the Company's 2005 annual meeting of shareholders.

On January 8, 2004, the Company received a "Wells Notice" from the SEC recommending a civil enforcement proceeding against the Company for possible violations of the federal securities laws arising from the Company's premature recognition of revenue from software licenses in fiscal year 2000. The board determined that a complete investigation into the timing of revenue recognition by the Company was warranted and the corporate governance committee of the board asked director Schuetze to conduct that investigation. Mr. Schuetze is the chairman of the audit committee and the designated financial expert on that committee. (We also note that he previously served as a consultant to the Company in connection with its ongoing investigations, prior to his joining the board.) Mr. Schuetze is also the former Chief Accountant of the Securities and Exchange Commission (SEC) (1992-1995), the former Chief Accountant of the SEC Division of Enforcement (1997-2000) and is currently listed as an "independent consultant" in the proxy. (Id. at p. 7).

In April 2004, the audit committee completed its internal 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. Specifically, the audit committee found that revenues relating to a number of software license agreements should have been recognized in the quarter in which the agreements were signed. As such, the Company asked for and received the resignation of four executives who oversaw the relevant financial operations.

The board authorized a payment of \$125,000 in additional director fees to Mr. Schuetze for his additional services with

respect to the investigation. The additional \$125,000 received by Mr. Schuetze has been described by the Company as "additional director fees . . . for his extraordinary services in connection with the Audit Committee investigation concerning the Company's prior revenue recognition practices." The proxy fails to disclose precisely the role Mr. Schuetze had in the investigation. This lack of disclosure raises several questions regarding director independence.

The Company views Mr. Schuetze as independent. However, investors should consider whether the additional services performed by Mr. Schuetze were consulting services of the sort he previously performed for the Company or whether they were board services similar to those performed on occasion (especially in challenging times) by any board member or board committee with expertise related to the topic at hand.

New York Stock Exchange (NYSE) rules indicate that a director who receives more than \$100,000 per year in direct compensation from a listed company, other than in director or committee fees or deferred compensation from former employment, is not "independent" until three years after he or she ceases to receive more than \$100,000 per year. (NYSE Corporate Governance Listing Standards section 303A.02 (b)(ii)). If Mr. Schuetze's activities were to fall within this definition (whether or not the Company chose to categorize him as such), this would present significant concerns for investors about Mr. Schuetze's continued service on the audit committee. Audit committee members must be independent and may not accept any fees "other than in his or her capacity as a member" of the board or one of its committees. (Rule 10A-3(b)(1)(ii) of the Exchange Act of 1934).

While the Company does not clearly explain his role vis-a-vis the additional services, our experience tells us that his service in this instance has been reasonably categorized as additional service in his capacity as a board member.

In our experience, when a board (and specifically an audit committee) conducts the sort of investigation that occurred here, the board engages the services of a variety of expert consultants. These typically include, at minimum, lawyers and accountants to review the Company's internal accounting procedures and records and the work of the Company's public auditors during the relevant period. Because this sort of investigation must be led by the board, and not by management, it is critical to have the work of these consultants supervised and coordinated by the independent audit committee and not the executives of the company. In the case of an investigation of this magnitude, wherein problems are actually uncovered, the time involved in hiring and directing the efforts of the independent consultants can be significant. Such an effort is not part of the usual duties of directors and it would not be fair to expect a director to take on these significant, unexpected duties with no additional compensation.

In our view, \$125,000 is modest relative to the likely investment of time that Mr. Schuetze made. It likely pales in comparison to the presumably millions of dollars spent actually paying consultants to conduct the investigation and present a report for review by the audit committee.

While we are concerned with the lack of disclosure around the costs of the investigation, we are confident that the payment made to Mr. Schuetze was reasonable. In addition, while the lack of disclosure raises an appearance issue regarding independence and opens the Company to questions about the independence of Mr. Schuetze as an audit committee member, we are confident that his performance of these services has not compromised his independence. He was selected by exclusively independent directors, he was delegated responsibilities, as the chair of the audit committee and as its financial expert, that were well within the purview of the committee, and he was paid a modest amount, by the board, for this service. Therefore, we see little opportunity for conflict.

Finally, in regard to Mr. Schuetze, we noted above his prior service as a consultant to the Company. We have previously recommended that shareholders withhold votes from him on this basis. Investors have clearly indicated that they are not concerned by this, as demonstrated by last year's overwhelming vote to elect him to the board. While we

remain concerned with the fact that Mr. Schuetze served as a consultant to the Company and its management prior to joining the board two years ago, we think the support of the investor community for his election and his important credentials for this board at this time outweigh our concerns.

Accordingly, we recommend that shareholders support Mr. Schuetze's nomination for continued service on the board and its audit committee.

We recommend withholding votes from the following nominees up for election this year based on the following issues:

Nominee **ARTZT** has served on the board since 1980. There are only two members still on the board from the time period in which the Company has acknowledged improper accounting. Mr. Artzt is the only remaining executive on the board from that time period. We believe that to restore trust in the board room and the governance of this Company, it would be best if (as with other companies in similar situations, such as Tyco) all members of the board were replaced. We also note that during his tenure on the executive committee, that committee did not meet in the years in which the scandals arose, but rather made decisions by acclamation. This does not give us confidence in this director's dedication to pursuing the interests of shareholders.

Nominee **D'AMATO** served as a member of the audit committee during the time in which the committee approved certain financial data that improperly timed recognition of the Company's license revenue in fiscal years 2000 and 2001. The Company stated that it had prematurely booked \$1.8 billion in revenue in fiscal 2000 and \$445 million in fiscal 2001. We believe the audit committee is charged with the responsibility of properly overseeing the Company's financial reporting. We recommend withholding votes from this nominee based on his lack of oversight in what ultimately lead to the Company's recent financial restatements and pending litigation.

As to all other nominees, we conclude that they bring an appropriate level of experience and diversity of expertise to this board. We find no affiliate transactions that we believe are likely to bias any of the other nominees.

Accordingly, we recommend that shareholders vote:

WITHHOLD: Artzt; D'Amato

FOR: All other nominees

PROPOSAL 2.00: RATIFICATION OF AUDITOR**AGAINST**

The Company proposes that KPMG serve as the Company's independent auditor for 2005. KPMG has served as the Company's auditor for at least the last five years.

During the last fiscal year, the Company paid KPMG audit fees of \$6,789,000, audit-related fees of \$123,000 and tax fees of \$140,000. All other fees totaled \$46,000.

In April 2004, under the pressure of an SEC investigation and internal audit reviews, the Company issued a restatement of its earnings for fiscal years 1999 and 2000, citing that it had improperly booked \$2.2 billion in sales during 1999 and 2000. In the proxy, the Company states that KPMG served as its independent auditor for the 2002 - 2004 fiscal years, when in fact, KPMG was appointed to serve as the Company's independent auditor starting in fiscal year 2000. The fact that KPMG served as the Company's auditor during a time for which the Company restated its earnings raises serious concerns about the auditor's performance in conducting the audit. Auditor rotation seems appropriate given this history. Rotation of the auditor would provide shareholders with a fresh look at the Company's finances and stimulate confidence among investors.

Accordingly, we recommend that shareholders vote **AGAINST** ratification of the appointment of KPMG as the Company's auditor for fiscal year 2005.

**PROPOSAL 3.00: SHAREHOLDER PROPOSAL
REGARDING BONUSES AND OTHER
AWARDS TO EXECUTIVE OFFICERS
DURING THE PERIOD OF
RESTATEMENT****AGAINST**

This shareholder proposal requests that the board review all bonuses and any other awards that were made to senior executives on the basis of having met or exceeded specific performance targets during the period of restatement and recoup, for the benefit of the Company, all such bonuses or awards to the extent that the specified performance targets were not achieved.

Proponent's Perspective:

The proponent, Amalgamated Bank Long View Collective Investment Fund, offers four main reasons why shareholders should vote in favor of this proposal: (i) in October 2003, the Company announced that it had inflated revenues in fiscal year 2000, whereby bonuses for senior executives that year had been based on the extent to which income exceeded goals; (ii) the Company awarded generous bonus compensation even though the Company had failed to meet the requisite performance goals; (iii) to the extent that the Company has a policy of incentive-based compensation for senior executives, the Company should follow that policy; and (iv) the Company has made no public statement as to whether it has sought to recoup funds that were paid to senior executives under the erroneous assumptions that performance targets for 2000 had been exceeded.

Board's Perspective:

The board offers six main reasons why shareholders should vote against this proposal: (i) the board is reviewing compensation paid to certain officers in prior years for which results have been restated and will take appropriate action following such review; (ii) the Company's restatement published in April 2004 resulted in a decrease in revenues; (iii) the performance-based compensation awarded for fiscal year 2000 was substantially less than was called for by the performance metrics in question, as determined under both the initially reported results and the restated results; (iv) the proposal would force the board and its compensation and human resource committee to recoup compensation regardless of the specific facts, which would deprive the board and the committee the discretion and flexibility necessary to carry out their obligations; (v) the proposal would impair the Company's ability to attract and retain qualified executives; and (vi) the proposal could contravene existing agreements between the Company and its executives.

Glass Lewis' Analysis:

Glass Lewis carefully reviews the compensation awarded to senior executives. We believe this is an important area in which a board's priorities are exemplified. While we understand and support much of the underlying intent of this proposal, we are concerned with the overall effect that it could have on the Company's employees. As a threshold matter, the proposal calls for action by the board that may contravene the board's legal obligations under its agreements with executives, including, among others, employment agreements. In addition, the board's ability to exercise its judgment and reasonable discretion on this issue would also be limited under the proposal, which we are not convinced is warranted by the facts here.

We believe that when a Company is in turmoil, management should be encouraged to correct the issues at hand and promote full disclosure. Computer Associates, in our view, has done so. In addition, the board has promised in public filings with the SEC, including its most recent proxy, that the Company's compensation committee is in the process of reviewing the compensation of certain executives who may have been responsible for the Company's accounting issues. (Def14A, p. 26, filed July 29, 2004). The Company has also pledged to take appropriate action on the basis of this investigation and its finding. (Id.)

We are concerned that implementing a mandatory recoupment policy would very likely result in employees who had no involvement in the Company's accounting problems losing their bonuses, which in turn could lead to faltering employee morale. Undoing of previously agreed upon compensation for uninvolved executives and employees could also present problems for attracting and retaining excellent employees. It hardly seems fair to rescind compensation that may have already been spent on vacations, tuition and so forth if the employee had a bona fide belief that the compensation was rightly hers. Moreover, the proposal may have the effect of being a disincentive to vigorous review and correction of past issues by executives because their own compensation may be at stake, regardless of their involvement with or obligation to oversee these issues in the first place.

We think the board has committed to the proper course. We believe shareholders should allow the board to complete its investigation, take appropriate action and hold the board accountable for their actions through future elections and continued pressure for prompt and proper correction on this issue. This proposal, in our view, goes too far, and unnecessarily so, given the work of the board on this issue to date.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

DISCLOSURE

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