PROXY Governance, INC.

Contact: Alesandra Monaco

CA INC (NYSE : CA)

Annual Meeting	Record Date: 07/31/2006	Meeting Date: 09/18/2006

Classification: Russell 3000, S&P 500
Fiscal Year End: 03/31/2006
Market Capitalization: $11.9B
Solicitor: Innisfree M&A Incorporated
Shareholder Proposal Deadline: 04/11/2007

- Investor Relations
- Proxy Statement
- SEC Filing 10k
- Company Description

Meeting Agenda

Proposals			Recommendations		
			Management	**PROXY *Governance***	
MGT	1	Elect Nominees	FOR	SPLIT	Analysis
	1.1	Alfonse M. D'Amato	FOR	WITHHOLD	
	1.2	Gary J. Fernandes	FOR	FOR	
	1.3	Robert E. La Blanc	FOR	FOR	
	1.4	Christopher B. Lofgren	FOR	FOR	
	1.5	Jay W. Lorsch	FOR	FOR	
	1.6	William E. McCracken	FOR	FOR	
	1.7	Lewis S. Ranieri	FOR	FOR	
	1.8	Walter P. Schuetze	FOR	FOR	
	1.9	John A. Swainson	FOR	FOR	
	1.10	Laura S. Unger	FOR	FOR	
	1.11	Ron Zambonini	FOR	FOR	
MGT	2	Ratify Appointment of Auditors - KPMG LLP	FOR	FOR	Analysis
SH	3	Allow Shareholder Approval of Poison Pill	AGAINST	AGAINST	Analysis

MGT = Management, SH=Shareholder, SHB=Shareholder— binding proposal

Table of Contents

Comparative Performance Analysis

PROXY Governance's Comparative Performance Analysis contains calculations and graphs that reflect a company's historical performance and that of its industry peers (listed below) based on certain key financial metrics generally over a five–year period.

Comparative Performance Analysis

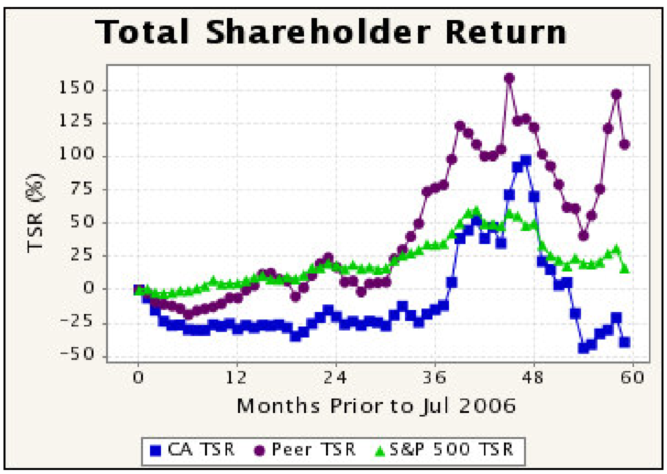
Peer Companies

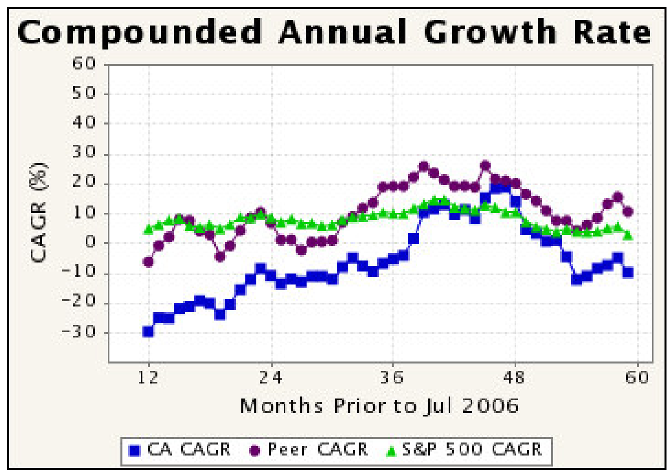
For the Comparative Performance Analysis, generally up to 10 peer companies are selected primarily based on industry, but also considering market capitalization.

Peer Companies			
BMC SOFTWARE INC	CHECK POINT SOFTWARE TECHN	MCAFEE INC	MICROS SYSTEMS INC
NOVELL INC	RED HAT INC	SYBASE INC	SYMANTEC CORP
WIND RIVER SYSTEMS INC			

Comparative Performance Analysis

Comparative Return to Shareholders





Source: FAME North American Pricing [NAP]

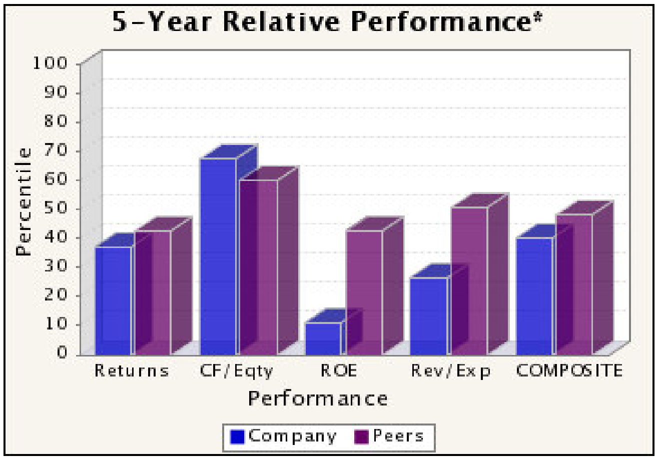
The graphs above depict total shareholder return and compounded annual growth rate at specific points in time over the past five years based on average monthly stock prices. The graphs should be read from left (present time) to right (60 months before present time). The graphs allow the user to determine either the company's total shareholder return or compounded annual growth rate to date based on an investment made at a specific point in time over the last five years. Assumes payment, but not reinvestment, of dividends.

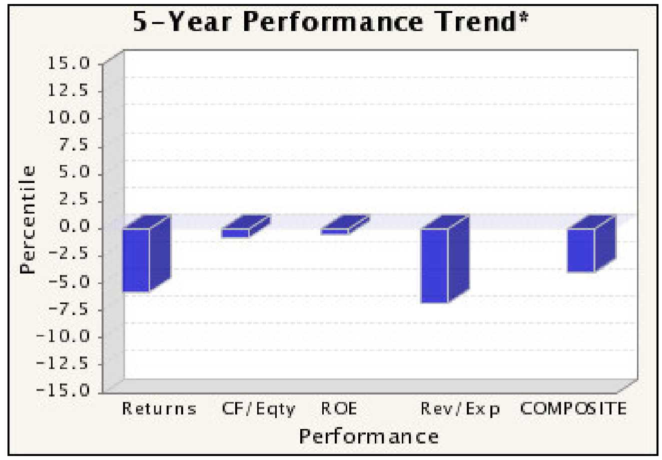
Comparative Performance Analysis

Composite Performance Summary

Composite Performance:

	Percentile relative to S&P 1500		Percentile Pts.
	Company	Peers	Trend
Composite:	**40**	**48**	**-4**
Quarterly Shareholder Returns:	37	43	-6
Cash Flow from Operations/Equity:	67	60	-1
Return on Equity:	11	43	-1
Revenue/Expenses:	27	51	-7

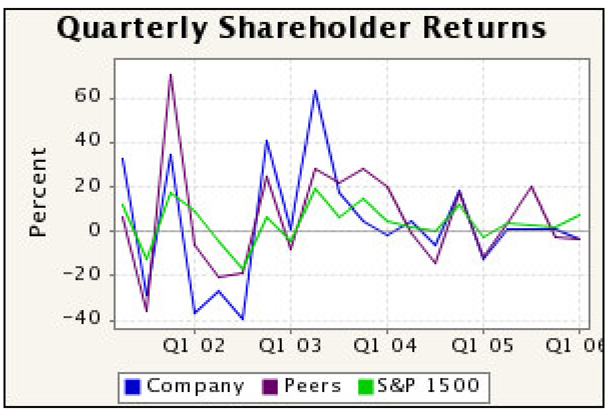


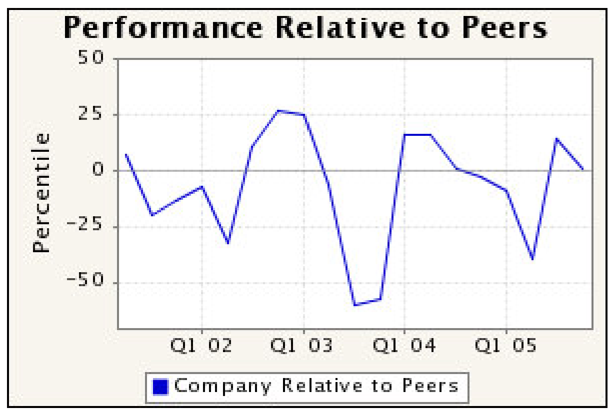


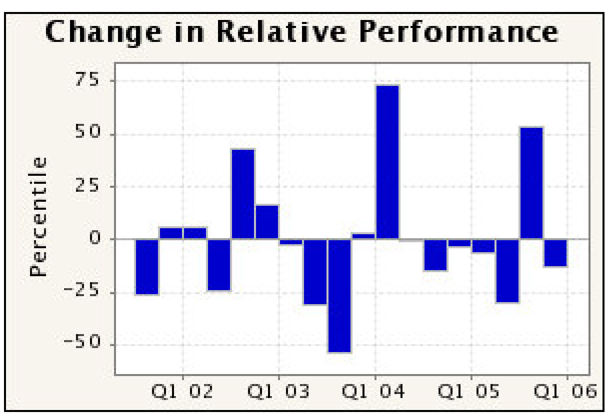
*Based on five-year data when available

Comparative Performance Analysis

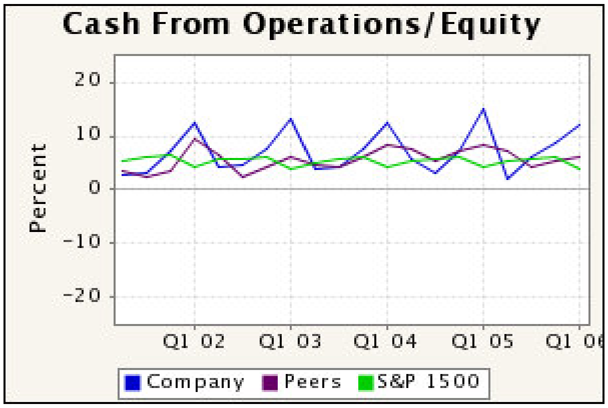
Performance Summary

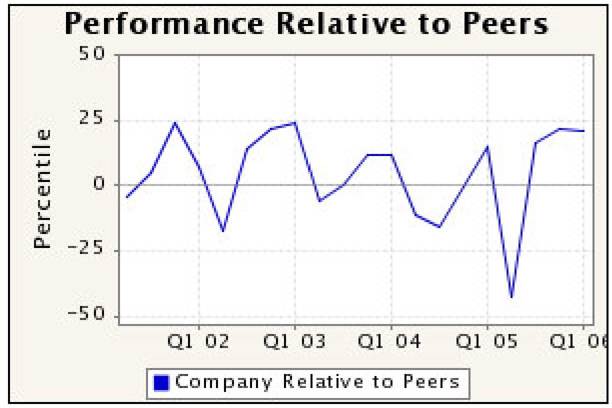


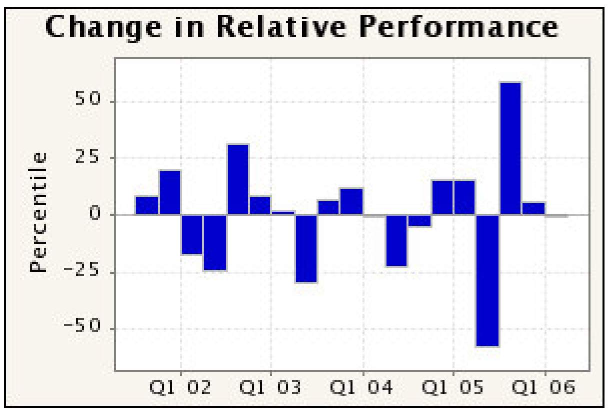




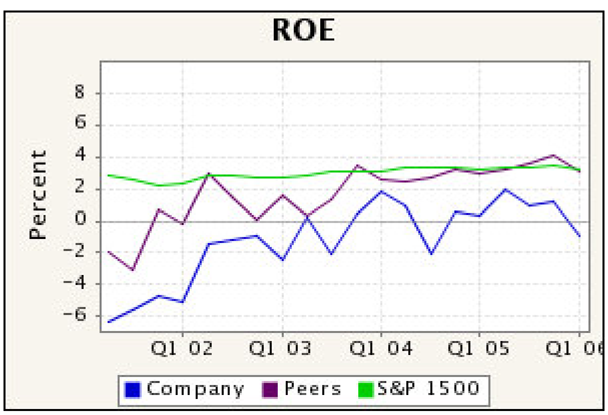
Source: Stock Price — North American Pricing [NAP]

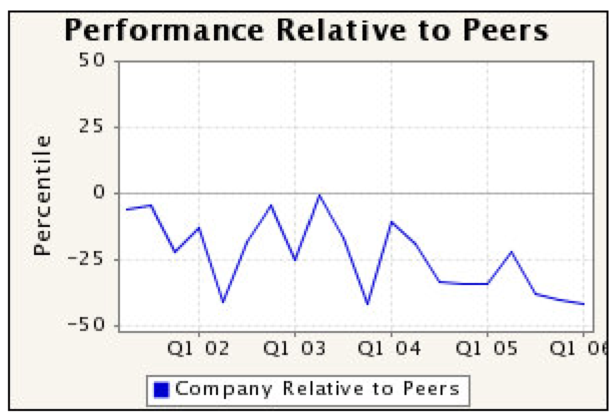


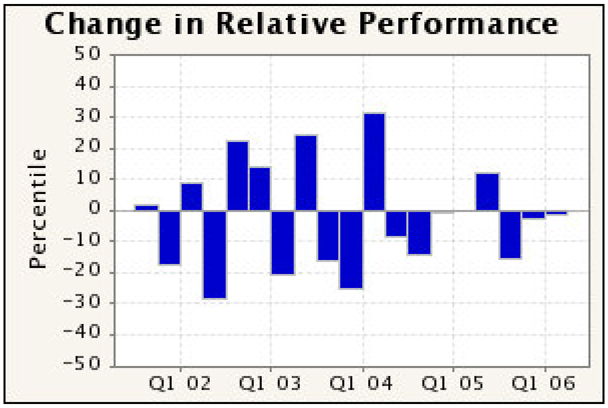




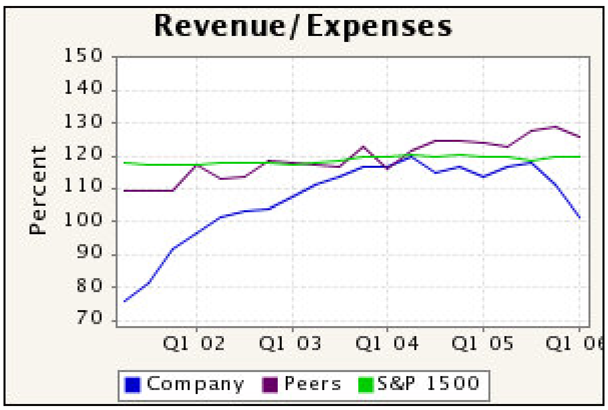
Source: Cash Flow/Equity — Compustat

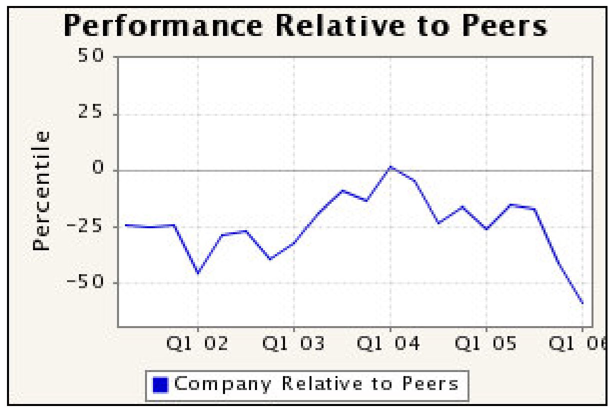


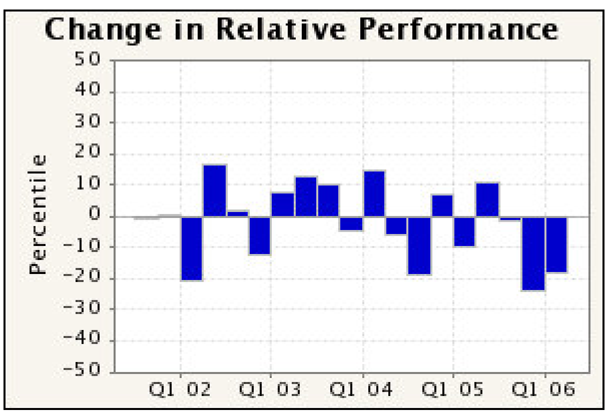




Source: ROE — Compustat







Source: Revenues/Expenses — Compustat

Governance Analysis

Governance Analysis

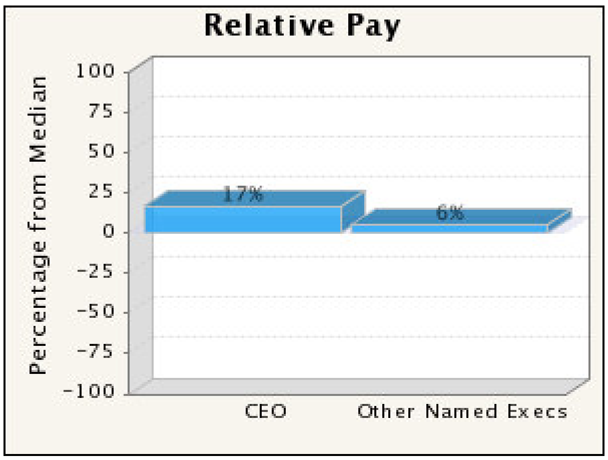
Executive Compensation

PROXY *Governance* evaluates a company's executive compensation over the last three years, as available, and compares that to the median compensation paid by its peers over the same time frame. For our compensation model, generally 20 peer companies are selected based on similarity of market capitalization and broad economic sector using the GICS. Only U.S. and certain U.S. reporting companies that are incorporated offshore are included in this peer group.

The graph that follows shows:

- The average three–year CEO compensation paid by the company expressed as a percentage from median peer compensation.
- The average three–year compensation paid to the company's other named executives (excluding the CEO) as a percentage from median peer compensation.

Domestic Peer Companies			
ACCENTURE LTD	ADOBE SYSTEMS INC	ADVANCED MICRO DEVICES	AGILENT TECHNOLOGIES INC
ANALOG DEVICES	AUTODESK INC	BROADCOM CORP -CL A	COMPUTER SCIENCES CORP
ELECTRONIC ARTS INC	ELECTRONIC DATA SYSTEMS CORP	INTUIT INC	JUNIPER NETWORKS INC
LINEAR TECHNOLOGY CORP	LUCENT TECHNOLOGIES INC	MAXIM INTEGRATED PRODUCTS	PAYCHEX INC
SANDISK CORP	SUN MICROSYSTEMS INC	SYMANTEC CORP	XEROX CORP



Executive Compensation	Salary	Bonus	Other Annual Comp.	Restricted Stock	Stock Options[1]	LTIP	All Other	1-yr Pay[2]	Avg. Pay[2]
John A. Swainson President and Chief Executive Officer	$1,000,000	$337,565	$231,354	$655,240	$3,614,358	$0	$1,750	$6,854,337	$11,091,119
Russell M. Artzt Executive Vice President, Products	$750,000	$202,543	$12,000	$393,140	$2,168,192	$0	$5,250	$4,238,275	$4,937,091
Gary Quinn Executive Vice President, Indirect Sales/ Channel Partners	$450,000	$280,998	$12,000	$196,023	$1,084,096	$82,071	$5,250	$2,370,858	$3,006,251
Jeff Clarke Former Chief Operating Officer	$750,000	$0	$17,136	$0	$2,530,263	$0	$5,250	$3,476,342	$2,839,748
Greg Corgan Former Executive Vice President, Worldwide Sales	$550,000	$135,021	$10,000	$262,101	$1,446,167	$0	$5,250	$2,481,647	$2,398,548
Michael Christenson Current Chief Operating Officer	$525,000	$148,412	$4,379	$288,094	$1,590,148	$0	$438	$2,433,361	$1,294,792

[1]Options valued using binomial formula.
[2]Restricted stock is annualized over the year of the award and following three years; LTIP is annualized over the year of the award and previous two years. Average pay is based on three-years of pay data, when available.

Source: Executive Pay: Data provided by Aon Consulting's eComp Database
As disclosed for fiscal year end 2006.

Director Compensation

Board Member Compensation							
Annual Fees						Initial Fees	
Cash	Stock Awards / Units ($)	Stock Options ($ / # shares)	Minimum Portion Paid In Stock	Board Meeting Fee	# Board Meetings	Stock Awards / Units ($)	Stock Options ($ / # shares)
$87,500	$87,500	-- / --	50%	--	13	--	-- / --

Committee Compensation														
Audit					Compensation					Nominating				
# Meetings	Member		Chair		# Meetings	Member		Chair		# Meetings	Member		Chair	
	Fee	Retainer	Fee	Retainer		Fee	Retainer	Fee	Retainer		Fee	Retainer	Fee	Retainer
19	--	--	--	$25,000	13	--	--	--	$10,000	9	--	--	--	$10,000

Governance Analysis

Board Profile

Name	Nominee	Term Ends	Not Ind.	Position	Audit	Comp.	Nom.	Age	Tenure	Other Board Seats	<75% Att.	No stock	Prev. yr. withhold votes
Alfonse M. D'Amato	✓	2007			✓		✓	69	7	--			8.3%
Gary J. Fernandes	✓	2007				✓		62	3	1			2.6%
Robert E. La Blanc	✓	2007			✓		✓	72	4	2			2.7%
Christopher B. Lofgren	✓	2007						47	1	--		✓	--
Jay W. Lorsch	✓	2007				✓	Chair	73	4	--			2.7%
William E. McCracken	✓	2007				✓		63	1	1		✓	2.2%
Lewis S. Ranieri	✓	2007		Chair		Chair		59	5	4			3.0%
Walter P. Schuetze	✓	2007			Chair, Financial Expert			74	4	1			2.3%
John A. Swainson	✓	2007	✓	CEO, President				52	2	1			2.0%
Laura S. Unger	✓	2007			✓		✓	45	2	1		✓	2.0%
Ron Zambonini	✓	2007						59	1	3		✓	2.0%

Independence	
Board	90.9%
Audit	100.0%
Compensation	100.0%
Nominating/Governance	100.0%

PROXY Governance believes that the Self-Regulatory Organizations' (SROs) standards of independence are satisfactory and does not support the use of an additional overlay of independence standards, which may vary among advisory services, institutional investors, and commentators. PROXY Governance believes that if the SROs standards are perceived to be inappropriate, interested parties should reopen the debate with the SROs or the SEC to have those standards adjusted.

Governance Analysis

Stock Ownership/Voting Structure

Type of stock	Outstanding shares	Vote(s) per share
Common	568,957,640	1

Significant Shareholders	
Walter H. Haefner, Careal Holding AG	22.1%
Private Capital Management, L.P.	14.7%
Hotchkis and Wiley Capital Management, LLC	11.6%
NWQ Investment Company, LLC	7.3%

Governance Analysis

State Law/Charter/Bylaw Provisions

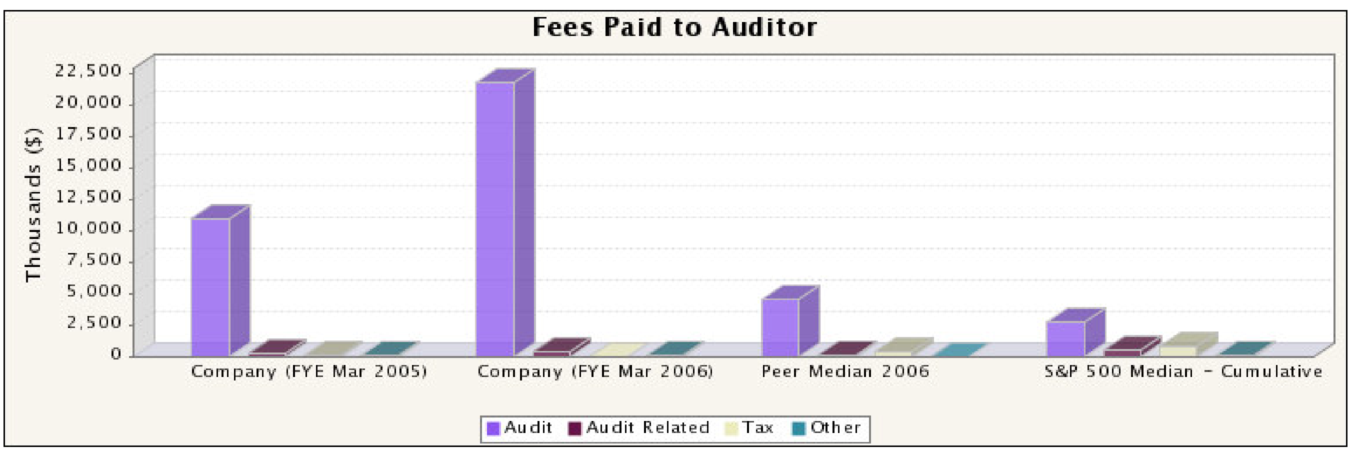
State Law Statutory Provisions	
State of incorporation	Delaware
Business combination	✓
Control share acquistion	
Fair price provision	
Constituency provision	
Poision pill endorsement	

Charter/Bylaws Provisions	
Classified board	
Cumulative voting	
Dual class/unequal voting rights	
Blank check preferred stock	✓
Poison pill	✓
Directors may be removed only for cause	
Only directors may fill board vacancies	
Only directors can change board size	✓
Supermajority vote to remove directors	
Prohibit shareholders to call special meetings	✓
Prohibit action by written consent	
Fair price provision	
Supermajority vote for mergers/business transactions	
Supermajority to amend charter/bylaw provisions	
Constituency provision	

Note: In November 2001, the company amended its poison pill to advance the expiration date from May 23, 2011 to Nov. 30, 2006, shortening the term by nearly five years.

Governance Analysis

Auditor Profile



Peer group includes companies listed under Executive Compensation.

KPMG LLP has served as the company's independent auditors since 1999.

Audit Fees					
	Audit fees	Audit Related fees	Tax fees	Other fees	Total fees paid
CA INC	$21,769,000	$390,000	$0	$9,000	$22,168,000

As disclosed for fiscal year end 2006.

Governance Analysis

Vote Results of Last Annual Meeting

Proposals		% FOR Votes[1]	For Votes	Against Votes	Abstentions	Broker Non-Votes
MGT	Elect directors[2]	91.7% - 98.0%				
MGT	Ratify Change in Control Severance Policy	96.4%	448,076,162	16,783,711	3,044,212	53,961,165
MGT	Ratify Appointment of Auditors KPMG	93.7%	486,504,629	32,618,258	2,742,363	0
MGT	Amend 2002 Stock Incentive Plan for Employees	95.8%	445,319,810	19,390,341	3,193,935	53,961,164

[1] As a % of votes cast for and against; may not reflect passage of proposal. [2] Low — High director votes.

Note: See the Board Profile for individual director votes.

Proposal Analysis

Management

1 Elect Nominees

PROXY *Governance* Vote Recommendation: SPLIT

Proposal:

To elect the following 11 nominees to the board: A. D'Amato, G. Fernandes, R. La Blanc, C. Lofgren, J. Lorsch, W. McCracken, L. Ranieri, W. Schuetze, J. Swainson, L. Unger and R. Zambonini

Analysis:

- Board size: 11
- New directors since last year: 1
- Independent directors: 10
- Non-Independent directors: 1

Non-Independent directors: CEO/President J. Swainson

CA (formerly called Computer Associates) has been attempting to recover from a dizzying array of management and accounting scandals dating back to 1998. The company launched a turnaround effort in 2004 after accounting issues and a slowing software business left the company's shares trading at a level 75% below their peak in 2000. The following is a brief summary of key historical and recent events:

Historical Events

- March 2000: CA acquires Sterling Software, Inc., where Sam Wyly was founder and chairman.
- July 2001 to July 2002: Wyly nominates an alternative slate of directors in each of the two years and eventually comes to an agreement with CA, including a five-year standstill from launching another fight in exchange for $10 million and the company’s commitment to governance changes.
- February 2002: The SEC and the U.S. attorney’s office begin investigating CA's accounting practices, including the premature booking of more than $2 billion in sales to bolster weak quarters between the last quarter of 1998 and the second quarter of 2001.
- November 2002: Charles Wang steps down as chairman and turns CA over to Sanjay Kumar as chairman and CEO.
- January 2004: Former finance executive Lloyd Silverstein pleads guilty to federal charges of conspiracy to obstruct justice in the accounting probe.
- April 8, 2004: Executives Ira Zar, David Rivard and David Kaplan, plead guilty to conspiracy to obstruct justice and conspiracy to commit securities fraud.
- April 21, 2004: Kumar resigns as chairman and CEO and assumes the role of Chief Software Architect.
- June 30, 2004: Kumar resigns from the company.
- Sept. 22, 2004: Kumar and former EVP Stephen Richards are indicted for securities fraud and obstruction of justice. CA admits improper accounting practices and misstatements of revenue from 1998 to Sept. 30, 2000, accepts a deferred prosecution agreement of one to two years, a fine of $225 million and an independent monitor.
- November 2004: John Swainson, is recruited from IBM as CA's new CEO to lead a turnaround effort.

Recent Developments

- March 16, 2006: Relational Investors, an activist fund with a 4.5% stake in CA, announced it would push for changes in strategy to speed a turnaround at the company.
- March 2006: LongView Funds submits a shareholder proposal to CA asking shareholders to remove two directors at the annual meeting: Alfonse D'Amato and Lewis Ranieri.
- April 2006: CA COO Jeff Clarke leaves to become president and CEO of a division of Cendant.
- April 24, 2006: Kumar and former EVP Stephen Richards plead guilty to securities fraud and obstruction of justice.
- May 2006: CA announces that CTO Mark Barrenechea will leave to join a private equity firm.
- May 11, 2006: Governance activist Lucian Bebchuk files a lawsuit in Delaware challenging the company's effort to exclude a binding bylaw amendment proposal Bebchuk has submitted concerning the company's poison pill.
- May 15, 2006: CA CFO Robert Davis and another top finance officer resign following the announcement of an earnings and revenue shortfall the previous month.
- May 30, 2006: CA announces it will delay release of its fourth quarter fiscal 2006 earnings report because it needs to complete additional work on sales commission expenses and income taxes to finalize its results.
- June 1, 2006: Moody's revises the outlook for CA's Ba1 senior unsecured debt rating from positive to negative, citing the delay in the company's earnings releases.
- June 1, 2006: CA confirms that it will eliminate a traditional extra payment to workers' 401(k) plan accounts to help mitigate the impact of higher-than-expected sales commission payments.
- June 4, 2006: CA removes EVP Gregory Corgan as chief of worldwide sales.
- June 8, 2006: CA launches a major advertising campaign in 19 countries designed to improve the company's brand and image.
- June 12, 2006: CA requests a 15-day extension from the SEC for filing its annual 10-K report.
- June 20, 2006: The SEC issues a no-action letter allowing CA to omit the LongView Funds shareholder proposal from its proxy statement.
- June 21, 2006: Thomas Bennett, former SVP, pleads guilty to a felony for attempting to cover up the accounting scandal.
- June 28, 2006: CA announces it will further delay release of its annual 10-K report after discovering a problem with stock option accounting for the period 1997-2001 that could result in pre-tax restatements of as much as $450 million. The company also uncovered a $40 million revenue understatement that could lead to future revenue reductions through 2011.
- June 29, 2006: CA names James Bryant to the new position of EVP and chief administrative officer.
- July 5, 2006: Standard & Poor's lowers its credit ratings for CA's senior unsecured debt to "BB" from "BBB-" and places the company on CreditWatch with negative implications.
- July 28, 2006: CA names Nancy Cooper as EVP and CFO effective Aug. 15.
- July 31, 2006: CA files its long-delayed financial statements for fiscal year 2006 (ended March 31) and includes $342 million in expenses for improperly granted stock options.
- August 9, 2006: CA announces it will miss the deadline to report its fiscal 2007 first quarter results and requests a five-day extension.
- August 16, 2006: CA announces a tender offer to repurchase up to $1 billion of its common stock.

Analysis

CA has been in full-blown crisis mode for several years and, to some extent, remains in that mode today. It is perhaps still premature to speculate on the likely success of the company's now multi-year turnaround effort in view of the ongoing turnover in its top executive ranks. Regarding governance, while most of the company's management team and board have been brought into the company in the last several years in an attempt to put the company's accounting scandals and turmoil behind it, we view one director as a prominent exception to this statement. Alfonse D'Amato's service on the CA board dates to 1999, a time period in the midst of the accounting, fraud and stock option scandals that the company is still attempting to recover from.

We further note that in a March 3, 2006, court filing federal prosecutors allege a direct correlation between the closing of a $51 million line of credit that former CEO Kumar secured (backed by the value of his restricted shares of CA common stock) on June 30, 2000, to buy the New York Islanders hockey team and the company's July 3, 2000, announcement that it would miss financial projections. CA's stock declined 43% following the announcement, erasing $13 billion of the company's market value. According to the government, Kumar was able to use the stock as collateral only because, several days earlier, the CA board had voted to ease a previous restriction on the sale or transferal of the stock. At this time, D'Amato, while serving on the CA board, was a consultant to Nassau Coliseum management and helped broker the deal for Kumar to buy the Islanders. The company did not disclose this relationship in any of its proxy statements from 1999 to 2002. D'Amato joined the board in 1999 and currently serves on the Audit and Compliance Committee and the Corporate Governance Committee. D'Amato has served on the Audit Committee since 2000. In view of the company's obvious need to put the past behind it, we recommend that shareholders withhold votes for D'Amato.

Ranieri, the other director singled out by LongView, is a tougher call. Ranieri joined the board in 2001 and currently serves on the Compensation and Human Resource Committee. He appears to have been extremely active, particularly since being named chairman in April 2004, in attempting to help CA sort out its problems. Ranieri was awarded an additional $160,000 in fees for his "extraordinary service" to the company during 2005. The additional fees were paid in the form of making the company's aircraft available to him for business and personal use. He elected not to accept director's fees in the amount of

$37,500 in the fourth quarter of 2005.

While CA has clearly continued to endure tough times on Ranieri's watch as chairman, we are inclined to believe that he is part of the solution to the problems at CA rather than part of the problem. That judgment, however, is certainly subject to review as we watch the company's continuing efforts to put the current turmoil behind it.

Rationale/Conclusion:

PROXY Governance generally believes that the board is properly discharging its oversight role and adequately policing itself. However, we recommend withholding votes from D'Amato given his role in brokering a major business deal involving Kumar in 2000, which appears to be a clear conflict of interest, and the fact that he is the sole remaining director that served on the board during the period when the company's accounting scandals were occurring.

[back to top]

Management

2 Ratify Appointment of Auditors - KPMG LLP

PROXY *Governance* Vote Recommendation: FOR

Proposal:

The Audit Committee has selected KPMG LLP as the company's independent auditors for the next fiscal year.

Analysis:

Barring circumstances where there is an audit failure due to the auditor not following its own procedures or where the auditor is otherwise complicit in an accounting treatment that misrepresents the financial condition of the company, PROXY *Governance* recommends the company's choice of auditor. PROXY *Governance* believes that concerns about a corporation's choice of auditor and the services performed (e.g., high non-audit fees) should be directed through withhold votes from the members of the audit committee, which is responsible for retaining and compensating the auditor.

Rationale/Conclusion:

We believe that, in this circumstance, the board/audit committee should be accorded discretion in its selection of the auditor.

[back to top]

Shareholder

3 Allow Shareholder Approval of Poison Pill

PROXY *Governance* Vote Recommendation: AGAINST

Proposal:

To amend the bylaws to require a unanimous board vote to adopt, maintain, amend or repeal a shareholder rights plan or "poison pill", unless it is approved by shareholders. Any such pill will expire no later than one year following its adoption or amendment.

Proponent:

Lucian Bebchuk

Shareholder View:

The proponent believes that poison pills adopted by the board without shareholder approval can deny shareholders the ability to make their own decisions regarding whether or not to accept a premium acquisition offer for their stock and could decrease shareholder value. The proposed amendment would not preclude the board from adopting or maintaining a poison pill without shareholder approval, but would ensure that the board would not do so without the unanimous vote of the directors.

Management View:

The company believes that the proposal infringes upon the rights of the board to manage the business affairs of the company by interfering with the board's exercise of its fiduciary duties in responding to an unfair or inadequate takeover proposal. The proposal would also provide one director with an absolute veto right over a decision favored by a majority of independent directors, no matter what the circumstances. The company believes that rights plans can provide a board with a flexible tool for maximizing shareholder value in the face of a takeover and can protect shareholders against abusive takeover tactics.

Analysis:

PROXY Governance generally believes there are valid reasons to have a rights plan – including empirical evidence that pills can yield higher takeover premiums in the hands of an independent board. We are, therefore, not inclined to oppose a pill unless the rights plan contains egregious features or the company has abused its pill or its takeover protections in the past. We would be more inclined to support such a proposal in cases where the company has had poor performance and there are indications of board entrenchment or rejections of promising takeover offers.

We note that the company has underperformed peers over the past five years; the company ranks at the 40th percentile compared to peers at the 48th percentile. We also note that the board is 90.9% independent and that the average tenure on the board is 3.1 years. The company amended its rights plan in 2001 to advance the expiration date from May 23, 2011 to Nov. 30, 2006. The company states that it will consider whether to adopt a policy with respect to shareholder approval or maintenance of a rights plan in the future.

We have concerns with the proposal's mandate that adoption or extension of a pill would require unanimous board approval. This would essentially give full veto power to a single director concerning the adoption, maintenance, amendment or repeal of poison pills instead of allowing the full board to reserve judgment, and may potentially prevent the directors from fulfilling their fiduciary duties. In view of the company's difficult circumstances, the board's recomposition over recent years and the degree of board independence, we believe the board should be accorded the flexibility to retain a pill as circumstances dictate.

Rationale/Conclusion:

In view of the absence of any signs of entrenchment, we do not support this proposal. We also do not believe that the approval of a poison pill should require a unanimous vote from the board given that it gives veto power to one director.

[back to top]