PROXY PAPER

CA, Inc.

NYSE: CA
Industry: Software & Programming
Meeting Date: September 18, 2006
Record Date: July 31, 2006

Nathan Williams, Lead Analyst
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2006 ANNUAL MEETING

Proposal	Issue	Board	GL&Co.
1.00	Election of Directors	For	Split
1.01	Elect Alfonse M. D'Amato	For	Withhold
1.02	Elect Gary J. Fernandes	For	For
1.03	Elect Robert E. La Blanc	For	Withhold
1.04	Elect Christopher B. Lofgren	For	For
1.05	Elect Jay W. Lorsch	For	For
1.06	Elect William E. McCracken	For	For
1.07	Elect Lewis S. Ranieri	For	Withhold
1.08	Elect Walter P. Schuetze	For	Withhold
1.09	Elect John A. Swainson	For	For
1.10	Elect Laura S. Unger	For	For
1.11	Elect Renato Zambonini	For	For
2.00	Ratification of Auditor	For	Against
3.00	Shareholder Proposal Regarding Poison Pills	Against	For

NOTE

A shareholder of the Company, Lucian Bebchuk, has presented a shareholder proposal for consideration at this year's annual meeting. Mr. Bebchuk is a minority shareholder of Glass Lewis and previously served on the Advisory Board of Glass Lewis. Mr. Bebchuk and Glass Lewis are also joint venturers on producing enhanced indexes for the investment community. Mr. Bebchuk had no role in the development of this report; Glass Lewis believes we would have reached the same conclusions irrespective of who proposed the resolution.

Company Profile

ADDRESS

One Computer Associates Plaza
Islandia, NY 11749
www.ca.com
Phone: (631) 342-6000
Fax: (631) 342-5329

Employees: 16,000

STOCK

Ticker:	CA
Exchange:	NYSE
Industry:	Software & Programming

COMPANY DESCRIPTION

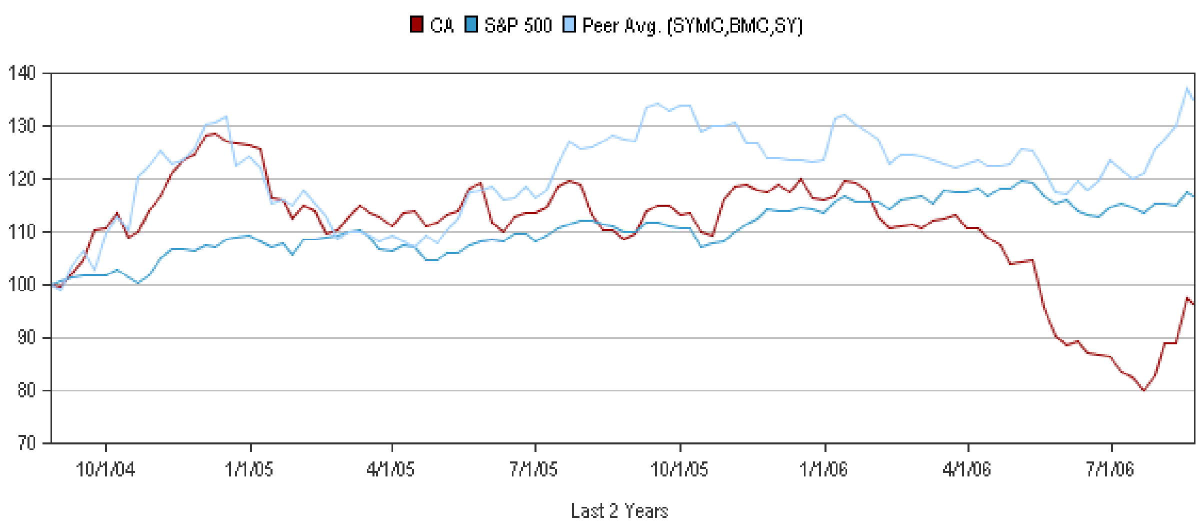
CA, Inc., formerly Computer Associates International, Inc. (Computer Associates), is a provider of management software. The Company designs, markets and licenses computer software products that allow businesses to run, manage and automate critical aspects of their information technology (IT) operations. It has a portfolio of software products that are designed to operate with all major business computer hardware platforms, operating systems and products marketed by other hardware and software companies. The Company has a broad base of customers, of which 99% are Fortune 500 companies that use the Company's products.

Source: FactSet

TOP 20 INSTITUTIONAL HOLDERS

	Holder	% Owned
1.	Private Capital Management, Inc. (FL)	12.89%
2.	Hotchkis & Wiley Capital Management LLC	11.54%
3.	NWQ Investment Management Co. LLC	9.34%
4.	Pzena Investment Management LLC	5.53%
5.	Relational Investors LLC	5.13%
6.	Legg Mason Capital Management, Inc.	3.10%
7.	Barclays Global Investors NA (CA)	2.58%
8.	State Street Global Advisors	2.19%
9.	Vanguard Group, Inc.	2.03%
10.	AIM Management Group, Inc.	1.79%
11.	Merrill Lynch Investment Managers, Inc./Mercury Advisors	1.06%
12.	Janus Capital Management LLC	0.97%
13.	Columbia Management Advisors, Inc.	0.96%
14.	Smith Barney Citigroup	0.90%
15.	Northern Trust Global Investments	0.84%
16.	JPMorgan Asset Management, Inc. (US)	0.69%
17.	The California Public Employees Retirement System	0.51%
18.	Mellon Capital Management	0.47%
19.	TIAA-CREF Asset Management LLC	0.46%
20.	Elm Ridge Value Advisors LLC	0.39%

INDEXED STOCK PRICE



Competitors / Peer Comparison[1]

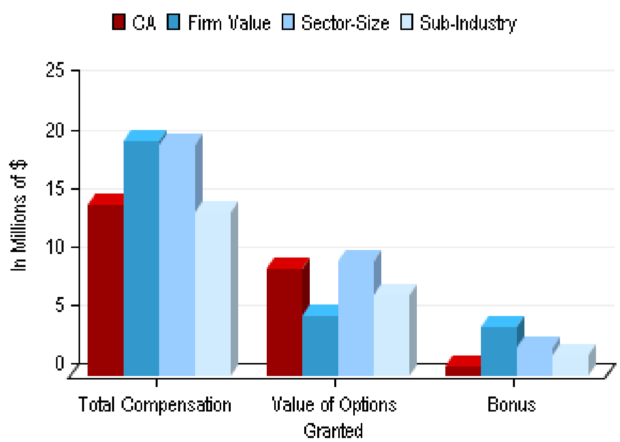
	CA, Inc.	Symantec Corporation	BMC Software, Inc.	Sybase, Inc.
Ticker	CA	SYMC	BMC	SY
Closing Price (09/01/06)	$ 23.58	$ 18.74	$ 26.63	$ 22.88
Shares Outstanding (mm)	566.9	987.5	205.0	89.3
Market Capitalization (mm)	$ 13,367.3	$ 18,506.7	$ 5,458.4	$ 2,043.8
Enterprise Value (mm)	$ 13,656.3	$ 17,025.5	$ 4,290.5	$ 1,662.0
Revenue (LTM) (mm)	$ 3,825.0	$ 4,702.5	$ 1,511.5	$ 832.9
Growth Rate				
Revenue Growth Rate (5 Yrs)	0.7%	36.2%	1.2%	-3.8%
EPS Growth Rate (5 Yrs)	0.0%	12.2%	22.4%	5.3%
Profitability (LTM)				
Return on Equity (ROE)	2.0%	0.6%	16.0%	14.5%
Return on Assets (ROA)	0.9%	0.4%	5.6%	6.4%
Dividend Rate	0.7%	0.0%	0.0%	0.0%
Stock Performance				
1 Year Stock Performance	-11.9%	-10.1%	33.8%	1.6%
3 Year Stock Performance	-8.0%	30.5%	81.4%	35.3%
5 Year Stock Performance	-24.1%	248.7%	66.4%	66.2%
Annualized 1 Year Total Return (past 3 yrs)	-2.3%	10.2%	27.1%	11.8%
Valuation Multiples (LTM)				
P/E Ratio	142.9x	243.4x	32.9x	20.5x
TEV/Revenue	3.6x	3.6x	2.8x	2.0x
TEV/EBIT	73.4x	28.0x	17.1x	11.3x
Margins Analysis (LTM)				
Gross Profit Margin	77.4%	71.0%	72.9%	74.9%
Operating Income Margin	5.9%	10.5%	13.0%	15.1%
Net Income Margin	2.5%	1.1%	11.5%	12.0%
Liquidity/Risk				
Current Ratio	0.8x	1.5x	1.4x	2.7x
Debt-Equity Ratio	0.40x	0.20x	0.00x	0.63x
Auditor Data[2]				
Year	2006	2006	2006	2005
Auditor	KPMG	KPMG	Ernst & Young	Ernst & Young
Auditor Fees	$ 21,769,000	$ 10,982,964	$ 11,012,000	$ 3,570,873
Audit Related Fees	$ 390,000	-	$ 11,000	$ 116,355
Tax + All Other Fees	$ 9,000	-	$ 285,000	-
Executive Compensation[2]				
Year of Data	2006	2006	2006	2005
Chief Executive Officer	$4,912,780	$10,804,182	$1,601,293	$9,312,357
Other Named Executives	$9,813,949	$21,952,158	$11,536,801	$4,265,603
Takeover Defense				
Classified Board	No	No	No	Yes
Prohibits Sh'holder Called Meetings	Yes	Yes	Yes	Yes
Supermajority Vote for Mergers	No	No	No	No
Poison Pill In Force	Yes	Yes	No	Yes

Source: FactSet Research Systems, FactSet TrueCourse, Inc., Reuters, Thomson Financial, and Glass, Lewis & Co. LLC
1. Listed competitors are based on GICS® industry classifications and other financial metrics including market capitalization and revenue.
2. As disclosed by the Company in its most recent proxy filing.

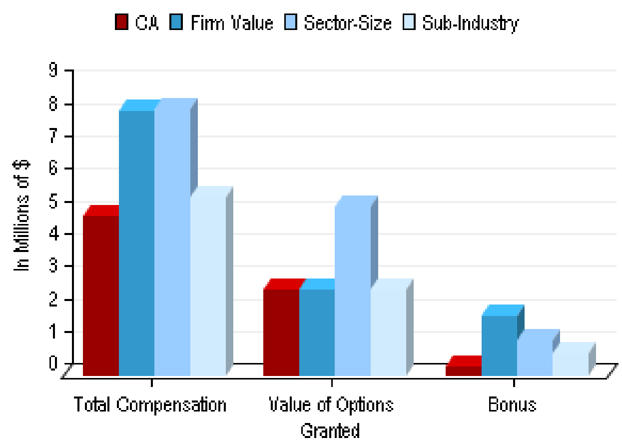
Pay-For-Performance

CA's executive compensation received a **C** grade in our proprietary pay-for-performance model, which uses 32 measurement points. The Company paid: less compensation to its top officers (as disclosed by the Company) than the median compensation for 56 similarly sized companies with an average enterprise value of $16 billion; less than a sector group of 25 large information technology companies with enterprise values ranging from $8.1 billion to $16.7 billion; and about the same as a sub-industry group of 13 systems software companies. The CEO was paid about the same as the median CEO in these peer groups. Overall, the Company paid less than its peers and performed worse than its peers.

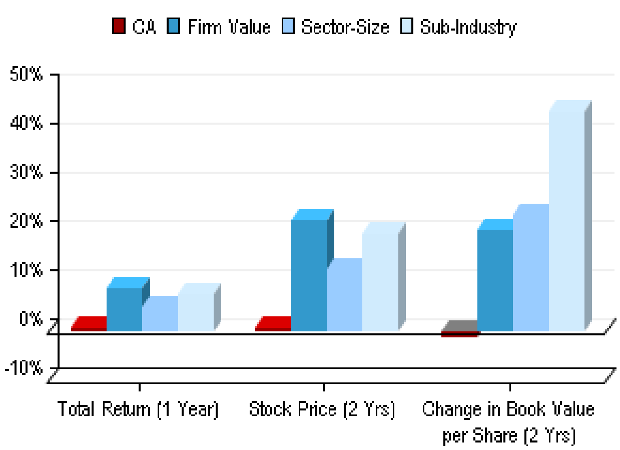
Company Compared with Median



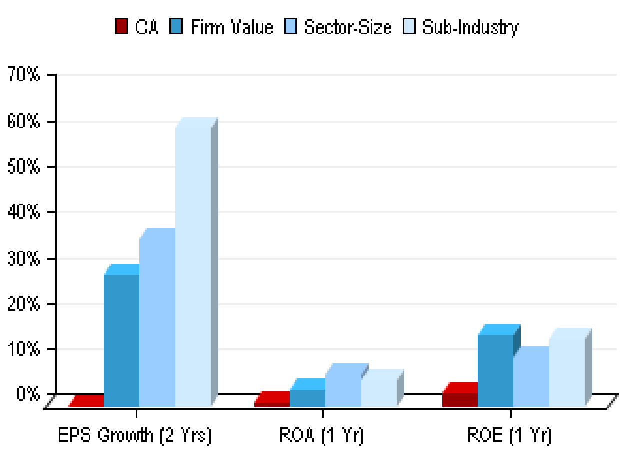
CEO Compared with Median



Shareholder Wealth



Business Performance



Note: Compensation analysis for period ending 03/2006. Chart does not include LTIP payouts.

Voting Results from Last Annual Meeting (August 24,2005)

ELECTION OF DIRECTORS

No.	Proposal	Votes Withheld
1	Elect Kenneth Cron	2.32%
2	Elect Alfonse D'Amato	8.28%
3	Elect Gary Fernandes	2.56%
4	Elect Robert La Blanc	2.68%
5	Elect Jay Lorsch	2.74%
6	Elect William McCracken	2.21%
7	Elect Lewis Ranieri	2.96%
8	Elect Walter Schuetze	2.31%
9	Elect John Swainson	1.96%
10	Elect Laura S. Unger	2.01%
11	Elect Ron Zambonini	1.96%

OTHER ITEMS

		Votes			
No.	**Proposal**	For	Against	Abstain	Broker Non-Votes
2	Ratification of Change in Control Severance Policy	448,076,162	16,783,711	3,044,212	53,961,165
3	Ratification of Auditor	486,504,629	32,618,258	2,742,363	N/A
4	Amendment to the 2002 Incentive Plan	445,319,810	19,390,341	3,193,935	53,961,164

Proposal 1.00: Election of Directors

SPLIT

BOARD OF DIRECTORS

Name	Up	Age	GLC Classification	Committees: Audit	Committees: Comp	Committees: Nom/Gov	Term Start	Term End	Attended at least 75% of Meetings
Alfonse M. D'Amato	✔	69	Independent	✔		✔	1999	2006	Yes
Gary J. Fernandes	✔	62	Independent		✔		2003	2006	Yes
Robert E. La Blanc	✔	72	Independent	✔		✔	2002	2006	Yes
Christopher B. Lofgren	✔	47	Independent				2005	2006	Yes
Jay W. Lorsch	✔	73	Independent		✔	C	2002	2006	Yes
William E. McCracken	✔	63	Independent		✔		2005	2006	Yes
Lewis S. Ranieri	✔	59	Independent [1]		C		2001	2006	Yes
Walter P. Schuetze	✔	74	Independent [2]	C			2002	2006	Yes
John A. Swainson	✔	52	Insider [3]				2004	2006	Yes
Laura S. Unger	✔	45	Independent	✔		✔	2004	2006	Yes
Renato Zambonini	✔	59	Independent				2005	2006	Yes

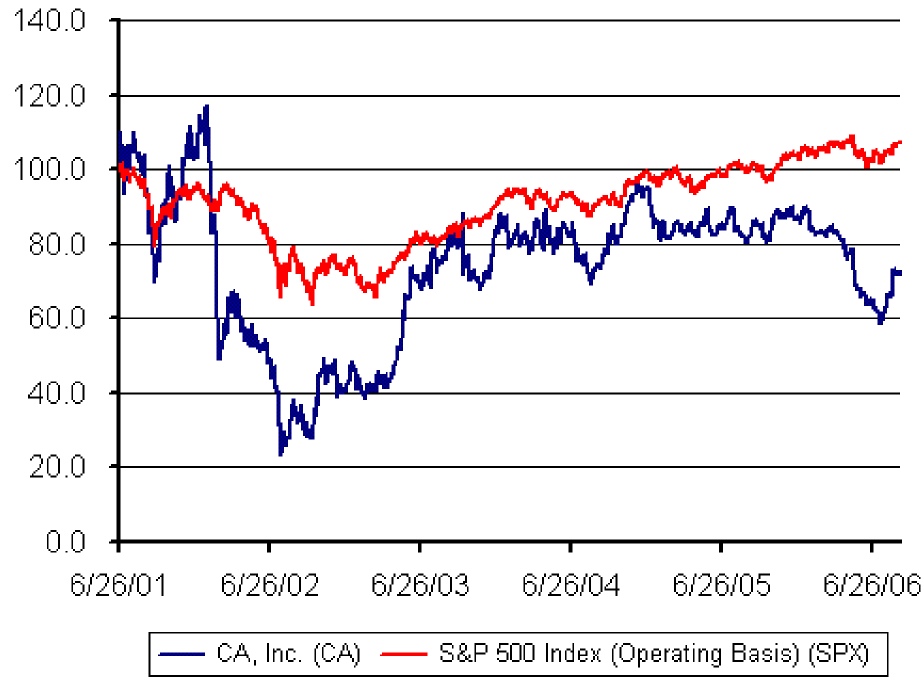
C = Chair

1. Chairman. Received additional director compensation of approximately $160,000 in the form of personal use of the Company's aircraft in fiscal 2005.
2. Former consultant to the Company (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.
3. President and CEO.

The board has nominated eleven candidates to serve a one-year term each. If elected, their terms would expire at the Company's 2007 annual meeting of shareholders.

Over the past year, the Company continued to take modest steps to correct its accounting and financial reporting irregularities that arose in 2000 and 2001. Despite its efforts to address these issues, the Company's problems in its internal control over financial reporting have persisted, resulting in several restatements. In addition to the inadequate oversight over financial reporting, the Company stock performance has declined by approximately 27.8% since chairman of the board Lewis Ranieri became a member of the board in late June 2001, as shown in the graph below. The precipitous decline in the Company's stock since the beginning of this year, under the leadership of Mr. Swainson, who became CEO under chairman Ranieri's guidance, supports our view that the current board has not performed effectively. Furthermore, while several executives who were hired under his direction left the Company, chairman Ranieri continues to oversee management.

CA, Inc. Indexed Performance
June 2001 - September 2006



In our view, the Company faces significant challenges in maintaining and growing its revenue basis and increasing its net income to improve its bottom line performance. The Company's revenue growth has suffered significantly over the course of the restatement periods. As shown in the chart below, it has declined to such an extent that the Company's fiscal year 2006 revenue was nearly 38% lower than the Company's fiscal year 2000 revenue. We question what shareholders have received in return for their investment in this board, in terms of its strategic decisions, in light of the Company's declining performance while the incumbent board has been in place.

Year (fiscal year ending March of)	2006	2005	2004	2003	2002	2001	2000
Revenue (in millions)	$3,796	$3,603	$3,332	$3,057	$2,886	$4,190	$6,094
Year over Year Growth	*5.40%*	*8.10%*	*9%*	*5.90%*	*-31.10%*	*-31.20%*	

Recent Restatements

During the most recent fiscal year, and after restatements arising from prior investigations, the Company once again announced a number of restatements. This ongoing saga of continually changing numbers challenges the integrity and confidence in the numbers reported to investors by the company. It also raises serious questions about the competence of those responsible for the misleading financial reports issued by the Company, the Company's internal controls that have not detected such errors in a timely fashion before they are published, and the level of oversight that has permitted such inadequacies to not only exist, but continue to affect the financial statements.

In the current year, the Company once again announced yet another restatement for improperly recorded revenues. After serious SEC and Justice department investigations and charges, one would think the company would ensure its revenue was properly reported. Yet "the Company determined that, beginning in fiscal year 2004, it had been systematically understating revenue for certain license agreements which have been cancelled and renewed…This restatement resulted in an increase in subscription revenue of approximately $43 million and $12 million in fiscal years 2005 and 2004, respectively, and approximately $19 million in the first three quarters of fiscal year 2006."

In the Company's most recent Form 10-K, it also disclosed the Company had restated the results for the third quarter of the 2006 fiscal year, for an error of approximately $31 million of commission expense that had been missed and should have been reported in that quarter. The Form 10-K goes on to say "…the Company also identified approximately $14 million in income taxes recorded in the third quarter of fiscal year 2006 associated with foreign taxable income from prior years. Since we are restating the results for the third quarter of fiscal year 2006, as well as prior fiscal periods, we have determined that this charge should properly be reflected in the periods to which it is related."

As if accounting errors in reporting of revenues, sales commissions and taxes were not enough, the Company also announced it was caught up in the stock option backdating scandal. While we applaud the audit committee for undertaking an investigation of this matter in light of ongoing revelations of option backdating, we wonder why this wasn't looked at in connection with the original internal investigations the Company undertook, and which cost the Company (and its shareholders) dearly. The outcome of this latest investigation again has uncovered improprieties during periods in which some current members of the board were responsible for the oversight of prior management. However, that oversight of prior management, which appears to have been non-existent, has once again contributed to errors that resulted in additional pre-tax compensation expense of $342 million dollars. The Company has disclosed that, in fiscal years 1996 through 2001, it has had delays of up to approximately two years from the date that employee stock options were approved by the board committee to the date such option grants were communicated to individual employees. The terms of these options were generally set on the date the committee acted. In almost all cases, the earlier date had an exercise price that was lower than the market price of the Company's common stock on the date the award was formerly communicated to employees.

It appears when it comes to financial reporting, investors have failed to get an adequate return on their investment in this and prior boards. One can only wonder what it will take to get high quality, transparent numbers and disclosures from this Company that don't change.

Prior Restatements

As discussed in our Proxy Papers for the previous three years, in 2002, the United States Attorney's Office for the East District of New York ("USAO") and the staff of the SEC commenced an investigation into the Company's past accounting practices, including the premature recognition of revenue from software licenses in fiscal year 2000. In response, the board determined that the audit committee (now the audit and compliance committee) should conduct an investigation into the timing of revenue recognition. In April 2004, the Company restated its financial statements for fiscal years 2000 and 2001 due to errors in its revenue recognition reflected in those statements. In addition, in the process of reviewing its revenue recognition for past periods in 2005, the Company identified additional transactions that it entered into during fiscal years 1998 through 2001 that had been accounted for improperly. As a result, the Company made further adjustments to its financial statements for fiscal years 2000 and 2001, restated its financial statements for fiscal years 2002 through 2004, and made certain adjustments in its financial statements for fiscal year 2005.

Regulatory Investigations and Criminal Proceedings

On September 22, 2004, the Company entered a deferred prosecution agreement ("DPA") with the USAO and a final consent judgment with the SEC. These agreement effectively resolved the agency investigations into Company past accounting practices and the actions of former employees to impede the USAO and SEC investigations.

Under the DPA, the Company is required to cooperate fully with the USAO, the FBI and the SEC in their on-going investigations into the misconduct of any present or former employees and to support their efforts to obtain disgorgement of ill-gotten gains. In September 2004, Steven Woghin, the Company's former general counsel, plead guilty to conspiracy to commit securities fraud and obstruction of justice. Additionally, in April 2006, Sanjay Kumar, the Company's former chairman and CEO, and Stephen Richards, the Company's former executive vice president of world sales, plead guilty to all counts of a nine count indictment, which included charges of securities fraud and obstruction of justice. Sentencing of Messrs Kumar and Richards is expected to take place in October 2006. Litigation with respect to the SEC's claims for disgorgement and civil penalties against each these former employees is pending.

Civil Litigation

In addition to the government enforcement proceedings, several civil lawsuits have been filed by shareholders against the Company and certain of its former and current directors and employees. In August 2003, the Company agreed to the settlement of a class action and several derivative actions, claiming breach of fiduciary duties on the part of all individual defendants. As part of the class action settlement, the Company agreed to issue a total of up to 5.7 million shares of common stock to the shareholders representing in the lawsuits, and pay plaintiff's attorney's fees. In October and December 2004, four shareholders filed motions to vacate the order of final judgment and dismissal entered by the federal court in connection with the settlement of the derivative action and reopen the settlement to permit the moving party to pursue individual claims against certain present and former officer of the Company (the "60(b) motions"). Furthermore, in January 2005, a consolidated derivative action was filed against the Company, as a nominal defendant, and certain of its former and current directors and officers, seeking contribution toward the consideration the Company had previously agreed to settle the aforementioned class action. The consolidated derivative action has been stayed pending a ruling on the 60(b) motions.

In addition, in September 2004, two civil actions were brought in Delaware Chancery Court seeking to compel production of the Company's books and record to determine whether the Company has been involved in obstructing the USAO and SEC investigations and whether certain Company directors and/or employees breached their fiduciary duties to the Company and wasted corporate assets. A second complaint, filed in September 2004, concerns the inspection of documents related to Mr. Kumar's compensation, the independence of the board and the ability of the board to sue for return of that compensation.

On August 14, 2006, the Company disclosed in a Form 10-Q that a derivative action was filed in federal court against certain current and former directors of the Company. The complaint alleges claims against the individual defendants for breach of fiduciary duty, abuse of control, gross mismanagement, corporate waste, and violations of federal securities laws arising from alleged false and material misstatements made in its proxy statements issued in 2002, 2004, and 2005. The premise for these claims are the disclosures made by the Company in its 2006 annual report concerning the aforementioned restatements. The complaint seeks, among other things, an order setting aside the election of nine of the Company's directors at this year's annual meeting and unspecified compensatory damages.

Obligations under the DPA

Under the DPA, the Company has also agreed to (i) establish a restitution fund of $225 million to compensation present and former shareholders for losses incurred as a result of the misconduct of certain former executives; and (ii) take numerous steps to strengthen the Company's management, corporate governance, financial reporting compliance and adherence to federal securities laws.

We believe that the Company has continued to take steps to restore confidence in its corporate governance practices. In 2005, the Company added three new independent directors to its board: William McCracken in February; Rob Zambonini in April; and Christopher Lofgren in November. As required by the DPA, more than two-thirds of the current board members are independent. In addition, as discussed in our 2005 Proxy Paper, with the departure of Russell Artzt as a board member, none of the current board members served as a executives during the time period in which the Company acknowledged improper accounting.

Ongoing Accounting and Financial Reporting Deficiencies

While we commend the board for making these reforms, we remain particularly concerned that the Company continues to identify new accounting problems arising from the same period in which the audit committee conducted its initial investigation into the Company's accounting irregularities. As a consequence, the Company decided to restate its financial statements on several occasions, including an increase in its non-cash stock option compensation, over these prior periods. In addition, the Company disclosed in its 2006 DEF 14A that, due to material weaknesses in its internal controls, the term of Lee S. Richards, III, as the independent examiner appointed under the DPA, may be extended beyond September 30, 2006.

In its most recent annual report, the Company also disclosed that it had identified several material weaknesses in its internal control over financial reporting. Specifically, the Company identified the following control deficiencies: (i) the Company failed to maintain an effective control environment due to a lack of effective communication policies and procedures; (ii) its policies and procedures relating to controls over the accounting for sales commissions were not effective; (iii) its policies and procedures relating to identification, analysis and documentation of non-routine tax matters were not effective; (iv) its policies and procedures relating to accounting for and disclosure of stock-based compensation were not effective; and (v) its polices and procedures were not effectively designed to identify, quantify and record the impact on subscription revenue when license agreements have been cancelled and renewed more than once prior to the expiration date of each successive license agreement.

Due to the restatements, the Company failed to timely file its 2006 annual report and its quarterly report for the second quarter of fiscal year 2006. We note that this is the second consecutive year that the Company has failed to timely file its annual report. We believe the members of the audit committee bear the responsibility for the Company's consistent failure to ensure accurate, reliable and timely disclosure to investors over the past several years. In this case, we believe that members of the audit committee have not satisfactorily performed their duties in this regard.

Departure of Several Officers Hired Since 2004

In the last year, the Company has ousted several of its officers who were appointed since chairman Ranieri took direction of the board in April 2004. The Company appointed Jeff Clarke and Greg Corgan to serve as chief operating officer and senior vice president for worldwide sales in April 2004. In April 2006, the Company announced that Mr. Clarke was leaving to assume the position of president and CEO of a division of Cendant Corp. In July 2006, the Company entered a separation agreement with Mr. Corgan, after ending his employment the previous month. In February 2005, the board named Robert W. Davis as executive vice president and CFO; in May 2006, the Company announced that Mr. Davis would leave the Company under mutual agreement. In our view, the departure of these officers reflects the board's failure to assume accountability for the initial selection of these individuals, the Company's poor performance and persistent accounting and financial reporting since Mr. Ranieri became chairman.

In April 2006, the Company also announced that Robert Cirabisi had assumed the responsibility as interim CFO. Mr. Cirabisi served as the Company's U.S. Controller in 2000, during the period in which accounting and financial problems took place. In July 2006, the board appointed Nancy Cooper executive vice president and CFO. Once Ms. Cooper's appointment becomes effective, Mr. Cirabisi will return to his position as the Company's corporate controller and principal accounting officer. We believe that the Company should untie its relationship with those executives that served in its accounting and finance departments during the time period in which the Company acknowledged improper accounting.

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

Nominee **RANIERI** has served as a board member since 2001 and as chairman of the board since April 2004, during which time the Company has experienced declining stock performance and considerable management turnover. In our view, Mr. Ranieri, as chairman of the board, should be held accountable for failing to put in place an effective management team to improve the Company's financial performance. While Mr. Ranieri has served as chairman:

- the Company's stock has declined by approximately 27.8% since he became a member of the board in 2001;
- the Company's stock has declined by approximately 13.6% since Mr. Swainson became CEO in February 2005; and
- the Company has forced the departure of several executive officers in 2006, who were hired during his tenure as chairman of the board, including Messrs. Clarke, Corgan, and Davis, former executive vice president of worldwide sales, COO, and CFO of the Company, respectively.

We believe that Mr. Ranieri, as chairman of the board, should be held accountable for the Company's lackluster performance under his direction, despite ample opportunities to bring on an effective management team to implement the necessary operational changes.

Nominee **D'AMATO** has served as a member of the audit committee for more than 6 years. He is the last holdout from the members of the audit committee that 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 year 2000 and $445 million in fiscal year 2001. We believe the audit committee is charged with the responsibility of properly overseeing the Company's financial reporting. As expressed in our 2005 Proxy Paper, we recommend withholding votes from this nominee based on what we view as his lack of oversight in what ultimately led to the prior restatements of the Company's financials.

We are also concerned by the fact that Mr. D'Amato has continuously been a member of the audit committee since the Company acknowledged improper accounting, and that the Company still, as of July 31, 2006, has ineffective internal controls in place that gave rise to the recently identified accounting errors that required the Company to restate its financials on several occasions in the past year. The impact of these errors on subsequent periods and the lingering problems with the Company's internal controls reinforce our view, as we expressed in our previous two reports, that it would be best for all directors who served during periods of accounting irregularities be removed from the board.

Nominees **LA BLANC** and **SCHUETZE** have served on the audit committee since 2002. Ms. Unger joined the audit committee upon becoming a director in August 2004. During their tenure on the audit committee, numerous accounting problems have arisen which undermine the reliability of its financial reporting. In particular, Messrs. La Blanc and Schuetze and Ms. Unger have served on the Company's audit and compliance committee when the Company has also faced:

- Several restatements over the past year to make adjustments in subscription revenues, sales commissions, and income taxes for prior periods in which these directors served as members of the audit committee;
- Another restatement to increase its non-cash stock-based compensation expense by $342 million for the ten year period from fiscal year 1996 through 2006;
- Numerous material weaknesses in the Company's internal control over financial reporting, including the five material weaknesses discussed above which existed as of March 31, 2006, leading the Company to conclude that its internal control over financial reporting was not effective at the end of fiscal year 2006; and
- The inability to timely file the Company's annual report for the second consecutive year.

Glass Lewis generally believes that restatements resulting from a material weakness in a company's controls over revenue recognition should be of serious concern to shareholders. Revenue is typically the largest and most critical item on the income statement, therefore, we believe companies are often tempted to overstate revenues by either fraudulently misstating or by abusing existing generally accepted accounting principles. In a 2003 study by the Huron Consulting Group, revenue recognition was the single largest reason for corporate restatements over the preceding five years. Furthermore, the 1999 Treadway Commission report on fraudulent financial reporting found that more than half of the fraudulent financial reporting cases involved overstated revenue. The complex nature of revenue recognition and the heavy reliance on estimates, coupled with the poor transparency in disclosures, should cause concern for shareholders due to the corresponding increased risk of restatements as actual results may vary significantly from the results initially estimated by a company.

We believe this restatement signals a lack of competent internal accounting expertise, poor internal controls and systems, and aggressive financial reporting practices at the Company. We believe that members of the audit committee bear the responsibility for ensuring that the Company is pursuing careful application of GAAP and reasonable accounting practices that ensure fair and reliable disclosure to investors. In this case, we believe that members of the audit committee during the relevant restatement periods have not satisfactorily performed their duties in this regard.

We note that Messrs D'Amato and Ranieri also served as audit committee members during periods subject to restatement. As such, we recommend withholding votes from those nominees on this basis. We also recommend withholding votes from Messrs. La Blanc and Schuetze, who have served on the audit committee for the past four years. We believe that four years is more than sufficient time to have established credible and transparent financial reporting, without the constant flow of restatements and lack of timely filings that continued in the most recent fiscal year. However, at this time, we refrain from recommending to withhold from Ms. Unger, as she has only served on the audit committee for the past two years.

We do not believe there are substantial issues for shareholder concern as to any other nominee.

Accordingly, we recommend that shareholders vote:

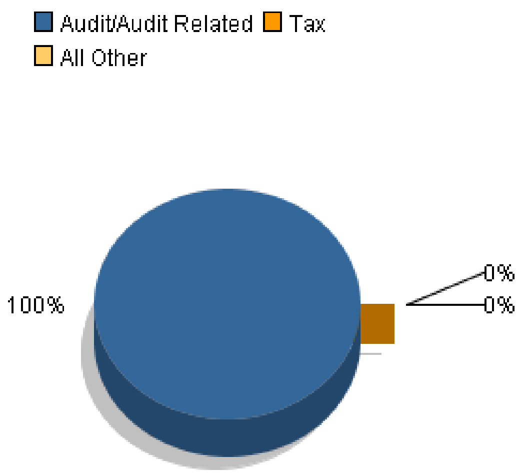
WITHHOLD: D'Amato; La Blanc; Ranieri; Schuetze

FOR: All other nominees

Proposal 2.00: Ratification of Auditor

AGAINST

CA, Inc. Auditor Fees



The Company proposes that KPMG serve as the Company's independent auditor for 2007. KPMG has served as the Company's auditor for at least the last seven years.

During the last fiscal year, the Company paid KPMG audit fees of $21,769,000 and audit-related fees of $390,000. All other fees totaled $9,000.

While the fees paid for non-audit related services are reasonable as a percentage of all fees paid to the auditor and the Company appears to disclose appropriate information about these services in its filings, we have a number of concerns regarding KMPG continuing as the Company's auditor. 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. KPMG had audited the financial statements for 2000, while Ernst & Young had audited the 1999 financial statements.

Additionally, in May 2005, the Company had to restate financials for fiscal years 2000 through 2005 to correct for additional transactions from fiscal years 1998 through 2001 which were accounted for improperly. Finally, in October 2005, the Company restated its financials for fiscal years 2003 through 2005 for improperly recognized revenue on renewals of certain software license contracts.

The fact that KPMG served as the Company's auditor during periods in which the Company's financials were subject to restatement raises serious concerns about the auditor's performance in conducting the audit. We also note that the chairman of the Company's audit committee is a former KPMG partner and senior partner of KPMG's national professional practice office. Auditor rotation seems appropriate given this history. Appointing a new 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 KMPG as the Company's auditor for fiscal year 2007.

Proposal 3.00: Shareholder Proposal Regarding Poison Pills

FOR

This shareholder proposal seeks shareholder approval of an amendment of the Company's bylaws to add article XI as follows:

> **Section 1.** Notwithstanding anything in these by-laws to the contrary, the adoption of any stockholder rights plan, rights agreement or any other form of "poison pill" which is designed to or has the effect of making an acquisition of large holdings of the Company's shares of stock more difficult or expensive ("stockholder rights plan") or the amendment of any such stockholder rights plan which has the effect of extending the term of the stockholder rights plan or any rights or options provided thereunder, shall require the affirmative vote of all the members of the board of directors, and any stockholder rights plan so adopted or amended and any rights or options provided thereunder shall expire no later than one year following the later of the date of its adoption and the date of its last such amendment.
>
> **Section 2.** Section 1 of this article shall not apply to any stockholder rights plan ratified by the stockholders.
>
> **Section 3.** Notwithstanding anything in these by-laws to the contrary, a decision by the board of directors to amend or repeal this article shall require the affirmative vote of all the members of the board of directors.

The affirmative vote of the holders of not less than a majority of the outstanding shares of common stock, present or represented by proxy and entitled to vote, will be required to approve this proposal. If adopted, the bylaw amendment will be effective immediately and automatically as of the date it is approved by the vote of stockholders in accordance with article IX of the Company's bylaws.

Background

On November 21, 2001, the Company disclosed in a Form 8-K that the board amended the Company's shareholder rights plan to accelerate its expiration date to November 30, 2006, shortening the term by nearly five years. The board previously adopted an amended rights plan on May 24, 2001 of the same year, which extended the expiration date to May 23, 2011 and increased the exercise price of the right to $150 per share, without receiving shareholder approval. The Company does not have a policy in place concerning whether the board must seek shareholder approval of a rights plan prior to its adoption or seek shareholder ratification within a specified time period thereafter. Furthermore, the current bylaws are silent on this issue.

The Company sought a no-action letter from the SEC, claiming that this shareholder proposal could not be properly excluded under Rule 14a-8(i) (2) of the Securities and Exchange Act of 1934, on the basis that it would be unlawful under state law. Concurrently, the proponent, Mr. Lucian Bebchuk, brought a lawsuit before the Delaware Chancery Court, seeking a declaratory judgment that the proposed bylaw would not violate Delaware law if enacted. The Delaware court held that the issue was not ripe until shareholders had approved the proposal. The SEC staff, in turn, declared that it was unable to express a view on excludability, citing the pending case. In June 2006, the Company announced that it would include the proposal to be voted upon at this year's annual meeting of shareholders. ("CA to Add Shareholder Proposal to Proxy" *The Associated Press*. June 27, 2006.)

The legality of this bylaw proposal concerns an unsettled question of law under Delaware corporate law as to whether shareholders can adopt a binding bylaw proposal, instead of one that merely advises the board to take the necessary actions to implement the proposal. Section 109 of the Delaware General Corporation Law authorized shareholders to adopt bylaws "not inconsistent with law or the certificate of incorporation, relating to the business of the corporation, the conduct of its affairs, and its rights or the rights or powers of its stockholders, directors, officers, or employees." On the other hand, Section 141(a) of the Delaware statute empowers the board to manage the "business and affairs" of the corporation, "except as may be otherwise provided in this chapter [of the Delaware code] or in its certificate of incorporation." In their article, *Toward a New Theory of the Shareholder Role: 'Sacred Space' in Corporate Takeovers*, 80 Texas Law Review 261, 318-324 (2001), Professors Gordon Smith and Robert Thompson explain the ambiguity in the statute:

> "When the statute authorizes shareholder-adopted bylaws only to the extent that they are "not inconsistent with law," does that "law" include the provision granting managerial authority to directors? Similarly, when the statute authorizes directors to manage the firm subject to limitations "otherwise provided in this chapter," does that include limitations imposed by the shareholders through bylaw?"

Since Delaware precedent does not address these questions, the validity of this bylaw amendment is uncertain.

Proponent's Perspective

The proponent, Mr. Lucian Bebchuk, identifies four main reasons why shareholders should vote in favor of this proposal: (i) poison pills adopted by the board without ratification by shareholders can deny shareholders the ability to make their own decisions regarding whether or not to accept a premium acquisition offer for their stock and, under certain circumstances, could reduce shareholder value; (ii) when one or more directors do not support a decision to adopt or extend a pill, the board should not make such a decision without obtaining shareholder ratification for the pill; (iii) it is undesirable for a poison pill not ratified by shareholders to remain in place indefinitely without periodic determinations by the board that maintaining the pill continues to be advisable; and (iv) the proposed bylaw amendment would not preclude the board from adopting or maintaining a poison pill not ratified by shareholders for as long as the board deems necessary consistent with the exercise of its fiduciary duties, but would simply ensure that the board not do so without the unanimous vote of the directors and without considering, within one year following the last decision to adopt or extend the pill, whether continuing to maintain the pill is in the best interests of the Company and its shareholders.

Board's Perspective

The board offers six main reasons why shareholders should vote against this proposal: (i) the board believes that the bylaw proposal violates Delaware law by interfering with the boards express statutory authority to create, issue and fix the duration of rights, subject to any limitations provided in its certificate of incorporation; (ii) the board believes that the proposed bylaw improperly infringes upon the rights of the board to manage the business affairs of the Company by potentially interfering with the board’s exercise of its fiduciary duties in responding to an unfair or inadequate takeover proposal; (iii) a blanket requirement for unanimity for board action is simply bad governance, as it would provide one director, for whatever reason, an absolute veto right over a decision favored by an overwhelming majority of independent directors, no matter what the then existing circumstances; (iv) the board believes that rights plans can provide it with an important and flexible tool for maximizing shareholder value in the face of a takeover and can protect shareholders against abusive takeover tactics; (v) the requirement to maintain a majority of independent directors and the board of directors' fiduciary duty to act in good faith and in the best interests of the Company and all of its shareholders provides assurance against a rights plan being used other than to further the interests of all shareholders; and (vi) given the Company elects all directors annually, its shareholders, at least once a year, have the right to seek to replace the incumbent directors of the Company if they do not believe a rights plan was being used to protect and maximize shareholder value.

Glass Lewis' Analysis

In general, we support those shareholder proposals seeking to adopt new bylaws when we favor the inclusion of the underlying provisions that are being amended. We recognize that Section 109 of the Delaware code provides an important limitation on the scope of permissible shareholder-adopted bylaws. We believe that bylaws adopted by shareholders must not prevent the board from exercising its fiduciary obligations in managing the corporation. In our view, this bylaw proposal does not undermine the board of directors' ability to fulfill their fiduciary obligations in the context of a hostile takeover bid that they deem unfavorable to shareholders or other circumstances.

We note that the proposed bylaw merely requires a unanimous vote of the directors to approve the rights plan and limits the duration of such a rights plan to one year, unless the plan has been ratified by shareholders. The requirement of unanimous approval of the board is supported by Section 141(b) of the Delaware statute, which provides: "The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors unless the certificate of incorporation or the bylaws shall require a vote of a greater number." To the extent that the board believes that their fiduciary duties require them to adopt or extend a rights plan as a defensive measure in opposition to a hostile takeover bid, the board can approve the rights plan each year or seek shareholder approval. Conversely, the board could, by unanimous vote, amend or repeal the shareholder initiated bylaw if it improperly impedes the board in discharging its fiduciary duties.

Furthermore, we do not believe that the bylaw amendment infringes upon the board's statutory authority to manage the Company's business and affairs. As a matter of statutory construction, we believe the board's authority conferred in Section 141(a) is properly construed as being subject to the right of shareholders to adopt bylaw provisions. At minimum, we believe that shareholders should have the right to unilaterally adopt bylaw provisions concerning matters of fundamental importance to protect their interests as shareholders. In our view, the underlying subject of this proposal meets such a standard, and, thus, shareholders should be allowed to have a meaningful voice in deciding the manner in which a poison pill is adopted and whether it should be extended or redeemed.

We are aware that this bylaw amendment may stretch the limits of the law by requiring the board to act unanimously in adopting or extending a poison pill. We also recognize that the bylaw may be refined by providing (i) a super-majority vote of the board to take such action or (ii) a shorter duration upon which time the board must reconsider the necessity of the poison pill.

In particular, the unanimity requirement means that under some circumstances a single director may be able to block the collective will of the other directors. This result may be undesirable where (i) one individual investor, with interests separate from other shareholders, holds a board seat or (ii) the CEO is motivated to refrain from adopting a pill to profit from a golden parachute payment made on a change in control. However, individual directors will still be required to exercise judgment consistent with their fiduciary duties in regard to a poison pill. We believe this obviates the concern that a tyranny of one director with a conflict of interest will prevent the remainder of the board from taking action in shareholders best interests.

In our opinion, the presence of these bylaw provisions is preferable to their absence particularly given the consistent poor oversight exercised by this board. Given the scope of shareholders' right to unilaterally amend the bylaws to restrict board action is unchartered territory under Delaware law, we believe the one-year duration before reconsideration of the pill provides the appropriate balance of power between the board and shareholders on this fundamental issue at this time. In our view, rather than merely serving as a model for other companies to adopt similar bylaw provisions, this proposal, if approved by shareholders, will likely encourage other shareholder-initiated bylaws that further define the contours of the law in Delaware. If the Delaware courts uphold the validity of a bylaw that further restrains the board from implementing or extending a rights plan, the Company's shareholders or board can amend the bylaws to be consistent with the guidance of the courts.

We believe that there is a substantial likelihood of a divergence of views between managers and shareholders in this context due to differing incentives. Managers are often motivated to preserve their own jobs or to arrange for substantial payouts and, as a result, may not act in the best interests of shareholders when it comes to potential takeovers. One study found that target CEOs are willing to accept lower acquisition premia in situations where they stand to earn personal, monetary or professional gains (Jay Hartzell, Eli Ofek, and David Yermack. *What's In It For Me?: Personal Benefits Obtained by CEOs Whose Firms Are Acquired.* Working Paper (2000), page 21).

In addition, Glass Lewis believes that, in general, poison pills are not conducive to good corporate governance. Specifically, they can reduce management accountability by substantially limiting opportunities for corporate takeovers. Studies have shown that an increase in protection through anti-takeover statutes is associated with a decrease in management accountability (Marianne Bertrand and Sendhil Mullinathan. "Is there Discretion in Wage Setting? A Test Using Takeover Legislation." *Rand Journal of Economics* (1999), page 535; Gerald T. Garvey and Gordon Hanka. "Capital Structure and Corporate Control: The Effect of Antitakeover Statutes on Firm Leverage." *Journal of Finance* (1999), pages 519, 520). Other studies have found that companies with greater protection from takeovers are associated with poorer operating performance (Paul A. Gompers, Joy L. Ishii and Andrew Metrick. *Corporate Governance and Equity Prices*, NBER Working Paper No. 8449 (2001)).

Given our opinion that poison pills are a matter of fundamental importance to shareholders, as they may prevent shareholders from realizing a premium associated with a corporate takeover, and our view that the proposed bylaw amendment does not compromise the board's ability to exercise its fiduciary duties, we believe that this proposal is in the best interest of shareholders.

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

Disclosure

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