GLASS LEWIS & Co.

PROXY PAPER

CA, Inc.

NYSE: CA
Industry: Software & Programming
Meeting Date: August 22, 2007
Record Date: June 28, 2007

Rachel Perez, Lead Analyst
rperez@glasslewis.com

2007 ANNUAL MEETING

Proposal	Issue	Board	GL&Co.
1.00	Election of Directors	For	Split
1.01	Elect Raymond Bromark	For	For
1.02	Elect Alfonse D'Amato	For	Against
1.03	Elect Gary Fernandes	For	For
1.04	Elect Robert La Blanc	For	For
1.05	Elect Christopher Lofgren	For	For
1.06	Elect Jay Lorsch	For	Against
1.07	Elect William McCracken	For	For
1.08	Elect Lewis Ranieri	For	For
1.09	Elect Walter Schuetze	For	For
1.10	Elect John Swainson	For	For
1.11	Elect Laura Unger	For	For
1.12	Elect Ron Zambonini	For	For
2.00	Ratification of Shareholder Protection Rights Agreement	For	Against
3.00	Ratification of Auditor	For	For
4.00	2007 Incentive Plan	For	For
5.00	Shareholder Proposal Regarding Approval of CEO Compensation by Supermajority of Independent Board Members	Against	Against

NOTE

The sponsor of a shareholder proposal (Proposal 5), Lucian Bebchuk, is a joint venturer with Glass Lewis 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 CA Plaza
Islandia, NY 11749
www3.ca.com
Phone: +1 (631) 3426000
Fax: +1 (631) 3426800

Employees: 14,500

STOCK

Ticker:	CA
Exchange:	NYSE
Industry:	Software & Programming

COMPANY DESCRIPTION

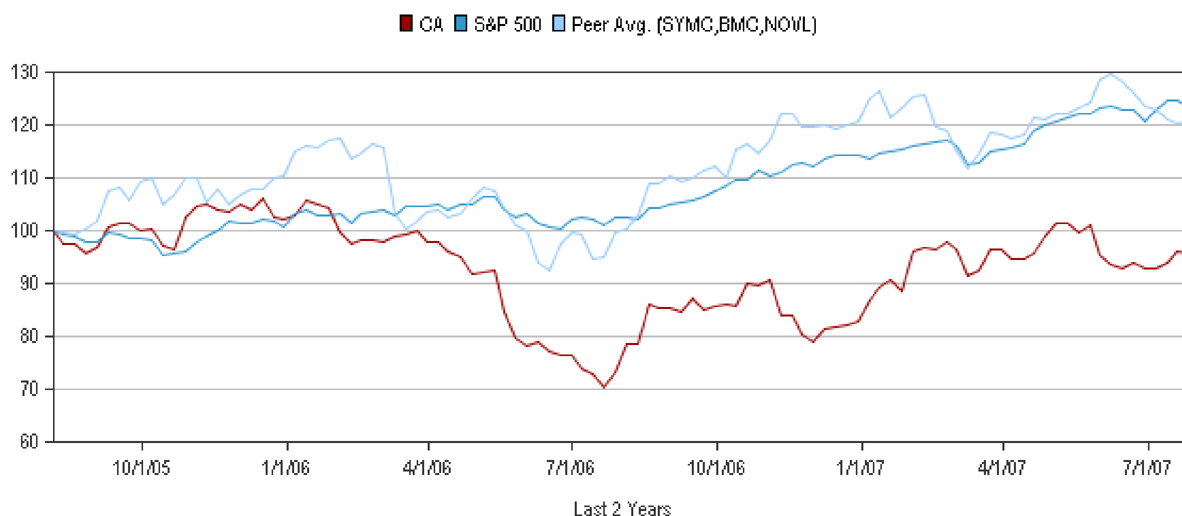
CA, Inc. is an independent provider of information technology (IT) management software. The Company develops, markets, delivers and licenses software products and services that allow organizations to run, manage and automate aspects of their computing environments or IT infrastructures. It is considered as an independent software vendor (ISV). ISVs develop and license software products that enable computer hardware platforms or operating systems sold by other vendors. The Company has a portfolio of software products and services that span the areas of infrastructure management, security management, storage management and business service optimization. Its business units are Enterprise Systems Management, Security Management, Storage Management, Business Service Optimization and the CA Products Group. In March 2006, it acquired Wily Technology, Inc. (Wily). In May 2006, the Company acquired Cybermation. In June 2006, it acquired MDY Group International, Inc.

Source: FactSet

TOP 20 INSTITUTIONAL HOLDERS

	Holder	% Owned
1.	Private Capital Management, Inc. (FL)	11.67%
2.	Hotchkis & Wiley Capital Management LLC	11.66%
3.	NWQ Investment Management Co. LLC	10.49%
4.	Pzena Investment Management LLC	6.05%
5.	Legg Mason Capital Management, Inc.	5.36%
6.	State Street Global Advisors	2.69%
7.	Barclays Global Investors NA (CA)	2.65%
8.	Vanguard Group, Inc.	2.13%
9.	AIM Management Group, Inc.	1.96%
10.	BlackRock Advisors, Inc.	0.87%
11.	Citigroup Investment Research	0.84%
12.	Northern Trust Investments	0.80%
13.	Janus Capital Management LLC	0.73%
14.	Jennison Associates LLC	0.66%
15.	Braun von Wyss & Mueller AG	0.50%
16.	TIAA-CREF Asset Management LLC	0.49%
17.	Mellon Capital Management	0.46%
18.	ING Investment Management Co.	0.43%
19.	Blackrock Investment Management (UK) Ltd.	0.43%
20.	OppenheimerFunds, Inc.	0.42%

INDEXED STOCK PRICE



GLASS LEWIS & Co

Competitors / Peer Comparison[1]

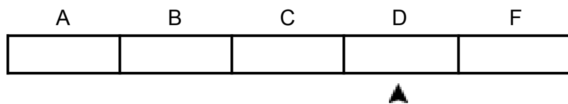
	CA, Inc.	Symantec Corporation	BMC Software, Inc.	Novell, Inc.
Ticker	CA	SYMC	BMC	NOVL
Closing Price (08/03/07)	$ 25.32	$ 18.55	$ 27.39	$ 6.67
Shares Outstanding (mm)	514.8	901.0	201.2	346.7
Market Capitalization (mm)	$ 13,035.5	$ 16,713.9	$ 5,510.9	$ 2,312.8
Enterprise Value (mm)	$ 13,972.5	$ 16,779.3	$ 4,214.9	$ 1,121.1
Revenue (LTM) (mm)	$ 4,019.0	$ 5,199.4	$ 1,580.4	$ 950.0
Growth Rate				
Revenue Growth Rate (5 Yrs)	6.7%	38.7%	4.1%	-2.2%
EPS Growth Rate (5 Yrs)	-	-	-	-
Profitability (LTM)				
Return on Equity (ROE)	5.4%	3.3%	20.1%	-0.7%
Return on Assets (ROA)	2.1%	-	6.7%	-0.5%
Dividend Rate	0.6%	0.0%	0.0%	0.0%
Stock Performance				
1 Year Stock Performance	15.8%	7.8%	16.1%	6.4%
3 Year Stock Performance	4.1%	-18.3%	84.9%	-3.6%
5 Year Stock Performance	181.3%	138.3%	112.7%	242.1%
Annualized 1 Year Total Return (past 3 yrs)	1.9%	-6.1%	28.3%	-1.2%
Valuation Multiples (LTM)				
P/E Ratio	63.5x	-	25.8x	-
TEV/Revenue	3.5x	3.2x	2.7x	1.2x
TEV/EBIT	26.9x	23.0x	14.0x	31.7x
Margins Analysis (LTM)				
Gross Profit Margin	80.7%	72.7%	73.9%	68.7%
Operating Income Margin	14.6%	11.4%	13.1%	-3.6%
Net Income Margin	5.3%	7.8%	13.7%	-1.3%
Liquidity/Risk				
Current Ratio	0.7x	1.0x	1.5x	3.0x
Debt-Equity Ratio	0.80x	0.19x	0.00x	0.53x
Auditor Data[2]				
Year	2007	2006	2007	2006
Auditor	KPMG	KPMG	Ernst & Young	PricewaterhouseCoopers
Auditor Fees	$ 22,136,000	$ 10,982,964	$ 10,146,000	$ 4,710,000
Audit Related Fees	$ 395,000	-	-	$ 2,000
Tax + All Other Fees	$ 0	-	-	-
Executive Compensation[3]				
Year of Data	2007	2006	2007	2005
Chief Executive Officer	$5,992,106	$10,804,182	$5,005,214	$8,768,121
Other Named Executives	$12,512,581	$21,952,158	$11,270,257	$10,552,476
Takeover Defense				
Classified Board	No	No	No	No
Prohibits Sh'holder Called Meetings	Yes	Yes	Yes	No
Supermajority Vote for Mergers	No	No	No	No
Poison Pill In Force	Yes	Yes	No	No

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 and its peers in their most recent proxy filings.
3. As calculated by Glass Lewis based on information disclosed by the Company and its peers in their proxy filings.

Pay-For-Performance

CA's executive compensation received a **D** grade in our proprietary pay-for-performance model, which uses 36 measurement points. The Company paid: about the same compensation to its top officers (as disclosed by the Company) as the median compensation for 54 similarly sized companies with an average enterprise value of $16 billion; about the same as a sector group of 26 large information technology companies with enterprise values ranging from $8.1 billion to $16.7 billion; and more than a sub-industry group of 14 systems software companies. The CEO was paid above the median CEO in these peer groups. Overall, the Company paid about the same as its peers, but performed worse than its peers.

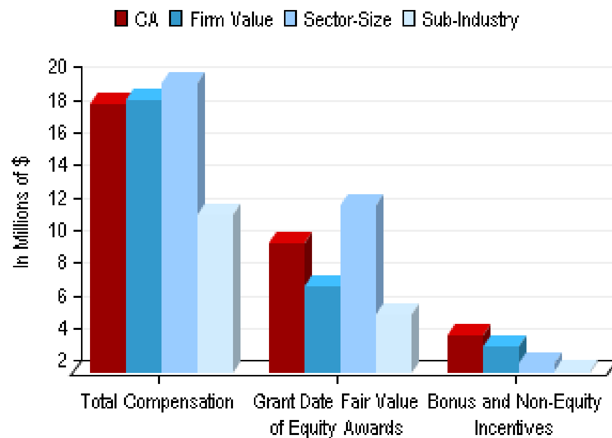
FY 2007 Compensation Committee Grade



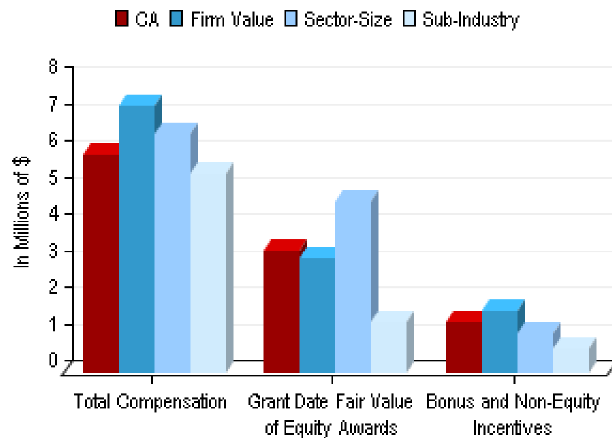
Historical Compensation Score

Fiscal Year	2005	2006	2007
Grade	D	C	D

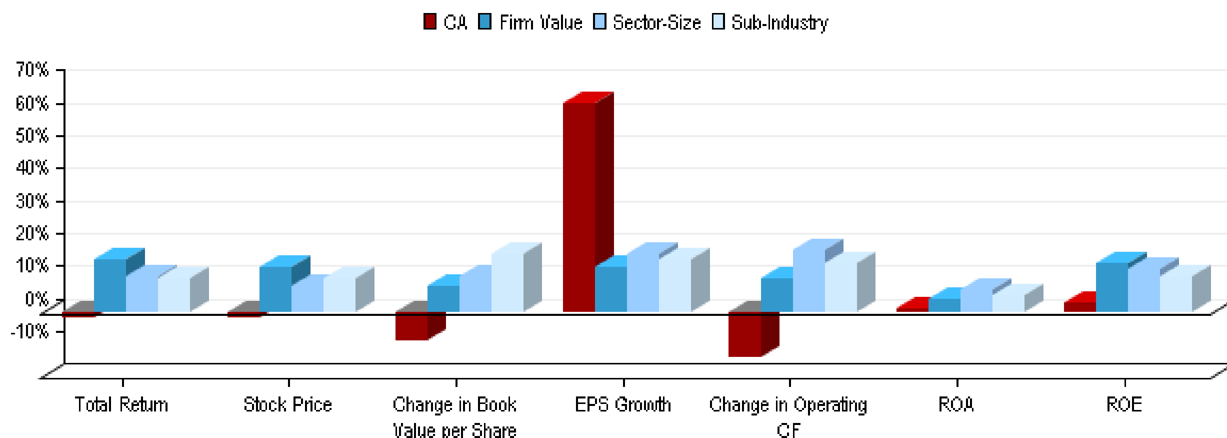
Company Compared with Median



CEO Compared with Median



Shareholder Wealth and Business Performance



Note: Compensation analysis for period ending 03/2007. Performance measures based on weighted average of annualized 1, 2, and 3 year data.

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Voting Results from Last Annual Meeting (September 18,2006)

ELECTION OF DIRECTORS

No.	Proposal	Votes Withheld
1	Elect Alfonse M. D'Amato	25.92%
2	Elect Gary J. Fernandes	6.96%
3	Elect Robert E. La Blanc	6.50%
4	Elect Christopher B. Lofgren	6.93%
5	Elect Jay W. Lorsch	7.08%
6	Elect William E. McCracken	6.94%
7	Elect Lewis S. Ranieri	8.57%
8	Elect Walter P. Schuetze	8.16%
9	Elect John A. Swainson	1.98%
10	Elect Laura S. Unger	6.95%
11	Elect Renato Zambonini	6.94%

OTHER ITEMS

No.	Proposal	Votes			
		For	Against	Abstain	Broker Non-Votes
2	Ratification of Auditor	480,469,637	41,402,771	655,054	N/A
3	Shareholder Proposal Regarding Poison Pills	232,769,875	247,025,791	2,554,501	40,177,295

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Proposal 1.00: Election of Directors

SPLIT

BOARD OF DIRECTORS

Name	Up	Age	GLC Classification	Committees				Term Start	Term End	Attended at least 75% of Meetings
				Audit	Comp	Gov	Nom			
Raymond J. Bromark	✔	61	Independent	✔				2007	2007	Yes
Alfonse M. D'Amato	✔	69	Independent	✔		✔	✔	1999	2007	Yes
Gary J. Fernandes	✔	63	Independent		✔			2003	2007	Yes
Robert E. La Blanc	✔	73	Independent	✔		✔	✔	2002	2007	Yes
Christopher B. Lofgren	✔	48	Independent					2005	2007	Yes
Jay W. Lorsch	✔	74	Independent		✔	C	C	2002	2007	Yes
William E. McCracken	✔	64	Independent [1]		✔			2005	2007	Yes
Lewis S. Ranieri	✔	60	Independent [2]		C			2001	2007	Yes
Walter P. Schuetze	✔	74	Independent [3]	C				2002	2007	Yes
John A. Swainson	✔	53	Insider [4]					2004	2007	Yes
Laura S. Unger	✔	46	Independent	✔		✔	✔	2004	2007	Yes
Ron Zambonini	✔	60	Independent					2005	2007	Yes

C = Chair

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

The board has nominated 12 candidates to serve a one-year term each. If elected, their terms would expire at the Company's 2008 annual meeting of shareholders.

Over the last year, the Company continued to make progress in correcting its accounting and financial reporting irregularities that arose in 2000 and 2001. Most notably, the Company successfully remedied its material weaknesses, which had led to revenue recognition irregularities and numerous restatements over the last several years. Consequently, on May 30, 2007, the Company disclosed in a Form 10-K that its disclosure controls and procedures were effective as of March 31, 2007.

In our 2006 Proxy Paper, we stated that the Company faced significant challenges in maintaining and growing its revenue basis, as well as increasing its net income to improve its bottom line performance. Over the last fiscal year, the Company's total revenue has increased by 5%. Though this revenue growth is not phenomenal, this increase is reassuring to investors after a sharp decline of approximately 27.8% from late June 2001 to August 2006, during which time Lewis Ranieri served as a member of the board. In addition, the Company's net income from continuing operations has grown by 24% over the last fiscal year.

These positive indicators of improved financial performance, taken in conjunction with the Company’s effective internal controls and the satisfaction of its deferred prosecution agreement with federal regulators, signal that the Company is getting on the right track and charting a new course. However, we nevertheless believe that shareholders should be aware of the financial exposure posed by ongoing civil litigation and the conclusions of the special committee of the board that reviewed

certain claims.

We also believe the Company should be commended for its corporate governance reforms, such as the establishment of a majority vote standard for director elections and decision to seek shareholder ratification of the Company's poison pill that contains several shareholder-friendly provisions (see Proposal 2). However, in our view, these reforms do not go far enough to provide shareholders with meaningful input into these matters.

Replacement of the Chairman of the Board

In last year's Proxy Paper, we were concerned that Mr. 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. However, on June 13, 2007, the Company disclosed in a press release accompanying a Form 8-K that director McCracken succeeded Mr. Ranieri as chairman of the board in June 2007. Mr. Ranieri expressed his approval of the Company's decision, "...[with] the Company moving in the right direction, it is both fitting and appropriate that I step down as chairman. Bill McCracken is an outstanding choice to help lead this Company..." ("William E. McCracken Succeeds Lewis S. Ranieri as CA Chairman." *Company Press Release*. June 13, 2007). We believe the Company should be commended for replacing Mr. Ranieri with Mr. McCracken as chairman, given our view that Mr. Ranieri's board service and leadership of the board contributed to the Company's poor financial performance. In light of the Company's improved financial performance over the last year as well as the fact that Mr. Ranieri has stepped down from his service as chairman, we refrain from withholding votes from him on this basis at this time.

Expiration of the Deferred Prosecution Agreement that Resolved Government Investigations

As noted in our 2006 Proxy Paper, on September 22, 2004, the Company entered a deferred prosecution agreement ("DPA") with the U.S. Attorney's Office of the Eastern District of New York ("USAO") and a final consent judgment with the SEC. These agreements effectively resolved the agency investigations into the Company's past accounting practices associated with the timing of its revenue recognition with respect to certain software license agreements and the actions of former employees to impede the USAO and SEC investigations as long as the Company complied with the terms of the DPA.

On May 21, 2007, the Company announced in a Form 8-K that it had satisfied the terms of the DPA and that the DPA had expired. In the accompanying press release, the Company stated that the USAO reported that the Company had "complied with" the DPA, citing a May 2007 report of Lee Richards III, who was appointed as independent examiner under the DPA. As a result, the federal court judge ordered dismissal all pending charges against the Company in connection with the DPA. However, in the Company's most recent annual report, the Company disclosed that the injunctive provisions of the consent judgment remain in effect. Specifically, the consent judgment contains provisions permanently enjoining the Company from violating certain provisions of federal securities laws.

Criminal Proceedings Against Former Executives

Under the DPA, the Company was 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.

The federal criminal trials of David Kaplan (former head of financial reporting), David Rivard

(former head of sales accounting), Lloyd Silverstein (former head of the global sales organization) and Ira Zar (former CFO), the former executives of the Company who oversaw the relevant financial operations during the periods in which the Company improperly recognized its revenue, have now concluded. In January 2004, Mr. Silverstein pled guilty to federal criminal charges of conspiracy to obstruct justice in connection with the ongoing investigation. In April 2004, Messrs. Kaplan, Rivard and Zar pled guilty to charges of conspiracy to obstruct justice and conspiracy to commit securities fraud in connection with the investigation. Mr. Zar also pled guilty to committing securities fraud. In January 2007, Mr. Zar was sentenced to a term of imprisonment for seven months and home confinement for seven months. A few days later, Messrs. Kaplan, Rivard, and Silverstein were all sentenced to home confinement for periods ranging from four months to six months. The federal court has deferred its decisions on restitution owed by Messrs. Kaplan, Rivard and Zar until a date to be determined.

SEC actions against each of the four former executives, arising from the same criminal conduct, allege that they participated in a widespread practice that resulted in the improper recognition of revenue by the Company. Messrs. Kaplan, Rivard, Silverstein and Zar each consented to a permanent injunction against violating, or aiding and abetting violations of, the securities laws, and also to a permanent bar from serving as an officer or director of a publicly held company. Litigation related to the SEC's claims for disgorgement and civil penalties against these individuals is on-going.

As noted in last year's Proxy Paper, in September 2004, Steven Woghin, the Company's former general counsel, pled guilty to conspiracy to commit securities fraud and obstruction of justice in federal court. On May 30, 2007, the Company disclosed in a Form 10-K that, in January 2007, Mr. Woghin was sentenced to a term of imprisonment for two years and a supervised release for a period of three years. In February 2007, the federal court reduced Mr. Woghin's term of imprisonment to one year and one day, with the balance of the initial two-year term to be served in home confinement. The federal court has deferred any decisions on whether Mr. Woghin shall be required to pay restitution until a future date.

Additionally, in April 2006, Sanjay Kumar, the Company's former chairman and CEO, and Stephen Richards, the Company's former executive vice president of worldwide sales, pled guilty to all counts of a nine count indictment, which included charges of securities fraud and obstruction of justice. In November 2006, Mr. Kumar was sentenced to 12-year prison term. In April 2007, the federal court ordered that Mr. Kumar pay restitution in the amount of $798.6 million, of which $50 million is due to be paid within 90 days of the date of the order or by July 31, 2007, whichever is later. Similarly, in November 2006, Mr. Richards was sentenced to a term of imprisonment for seven years and three years of supervised release. In June 2007, Mr. Richards agreed to pay $29.7 million in restitution, obligating him to pay such restitution in monthly payments equal to 15% of his gross income beginning 60 days following his release from prison (Chad Bray. "CA Ex-Executive to Pay Restitution." *The Wall Street Journal*. June 6, 2007).

The SEC brought civil actions against these individuals in federal court for violations of federal securities laws. Messrs. Kumar, Richards, and Woghin consented to partial judgments imposing permanent injunctions enjoining them from committing violations of the federal securities laws in the future and permanently barring them from serving as officers or directors of public companies. The SEC's claims against Messrs. Woghin, Kumar and Richards for disgorgement and civil penalties are pending.

Civil Litigation

As discussed in last year's Proxy Paper, 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 represented in the lawsuits, and to pay the 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 to reopen the settlement to permit the moving party to pursue individual claims against certain present and former officers of the Company (the "60(b) motions").

Additionally, in January 2005, a consolidated derivative action was brought in a federal district court in New York against the Company, as a nominal defendant, and certain of its former and current directors and officers, as well as KPMG, its current auditor, and Ernst & Young, its former auditor ("E&Y"). The consolidated complaint seeks contribution toward the consideration the Company had previously agreed to settle in the aforementioned class action. The consolidated complaint also seeks compensatory and consequential damages in an amount not less than $500 million on behalf of the Company. In addition, the consolidated complaint seeks unspecified damages against KPMG and E&Y for breach of fiduciary duty and the duty of reasonable care, as well as contribution and indemnity under Section 14(a) of the Securities Exchange Act of 1934 (the "Exchange Act"). The consolidated derivative action has been stayed pending a ruling on the 60(b) motions.

On May 30, 2007, the Company disclosed that, in August and September 2006, certain shareholders brought a derivative actions in federal district court against certain current or former directors of the Company. The federal court consolidated these lawsuits in October 2006. The consolidated complaint alleges claims against the individual defendants for breach of fiduciary duty and for violations of Section 14(a) of the Exchange Act for alleged false and material misstatements made in the Company's proxy statements issued from 1998 through 2005. The premises for these claims concern the disclosures made by the Company in its Form 10-K for fiscal year 2006 concerning the Company's restatement of prior fiscal periods to reflect additional (i) non-cash, stock-based compensation expense relating to employee stock option grants prior to the Company's fiscal year 2002, (ii) subscription revenue relating to the early renewal of certain license agreements, and (iii) sales commission expense that should have been recorded in the third quarter of the Company's fiscal year 2006. According to the complaint, certain of the individual defendants' actions allegedly were "in violation of the spirit, if not the letter of the DPA." In March 2007, the Company and the individual director-defendants separately moved to dismiss the complaint.

In its most recent annual report, the Company also disclosed that, in September 2006, another shareholder filed a derivative action in Delaware Chancery Court against certain former and current directors and officers of the Company. The complaint alleges claims against these defendants for breach of fiduciary duty, corporate waste and contribution and indemnification, in connection with the accounting fraud and obstruction of justice that led to the criminal prosecution of certain former officials of the Company and to the DPA. In December 2006, the special litigation committee (discussed below) filed a motion to dismiss or, in the alternative, to stay the action in favor of the consolidated derivative action originally filed in the federal court in June 2004.

In our view, although legal disputes are common to many companies, shareholders should be concerned with any type of lawsuit or regulatory investigation involving the Company, as such matters could potentially expand in scope and prove to dampen shareholder value. As such, in the event that members of management or the board are implicated in any such legal proceedings, we

may consider recommending that shareholders withhold votes from certain directors on that basis. However, due to the ongoing nature of the litigation, we do not feel that any such action is necessary at this time. We will continue to monitor the proceedings going forward.

The Special Litigation Committee Report

On April 13, 2007, the Company disclosed in a Form 8-K that, in February 2005, the board formed a special litigation committee consisting of two non-management members of the board (directors Zambonini and McCracken, with the later serving as its chairman), to control and determine the Company's response to the aforementioned consolidated derivative action and the 60(b) motions. The Company disclosed that the special litigation committee (the "committee") issued a 390 page report, which concluded the following:

- It would be in the best interest of the Company to pursue certain of the claims against Charles Wang, the Company's former chairman and CEO, including filing a motion to set aside releases granted to Mr. Wang in 2000 and 2003. On the other hand, the committee determined that certain other claims against Mr. Wang should be dismissed as they are duplicative of the ones to be pursued and are for various reasons infirm. The committee will seek dismissal of these claims;
- It would be in the best interests of the Company to pursue certain of the claims against former CFO Peter Schwartz. Certain other claims against Mr. Schwartz should be dismissed as they are duplicative of the ones to be pursued and are for various legal reasons infirm. The committee will seek dismissal of these claims;
- It be in the best interests of the Company to pursue certain of the claims against the former Company executives who have pled guilty to various charges of securities fraud and/or obstruction of justice — including Messrs. Kaplan, Richards, Rivard, Silverstein, Woghin, and Zar. The committee has determined and directed that these claims be pursued by the Company using counsel retained by the Company, unless the committee is able to successfully conclude its ongoing settlement negotiations with these individuals shortly after the conclusion of their criminal restitution proceedings;
- The claims against current and former directors Kenneth Cron, Alfonse D’Amato, Willem de Vogel, Gary Fernandes, Richard Grasso, Shirley Strum Kenny, Robert La Blanc, Jay Lorsch, Roel Pieper, Lewis Ranieri, Walter Schuetze, and Alex Vieux should be dismissed. The committee has concluded that these directors did not breach their fiduciary duties and the claims against them lack merit;
- While the Company has potentially valid claims against former officer Michael McElroy (former senior vice president of the Company's legal department), it would be in the best interests of the Company to seek dismissal of the claims against him;
- It would be in the best interests of the Company to seek dismissal of the claims against E&Y. The committee has recommended this dismissal in light of the relevant legal standards, in particular, the applicable statutes of limitation. However, the committee has recommended that the Company promptly sever all economic arrangements with E&Y; and
- It would be in the best interests of the Company to seek dismissal of the claims against KPMG. The committee has determined that KPMG’s audits were professionally conducted. The committee has recommended this dismissal in the exercise of its business judgment in light of legal and factual hurdles as well as the value of the Company’s business relationship with KPMG. (See http://online.wsj.com/public/resources/documents/20070413_CA.pdf)

In the same filing, the Company also announced that the committee had reached a settlement with certain of its former and current directors and officers. Specifically, the committee reached the

following settlements subject to court approval:

- A binding term sheet settlement with Mr. Kumar pursuant to which the Company will receive a $15.25 million judgment against Mr. Kumar secured in part by real property and executable against his future earnings. This amount is in addition to the $52 million that Mr. Kumar will repay to the Company's shareholders as part of his criminal restitution proceedings. Based on his sworn financial disclosures, the committee believes that, following his agreement with the government, Mr. Kumar had no material assets remaining;
- A settlement agreement with Russell Artzt (currently executive vice president of products and a former board member of the Company). The committee noted that during its investigation, it did not uncover evidence that Mr. Artzt directed or participated in the "35 Day-Month" practice or that he was involved in the preparation or dissemination of the financial statements that led to the accelerated vesting of equity granted under the Company's key employee stock ownership plan ("KESOP") as alleged in the derivative actions. Pursuant to this settlement, the Company will receive $9 million (the cash equivalent of approximately 354,890 KESOP shares); and
- A settlement agreement with Charles McWade (the Company's former head of financial reporting and business development). Pursuant to this settlement, the Company will receive $1 million

As a result of these settlements, the committee will seek dismissal of all claims against Messrs. Kumar, Artzt, and McWade.

Sam Wyly's Response to the Special Litigation Committee Report

In response to the committee's report, dissident shareholder Sam Wyly labeled the special litigation committee's determination that certain claims against current and former executives and directors should be dismissed as "a whitewash." Mr. Wyly has a history of engaging with the Company, having initiated proxy contests in 2001 and 2002 through his Ranger Governance group. Mr. Wyly filed his response in connection with Ranger Governance's attempt to retain control over the one of the derivative lawsuits. Mr. Wyly claims that the special litigation committee focused on a particular wrongdoing against the Company by these individuals "despite evidence of their improper practices" and that it failed to pursue viable claims against certain former executives and current and former board members" for their "acts and/or omissions." Mr. Wyly's filing further accuses the Company's board of "shamefully" allowing legal claims against E&Y to lapse because of the statute of limitations. (Mark Harrington. "Dissident investor blasts CA report." *Newsday.com*. July 26, 2007).

Mr. Wyly also claims the independence of the board's litigation committee was "compromised not only from the start, but throughout the entire process," noting that former special litigation committee member Laura Unger formerly worked for director Alfonse D'Amato's U.S. Senate banking committee. She later stepped down from the litigation committee (Mark Harrington. "Dissident investor blasts CA report." *Newsday.com*. July 26, 2007).

Mr. Wyly's brief also questions the independence of Sullivan & Cromwell, the law firm representing the board's audit committee in connection with its investigation of the Company's accounting practices, noting that Robert Giuffra, the law firm's counsel for the Company, once worked on D'Amato's U.S. Senate staff and is a "long-time friend" of D'Amato, who recommended Giuffra. According to the filing, Unger also worked with Giuffra. It accuses the law firm of failing to promptly report evidence against the Company's executives and of helping draft a press release that

it claims "misrepresented the extent of the fraud at the company." Sullivan & Cromwell subsequently became the Company's defense and outside counsel (Mark Harrington. "Dissident investor blasts CA report."*Newsday.com*. July 26, 2007).

We believe that the accusations of Mr. Wyly raise serious questions about the independence of the special litigation committee and Sullivan & Cromwell representation of the Company. One can only wonder how the law firm's conflicts checks did not conclude that such relationships prevented it from representing the Company and its audit committee in these matters. We are unaware of how long Ms. Unger served on the special litigation committee; however, we believe that her appointment to the committee was grossly inappropriate given her prior dealings with D'Amato, who was a board member subject to the committee's scrutiny and a defendant in the pending litigation.

While we refrain from recommending to withhold votes from Ms. Unger or special litigation committee members, Messrs. McCracken and Zambonini, we will closely monitor this issue going forward for any factual evidence demonstrating that they failed to serve shareholders' best interests. Furthermore, in light of the allegations raised by Mr. Wyly regarding the special litigation committee's report, we are concerned that Mr. McCracken now serves as chairman of the board. In our view, the chairman of the board should be independent from the the influence of those current directors that are defendants in the litigation that raises questions about their oversight during the Company's accounting improprieties.

Majority Vote Standard

On February 28, 2007, the Company disclosed in a Form 8-K that, in February 2007, the board amended the Company's bylaws to implement a majority vote standard for uncontested elections of directors. Under the amended bylaws, in an uncontested election, each director shall be elected only if the number of shares voted in favor of such candidate exceeds the number of shares voted against at any meeting for the election of directors at which a quorum is present. These provisions of the Company's amended bylaws can only be amended or repealed by the affirmative vote of the holders of not less than a majority of the outstanding shares entitled to vote on such action.

In conjunction with the bylaws amendment, the Company adopted amendments to its corporate governance principles to provide that an incumbent director shall not be eligible for nomination by the board unless the director has tendered his or her irrevocable resignation to the Company’s corporate governance committee before the mailing of the proxy statement for the annual meeting at which he or she is to stand for election. The irrevocable resignation shall be conditioned upon, and not effective until there has been, (i) a failure by such nominee to receive the requisite vote to be elected as a director and (ii) acceptance of such resignation by the board. The amended corporate governance principles provide that, in the event that a director does not receive the requisite majority vote required for election, the corporate governance committee (or such other committee of independent directors as the board may appoint) will make a recommendation to the board regarding the action to be taken with respect to such tendered resignation. Generally, the board must act within 90 days following certification of the vote (and promptly thereafter disclose its decision).

While we recognize that such a bylaw provision, in conjunction with the corporate governance principles, is a step in the right direction and an improvement from the plurality method commonly used to elect directors, we are concerned that this policy does not take the majority vote standard far enough. We view it as an example of the board enacting corporate governance reforms that appear to address the concerns put forth by shareholders, but when examined more closely, lack the substance that shareholders deserve. The most troubling aspect of the Company’s majority voting standard is the fact that any nominee who receives "against" votes from a majority of votes cast for his/her

election will be required to submit a letter of resignation to the board, and, therefore, the board retains the ultimate authority to allow the director to continue to serve on the board.

In this case, we note that the bylaw amendment does not modify the director holdover rule under Delaware law, where the Company is incorporated. Under Delaware law, if an incumbent director is not elected, that director continues to serve as a "holdover director" until the director's successor is duly elected and qualified. However, recent additions to the Delaware General Corporate Law ("DGCL") offer a solution to this potential problem, providing that directors can be required to submit irrevocable resignations upon initial nomination. In the event the nominee does not receive a majority of the votes cast, the resignation already submitted to the Company will come into effect. In this case, the an director's irrevocable resignation is effective upon the board's acceptance of such resignation. As such, under the circumstances that the board decided not to accept the resignation, the resignation does not prevent the directors' continual service pursuant to the holdover rule.

An irrevocable director resignation provision that is conditioned solely upon failing to receive the requisite vote can be accompanied by a truncated holdover period added to a company's bylaws, by which the director will serve for no more than a specified period of time, such as 90 days. DGCL further stipulates that such a majority vote provision can be adopted unilaterally by shareholders, and once approved, cannot be repealed by the board. In our view, this type of provision, in combination with a truncated holdover period, will serve to alleviate any issues that may arise if an incumbent director is not elected, and will increase board accountability, which is needed at the Company.

In our view, in the extremely rare event that a majority of votes are withheld from a director up for election, we believe that such an outcry by shareholders should be viewed as irrefutable evidence that shareholders no longer believe the director is suited to serve on the board. Accordingly, we believe that any director, as an elected representative of shareholders, who receives “against" votes from a majority of the votes cast for his/her election should be required to resign from the board without any further evaluation by the board or the corporate governance committee. As such, we believe that the director's resignation should be conditioned solely upon failing to receive a majority of the votes cast and should not be conditioned upon acceptance by the board.

We also believe a policy as important as a majority vote policy should be ratified by shareholders and added to the Company’s certificate of incorporation or its bylaws in conjunction with a provision that says that it cannot be amended by the board without shareholder approval. As such, in this respect, we believe the Company should be commended for its commitment to good corporate governance practices regarding director elections by amended the bylaws to provide that the majority vote standard contained therein only be amended or repealed upon shareholder approval.

Amendment to the Company's Poison Pill

On October 16, 2006, the Company disclosed in a Form 8-K that the board adopted a stockholder protection rights agreement (the "rights plan") between the Company and Mellon Investor Services LLC without prior shareholder approval. The new rights plan extends the expiration date of the existing rights plan from November 30, 2006 to November 30, 2009 and modifies certain other provisions.

Pursuant to the plan, each share of common stock outstanding as of October 26, 2006 receives a dividend of one preferred share purchase right (a "Right") with certain anti-takeover effects. Specifically, a Right entitles each shareholder to purchase from the Company 1/1000th of a share of participating class A preferred stock, which when taken together will cause substantial dilution to a

person or group that attempts to acquire the Company without conditioning the offer on the Rights being redeemed or a substantial number of Rights being acquired.

We believe that shareholder rights plans ("poison pill plans") are not in the best interest of shareholders. Specifically, they can reduce management accountability by substantially limiting opportunities for corporate takeovers. Rights plans can thus prevent shareholders from receiving a buy-out premium for their stock. Typically, we recommend that shareholders vote against these plans to protect their financial interests and ensure that they have the opportunity to consider any offer for their shares, especially those at a premium.

We believe that boards should be given wide latitude in directing the activities of the company and charting the company's course. However, on an issue such as this, where the link between the financial interests of shareholders and their right to consider and accept buyout offers is so substantial, we believe that shareholders should be allowed to vote on whether or not they support such a plan's implementation. This issue is different from other matters that are typically left to the board's discretion. Its potential impact on and relation to shareholders is direct and substantial. It is also an issue in which the interests of management may be very different from those of shareholders, and therefore ensuring shareholders have a voice is the only way to safeguard their interests.

We believe that the directors who served on the board at this time bear the responsibility for implementing the shareholder rights plan without first allowing shareholders to vote on its adoption. Under such circumstances, we normally recommend that shareholder vote against all directors who served the board during the time of the plans adoption. However, in this case, we note that the board is seeking shareholder*ratification* of the adoption of the rights plan (see Proposal 2). While we believe that shareholder ratification of the rights plan is not in their best interests, we recognize that the new rights plan contains several "shareholder-friendly" provisions, including a one year annual review by independent directors and a qualifying offer provision. As such, we refrain from recommending that shareholders withhold votes from any director on this basis at this time. We note, however, that the rights plan will continue in effect in the event that shareholder do not ratify it, unless the board takes action in response to the shareholder vote.

Lack of Transparency in the Company's Disclosure of Related-Party Transactions

In its 2007 proxy statement, the Company discloses that Mr. Loggren serves as executive of a company (he is president and CEO of Schneider National, Inc.), which received an unspecified dollar amount of purchases from CA, Inc. in fiscal year 2007. The Company further disclosed that the amount of such purchase was less than the greater of $1 million or 2% of the consolidated gross revenue of the company for which Mr. Loggren serves as an executive. The Company further disclosed that Messrs. Fernandes, La Blanc and Ranieri and Ms. Unger serve as a director, trustee or in a similar capacity (but not as an executive officer or employee) of a charitable organization that received contributions from the Company in the fiscal year 2007 that constituted less than the greater of $1 million or 2% of the organization’s total consolidated gross revenues during the organization’s last completed fiscal year.

We find this style of disclosure to be wholly inadequate. In our view, the Company should fully disclose the amount and nature of transactions that might reasonably impair a director's ability to act in shareholders' best interests. We believe that the cost of providing this disclosure is reasonable, particularly in light of the significant impact it may have on the board's overall independence.

In this case, we note that each of these directors, who are considered independent by the Company, also maintains one or more relationships that call into question their independence. Under

circumstances of such poor disclosure, we would ordinarily recommend that shareholders withhold votes from those nominees that may have ongoing conflicts of interest. Though we are concerned that the Company's pattern of disclosure fails to adequately inform shareholders, we do not believe it is reasonable to suggest each of the foregoing directors in not independent on this basis. As such, we refrain from recommending that shareholders withhold votes on this basis at this time.

Given that the Company was previously subject to the DPA, which required that more than two-thirds of the Company's board members to be independent, we are particularly troubled by its lack of adequate disclosure regarding these related-party transactions. We believe the board should provide more comprehensive disclosure with regard to transactions between the Company and members of the board.

Robert Cirabisi's Continued Employment at the Company

As discussed in our 2006 Proxy Paper, we are concerned that Robert Cirabisi continues to serves as an executive officer of the Company. Mr. Cirabisi is senior vice president and corporate controller at the Company. According to the Company's most recent annual report, he is responsible for accounting, internal controls, sales accounting and equity administration. Mr. Cirabisi served as the Company's U.S. Controller in 2000, during the period in which serious accounting and financial reporting problems took place. 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 voting against the following nominees up for election this year based on the following issues:

Nominee **D'AMATO** has served as a member of the audit committee for more than 7 years. As discussed in our 2006 Proxy Paper, 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 that the audit committee is charged with the responsibility of properly overseeing the Company's financial reporting. We further note that Mr. D'Amato served on the Company's audit committee during a portion of the period when stock option backdating occurred at the Company. Specifically, on May 15, 2007, the Company disclosed in a Form 8-K that, as a result of its internal review, the Company determined that in years prior to fiscal year 2002, it did not communicate stock option grants to individual employees in a timely manner. In fiscal years 1996 through 2001, the Company experienced delays of up to approximately two years from the date that the employee stock options were approved by the committee of the board charged with such duties, and the date such stock options grants were communicated by management to individual employees. As discussed in last year's Proxy Paper, as a result of the accounting errors associated with the backdating of options, the Company had to restate its previous financial statements to record an additional non-cash compensation expense of $343 million.

In last year's Proxy Paper, we also expressed our concern that Mr. D'Amato had continuously been a member of the audit committee since the Company's improper accounting that led to numerous restatements as well as lingering problems with its internal controls. While the Company now has effective internal controls and has not reported any further restatements over the last fiscal year, we continue to believe that it would be best for Mr. D'Amato, as a member of the Company's audit committee during periods of serious accounting irregularities, be removed from the board due to his lack of oversight. Furthermore, we note that Mr. D'Amato received over a 25% withhold vote at last

year's annual meeting. We believe that the significant withhold votes from Mr. D'Amato bolsters our view that shareholders are concerned about his continued presence on the board and its audit committee given his track record of poor oversight over the reliability of the Company's financial reporting.

While we continue to be concerned that directors La Blanc and Schuetze continue to serve on the Company's board and its audit committee, we recognize that these directors did not receive substantial withhold votes at last year's annual meeting. Moreover, the effectiveness of the Company's internal controls and lack of recent restatements suggest that shareholders have reason to be confident in such directors' service on the audit committee. As such, we refrain from recommending to vote against these nominees on this basis at this time.

Nominee **LORSCH** serves as chairman of the corporate governance committee. As explained above, at last year's annual meeting, director D'Amato received over a 25% withhold vote. We believe this raises concerns about whether the corporate governance committee is fulfilling its duty to shareholders considering that both Mr. D'Amato remains on the board. We believe directors sit on a board to represent the interests of shareholders. In our view, the corporate governance committee should heed the voice of shareholders and act to remove directors not supported by shareholders or correct the issues that raised shareholder concern. We do not believe that has been done here.

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

Accordingly, we recommend that shareholders vote:

AGAINST: D'Amato; Lorsch

FOR: All other nominees

Proposal 2.00: Ratification of Shareholder Protection Rights Agreement

AGAINST

This proposal seeks shareholder ratification of the adoption and implementation of a shareholder rights plan, commonly referred to as a "poison pill," to provide for the issuance of certain rights to the holders of shares of common stock of the Company within certain parameters.

Background

The Company is party to a rights agreement with Mellon Investor Services LLC, dated as of October 16, 2006. This rights agreement replaced a plan that was originally set to expire on May 23, 2011, but the expiration was accelerated by five years to November 30, 2006.

The Rights Agreement includes a number of features, which the Company states is in response to recommendations by shareholders, including:

- Setting the threshold for triggering exercise of the rights agreement at 20% of the outstanding shares of common stock;
- Instating a fixed term for the rights agreement of only three years; and
- Adding a provision requiring that a committee of independent directors annually assess whether the rights agreement remains in the best interests of the Company's shareholders (similar to a "TIDE" provision).

Board's Perspective

The board offers the following three main reasons why it believes the rights agreement is in the best interests of the Company's shareholders: (i) the rights agreement is in the best interests of shareholders and strikes an appropriate balance between allowing the board of directors to use a rights plan to increase its negotiating leverage to maximize shareholder value and current best practices giving shareholders a voice in such process; (ii) in the case of offers that the board considers to be coercive, abusive or opportunistic the rights agreement should provide time for the board to evaluate such offer, to seek out and secure potentially superior financial alternatives, if available, and ultimately to negotiate the best price for shareholders if a change of control transaction is to occur; and (iii) the board has consulted with many of its large shareholders and proxy advisors and have reviewed published guidelines in order to draft an agreement that contains many progressive, "shareholder-friendly" provisions, including the qualifying offer provisions.

Glass Lewis' Analysis

We recognize that the board modified the terms of an already existing rights agreement in order to make it more "shareholder-friendly" or "chewable." By increasing the stock ownership threshold and allowing that a qualified offer will be permitted under certain circumstances, the board has effectively lessened the grip of the existing poison pill. We note that although the plan includes a qualifying offer clause, the plan requires an all-cash offer be made for the clause to be implemented. We do not feel that there should be any minimum cash component of a qualifying offer clause, particularly one with such a high threshold. In addition, the qualifying offer clause requires the offer to remain open for 120 business days, which we believe is too restrictive and may preclude a legitimate tender offer, with favorable terms, from meeting the right plan's standard as to a "qualifying offer." The poison pill also includes an annual independent director evaluation provision,

which requires them to assess whether such rights plan remains in shareholders' best interests.

Nevertheless, 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)).

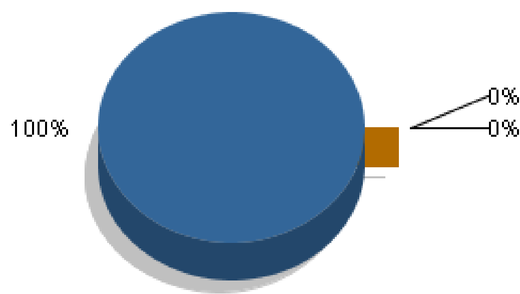
While the board should be given wide latitude in directing the activities of the Company and charting the Company's course, we believe that shareholders should have a say in a matter as important as a poison pill. This issue is different from other matters that are typically left to the board's discretion because there is a greater likelihood of a divergence of views between managers and shareholders in this context (Bebchuk, 2002). 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. A recent 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).

Finally, we note that shareholders have come to support the elimination of rights plans. By our estimates, of the 26 shareholder proposals submitted for a vote on this topic in 2005, 16 passed with an average "For" vote of 59.4%. In 2004, we estimate that 39 of 52 shareholder proposals on this topic were passed by shareholders, with an average "For" vote of 61.2%.

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

Proposal 3.00: Ratification of Auditor

FOR



The Company proposes that KPMG serve as the Company's independent auditor for 2008. KPMG has served as the Company's auditor for at least the last eight years.

During the last fiscal year, the Company paid KPMG audit fees of $22,136,000 and audit-related fees of $395,000.

We believe the fees paid for non-audit related services are reasonable as a percentage of all fees paid to the auditor. The Company appears to disclose appropriate information about these services in its filings.

However, in our 2006 Proxy Paper we expressed reservations about KPMG's role as the Company auditor considering that KPMG served as the Company's auditor during periods in which the Company's financials were subject to restatement. While we went so far as to opine that auditor rotation seemed appropriate given that history, this year we recognize that the Company has taken explicit steps to remediate its material weaknesses and there have been no additional restatements. As such, we believe shareholders should monitor KPMG's performance going forward rather than voting against auditor ratification at this time.

Accordingly, we recommend that shareholders vote **FOR** ratification of the appointment of KPMG as the Company's auditor for fiscal year 2008.

Proposal 4.00: 2007 Incentive Plan

FOR

PLAN FEATURES

Plan Title:
2007 Incentive Plan

Amendment or new plan?:
New Plan

Eligible participants:
Employees and consultants

Administrators:
Compensation committee

Award types permitted:
Stock options, restricted stock, annual performance bonuses, long-term performance bonuses and other equity-based awards

Vesting provisions:
Determined by the compensation committee; however, restricted stock generally vests over a three-year period

Other Features:

- Repricing rights/language?
- Repriced in last 3 yrs?
- ✔ Allows accelerated vesting?
- Evergreen provisions?
- ✔ Regranting provisions?
- Reload provisions?
- Single-trigger change of control?
- Full-value grant multiplier specified?
- Allows transfer of options?
- ✔ Fair Market Value minimum?
- ✔ Disclosed exec. ownership guidelines?

REQUESTED SHARES

Number of shares requested:	30,000,000
Number of shares presently available to grant:	27,105,864
Potential dilution based on number of shares requested:	5.40%
Requested increase as % of outstanding shares:	5.71%

COSTS ANALYSIS

Projected Cost

Likely annual grant (#): 4,770,950
Projected annual cost: $88,408,163

	Company	Peer Avg.	1 Std Dev
Annual Cost as % of Revenue	2.20%	6.16%	10.99%
Annual Cost as % of Operating CF	8.03%	19.87%	32.53%
Annual Cost as % of Enterprise Value	0.59%	2.02%	3.27%
Annual Cost per employee	$6,097	$27,016	$45,949

Expensed Cost

Expensed Cost: $116,000,000

	Company	Peer Avg.	1 Std Dev
Expensed Cost as % of Revenue	2.89%	1.53%	3.48%
Expensed Cost as % of Operating CF	10.54%	13.31%	30.30%
Expensed Cost as % of Enterprise Value	0.77%	0.91%	2.04%

GRANT HISTORY AND IMPACT TO SHAREHOLDER WEALTH

	Last FY	-2 FY	-3 FY
Total option grants	3,400,000	2,700,000	800,000
Options cancelled	10,500,000	2,800,000	8,500,000
Stock awards (net)	2,603,000	1,918,000	348,000
Gross annual dilution	1.28%	0.85%	0.26%
Net annual dilution	N/A	0.32%	N/A

	Company	Peer Avg.	1 Std Dev
Overhang	14.93%	22.43%	31.09%

EVALUATION SUMMARY

Program Size Analyses

P	F	N/A	
✔			Existing size of pool
	✔		Pro forma available pool
✔			Grants to execs
✔			Pace of historical grant

Program Cost Analyses

P	F	N/A	
✔			Projected cost as % of operating metrics
✔			Projected cost as % of enterprise value
✔			Projected cost per employee
✔			Expensed cost as % of operating metrics
✔			Expensed cost as % of enterprise value

Others

P	F	N/A	
✔			Repricing Authority
✔			Other Features

This proposal seeks shareholder approval of the 2007 Incentive Plan. If approved, it would authorize 30.0 million shares for issuance, which when issued would dilute current shareholders by 5.4%.

Some of our analyses involve comparisons of the Company to its peers. Unless noted, the peer group selected for this analysis includes 47 companies in the software & services industry with market capitalizations between $2 billion and $261 billion.

Analysis of the Proposed Plan:

We recommend that shareholders vote **FOR** this plan. In our review, we found that this plan failed a few of our tests, but the severity of the failures was minimal in comparison to the other plans we review.

We estimate that the Company will issue equity-based awards with an annual cost of approximately $88.4 million.

Discussion of Analysis Results:

Analysis: *Size of the Likely Annual Grants*
Result: *Exceeded Reasonable Limit*
Given the employee base, past granting and cancelling of equity awards patterns and industry trends, we calculate that the Company will grant approximately 2,505,000 shares of options and 2,265,000 shares of restricted stock per year over the next several years. If the proposed plan were adopted, the Company would have 30,000,000 awards available to grant. At the current grant rate, the Company will have enough awards to last more than 6 years, which we believe to be too long a time horizon. We suggest that shareholders ought to be consulted on equity-based compensation more often than this plan implies. In spite of this, as noted, we find the proposal acceptable overall.

Analysis: *Comparison to Financial Performance - Projected Cost*
Result: *Within One Standard Deviation Range*
We have undertaken an extensive analysis of the likely annual cost of this program compared with the financial metrics of the Company and a similar analysis of the equity-based compensation programs of the Company's principal peers. Our model and analysis reveal that the likely annual cost of the proposed equity compensation plan is *within one standard deviation* of the average cost of similar programs for all financial metrics that we tested.

Analysis: *Comparison to Financial Performance - Expensed Cost*
Result: *Within One Standard Deviation Range*
We have also undertaken an extensive analysis of the equity compensation cost expensed by the company compared with the financial metrics of the Company and a similar analysis of the Company's principal peers. Our model and analysis reveal that the equity compensation expense is *within o* *within one standard deviation* of the average of similar programs for all financial metrics that we tested.

Analysis: *Comparison to Enterprise Value- Projected Cost*

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Result: *Within One Standard Deviation Range*
In our analysis, we compared the likely annual cost of the equity-based compensation plan to enterprise value and found that percentage to be *within one standard deviation* of the average of the same metric for the Company's peers. The plan was, however, below the median for the group (i.e., it was less expensive than the plans at more than half the peer group companies).

Analysis: *Comparison to Enterprise Value- Expensed Cost*
Result: *Within One Standard Deviation Range*
We also compared the equity compensation cost expensed by the Company to enterprise value and found that percentage to be *within one standard deviation* of the average of the same metric for the Company's peers.

Analysis: *Projected Per Employee Cost*
Result: *Within One Standard Deviation Range*
Our analysis includes an evaluation of whether the likely future grants are excessive on a per-employee basis compared with the group of peer companies. While we recognize that different companies may choose to compensate their employees with differing relative levels of cash and equity-based compensation, we believe this is a helpful measure of whether the plan is substantially oversized, given the industry's norms. It is also true that companies each include different groups of employees in their grantee pool; we still find this metric valuable as a way of assessing whether the plan is as efficient as it could be. Accordingly, we only look to be sure that the Company is not more than one standard deviation away from the industry average in terms of equity-based compensation per employee. Here, we find that the Company is *within that one standard deviation metric.*

Other Concerns

Full-Value Award Multiplier. The proposed plan permits the administrator to grant restricted stocks or other full-value awards in place of options. However, the plan does not have a multiplier in place to increase the reduction of shares with each restricted share granted under the plan. In delivering an equity compensation package, the Company would most likely use a lesser number of restricted shares than options to achieve the same monetary value. When the Company elects to use full-value grants but chooses not to account for the difference in share usage as described above, the proposed plan lasts longer than it otherwise would and the total cost of the plan is greater. In short, we believe that when a plan permits full-value grants, the Company should have a multiplier provision in place to account for the difference in value between options and full-value equity instruments.

Based on the Company's stock price and the calculated price of the Company's stock options, we believe *2.2* is a reasonable multiplier to use.

Summary: Glass Lewis recognizes the value of employee incentive programs and the tax benefit of shareholder approved plans. In accordance with Section 162(m) of the internal revenue code, this plan would allow the Company to deduct compensation in excess of $1 million for the CEO and the next four highest paid executive officers. Based on the Company's reasonable use of equity compensation as discussed in our analysis above, we feel that this plan is in shareholders' best interests.

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

Proposal 5.00: Shareholder Proposal Regarding Approval of CEO Compensation by Supermajority of Independent Board Members

AGAINST

This shareholder proposal seeks approval of an amendment to the Company's bylaws in order to provide that the compensation paid to the Company's CEO must be approved by two-thirds of all independent directors of the board.

Specifically, the amendment would change the Company's bylaws by adding the following provisions:

> "Notwithstanding anything in these By-laws to the contrary, any decision of the Board of Directors, or any committee or sub-committee thereof, with respect to the compensation of the Corporation's Chief Executive Officer shall be valid only if approved or ratified by two-thirds of all of the independent directors of the Board. For purposes of this section "independent director" shall mean any director who is not a present or former employee or officer of the Corporation, and who meets criteria for qualifying as an "independent" director under the applicable listing requirements of the New York Stock Exchange.
>
> Nothing in this section shall prohibit the Board of Directors from delegating authority or responsibility with respect to the compensation of the Chief Executive Officer to a committee or sub-committee of the Board of Directors, provided, however, that any decision of such committee or sub-committee with respect to compensation of the Corporation's Chief Executive Officer shall require ratification by two-thirds of the independent directors as set forth in Subsection."

Proponent's Perspective

The proponent, Mr. Lucian Bebchuk, identifies three main reasons why shareholders should vote in favor of this proposal: (i) it would ensure the Company provides a CEO pay package that is widely supported by its independent directors; (ii) it could increase the likelihood that the Company's independent directors are kept informed of, and feel shared responsibility for, CEO compensation decisions; and (iii) it would not prevent a small committee or subcommittee to study, examine and determine CEO compensation, but rather would only require that decisions made by such a committee or subcommittee be subsequently ratified by additional independent directors to meet the bylaw's requirements.

Board's Perspective

The board offers five main reasons why shareholders should vote against this proposal: (i) the Company already has a robust process for evaluating its CEO and determining his compensation; (iii) the compensation and human resource committee and the corporate governance committee formally set the CEO's compensation which follows a formal CEO performance assessment review in which all independent directors are participate; consequently, the evaluation of

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the CEO reflects, to the extent appropriate, the collective views of the committees and the independent members of the board; (iii) the imposition of a two-thirds super-majority voting standard for board ratification of CEO compensation would only further interfere with the compensation and human resource committee's discretion with respect to CEO compensation and, in general, with the board's discretion to determine the proper allocation of board and committee responsibilities; (iv) the proposal could potentially erode the authority of a compensation committee without providing any benefit to shareholders; and (v) the shareholder cites not a single governance opinion (other than his own) in favor of his proposal.

Glass Lewis' Analysis

Glass Lewis generally believes that shareholders should not be involved in setting executive compensation, especially where the company has a track record of reasonable executive compensation. Such matters should be left to the board's compensation committee, which has the responsibility of reviewing all aspects of the compensation program for the Company's executive officers.

In this case, we believe that requiring the approval of two-thirds of the non-employee directors is unnecessarily restrictive and that such compensation decisions are the responsibility of the compensation and human resource committee which consists of four independent directors. We view the election of directors and specifically those who sit on the compensation and human resource committee, as the appropriate method for shareholders to express their disapproval or support of board policy on this issue. In our view, the board's delegation of the responsibility to set executive compensation to the compensation and human resource committee facilitates the efficient use of the directors' time without unnecessary interference. We are concerned that this proposal, if adopted, would establish procedures that could usurp the role of the committee. In instances where independent directors disagree with the CEO compensation level, and thus would refuse to ratify it, such directors would likely pressure the committee to revise the compensation package prior to a vote. Furthermore, in this case, the Company has set forth procedures to allow for the full board, including its independent directors, to participate in the compensation of the Company's CEO. In addition, we feel that shareholders would be better served through a shareholder advisory vote on executive compensation, which would provide shareholders with a more effective mechanism to express their concerns over the Company's executive compensation practices.

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

Disclosure

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