

CA, INC.
Form 10-Q
January 30, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended December 31, 2008**

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period ended from _____ to _____**

Commission File Number 1-9247

CA, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-2857434

(I.R.S. Employer Identification
Number)

One CA Plaza

Islandia, New York

(Address of principal executive offices)

11749

(Zip Code)

1-800-225-5224

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting
company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Title of Class
Common Stock
par value \$0.10 per share

Shares Outstanding
as of January 22, 2009
518,867,425

**CA, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

CA, Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of CA, Inc. and subsidiaries as of December 31, 2008, the related condensed consolidated statements of operations for the three-month and nine-month periods ended December 31, 2008 and 2007, and the related condensed consolidated statements of cash flows for the nine-month periods ended December 31, 2008 and 2007. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards established by the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of CA, Inc. and subsidiaries as of March 31, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated May 23, 2008, which contains an explanatory paragraph relating to the adoption, effective April 1, 2007, of the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* and an explanatory paragraph relating to the Company's change, during the fourth quarter of fiscal year 2008, of its method of accounting for accounts receivable and unearned revenue on billed and uncollected amounts due from customers from a net method of presentation to a gross method of presentation, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2008, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

New York, New York

January 30, 2009

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CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share amounts)

	December 31, 2008 (unaudited)	March 31, 2008
ASSETS		
CURRENT ASSETS		
Cash, cash equivalents and marketable securities	\$ 2,369	\$ 2,796
Trade and installment accounts receivable, net	879	970
Deferred income taxes current	453	623
Other current assets	139	79
TOTAL CURRENT ASSETS	3,840	4,468
Installment accounts receivable, due after one year, net	129	234
Property and equipment, net of accumulated depreciation of \$1,010 and \$996, respectively	452	496
Purchased software products, net	165	171
Goodwill	5,348	5,351
Deferred income taxes noncurrent	237	293
Other noncurrent assets, net	721	743
TOTAL ASSETS	\$ 10,892	\$ 11,756
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt and loans payable	\$ 826	\$ 361
Accounts payable	91	152
Accrued salaries, wages and commissions	258	400
Accrued expenses and other current liabilities	382	439
Deferred revenue (billed or collected) current	2,146	2,664
Taxes payable, other than income taxes payable current	73	97
Federal, state and foreign income taxes payable current	127	59
Deferred income taxes current	90	106
TOTAL CURRENT LIABILITIES	3,993	4,278
Long-term debt, net of current portion	1,292	2,221
Deferred income taxes noncurrent	115	200
Deferred revenue (billed or collected) noncurrent	956	1,036
Federal, state and foreign income taxes payable noncurrent	195	225
Other noncurrent liabilities	72	87
TOTAL LIABILITIES	6,623	8,047
STOCKHOLDERS EQUITY		

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Preferred stock, no par value, 10,000,000 shares authorized; No shares issued and outstanding		
Common stock, \$0.10 par value, 1,100,000,000 shares authorized; 589,695,081 and 589,695,081 shares issued; 514,182,668 and 509,782,514 shares outstanding, respectively		
	59	59
Additional paid-in capital	3,527	3,566
Retained earnings	2,733	2,173
Accumulated other comprehensive loss	(174)	(101)
Treasury stock, at cost, 75,512,413 shares and 79,912,567 shares, respectively	(1,876)	(1,988)
TOTAL STOCKHOLDERS EQUITY	4,269	3,709
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 10,892	\$ 11,756

See accompanying Notes to the Condensed Consolidated Financial Statements.

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CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in millions, except per share amounts)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2008	2007	2008	2007
REVENUE				
Subscription and maintenance revenue	\$ 919	\$ 968	\$ 2,859	\$ 2,811
Professional services	87	92	274	280
Software fees and other	36	40	103	101
TOTAL REVENUE	1,042	1,100	3,236	3,192
EXPENSES				
Costs of licensing and maintenance	70	64	225	199
Cost of professional services	76	92	239	278
Amortization of capitalized software costs	31	29	91	87
Selling and marketing	307	333	915	956
General and administrative	110	123	342	406
Product development and enhancements	115	135	358	390
Depreciation and amortization of other intangible assets	36	40	109	117
Other (gains) expenses, net	(14)	13	4	8
Restructuring and other	2	22	6	47
TOTAL EXPENSES BEFORE INTEREST AND TAXES	733	851	2,289	2,488
Income before interest and income taxes	309	249	947	704
Interest expense, net	8	10	14	37
Income before income taxes	301	239	933	667
Income tax expense	88	76	311	238
NET INCOME	\$ 213	\$ 163	\$ 622	\$ 429
BASIC INCOME PER SHARE	\$ 0.41	\$ 0.32	\$ 1.21	\$ 0.83
Basic weighted average shares used in computation	514	510	513	515
DILUTED INCOME PER SHARE	\$ 0.40	\$ 0.31	\$ 1.16	\$ 0.80
Diluted weighted average shares used in computation	539	536	540	541

See accompanying Notes to the Condensed Consolidated Financial Statements.

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CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited) (in millions)

	For the Nine Months Ended December 31,	
	2008	2007
OPERATING ACTIVITIES:		
Net income	\$ 622	\$ 429
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	200	204
Provision for deferred income taxes	65	46
Provision for bad debts	10	22
Non-cash stock based compensation expense and defined contribution plan	86	96
(Gain) loss on sale and disposal of assets and repayment of debt, net	(2)	4
Foreign currency transaction loss (gain), before taxes	62	(19)
Changes in other operating assets and liabilities, net of effect of acquisitions:		
Decrease in trade and current installment accounts receivable, net	32	36
Decrease in noncurrent installment accounts receivable, net	143	71
Decrease in deferred revenue (billed and collected) current & noncurrent	(414)	(277)
Increase in taxes payable, net	7	7
Decrease in accounts payable, accrued expenses and other	(95)	(109)
Decrease in accrued salaries, wages and commissions	(61)	(25)
Restructuring and other, net	(79)	(37)
Changes in other operating assets and liabilities	(12)	(35)
NET CASH PROVIDED BY OPERATING ACTIVITIES	564	413
INVESTING ACTIVITIES:		
Acquisitions, primarily goodwill, purchased software, and other intangible assets, net of cash acquired	(54)	(27)
Settlements of purchase accounting liabilities	(4)	(7)
Purchases of property and equipment	(64)	(81)
Proceeds from sale of assets	6	35
Purchases of marketable securities, net		(3)
Decrease in restricted cash	5	
Capitalized software development costs	(102)	(79)
NET CASH USED IN INVESTING ACTIVITIES	(213)	(162)
FINANCING ACTIVITIES:		
Dividends paid	(62)	(63)
Purchases of treasury stock (common stock)	(4)	(500)
Debt repayments	(501)	(758)
Debt borrowings		750
Debt issuance costs		(3)
Exercise of common stock options and other	7	19
NET CASH USED IN FINANCING ACTIVITIES	(560)	(555)
DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES ON CASH	(209)	(304)

Effect of exchange rate changes on cash	(217)	106
DECREASE IN CASH AND CASH EQUIVALENTS	(426)	(198)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,795	2,275
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,369	\$ 2,077

See accompanying Notes to the Condensed Consolidated Financial Statements.

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CA, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008
(unaudited)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements of CA, Inc. (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal, recurring nature.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, these estimates may ultimately differ from actual results.

Operating results for the three- and nine-month periods ended December 31, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2009. For further information, refer to the Company's Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2008 (2008 Form 10-K).

Basis of Revenue Recognition:

The Company generates revenue from the following primary sources: (1) licensing software products; (2) providing customer technical support (referred to as maintenance); and (3) providing professional services, such as consulting and education. Revenue is recorded net of applicable sales taxes.

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

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

Under the Company's subscription model, implemented in October 2000, software license agreements typically combine the right to use specified software products, the right to maintenance, and the right to receive unspecified future software products for no additional fee during the term of the agreement. Under these subscription licenses, once all four of the above-noted revenue recognition criteria are met, the Company is required under GAAP to recognize revenue ratably over the term of the license agreement.

For license agreements signed prior to October 2000, once all four of the above-noted revenue recognition criteria were met, software license fees were recognized as revenue generally when the software was delivered to the customer, or up-front (as the contracts did not include a right to unspecified future software products), and the maintenance fees were deferred and subsequently recognized as revenue over the term of the license. Currently, a relatively small amount of the Company's revenue from software licenses is recognized on an up-front basis, subject to meeting the same revenue recognition criteria in accordance with SOP 97-2 as described above. Software fees from such licenses are recognized up-front and are reported in the Software fees and other line item in the Condensed Consolidated Statements of Operations. Maintenance fees from such licenses are recognized ratably over the term of the license and are recorded on the Subscription and maintenance revenue line item in the Condensed Consolidated

Statements of Operations. License agreements with software fees that are recognized up-front do not include the right to

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CA, INC. AND SUBSIDIARIES
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receive unspecified future software products. However, in the event such license agreements are executed within close proximity to or in contemplation of other license agreements that are signed under the Company's subscription model with the same customer, the licenses together may be considered a single multi-element agreement, and all such revenue is required to be recognized ratably and is recorded as Subscription and maintenance revenue in the Condensed Consolidated Statements of Operations.

Since the Company implemented its subscription model in October 2000, the Company's practice with respect to products of newly acquired businesses with established vendor specific objective evidence (VSOE) of fair value has been to record revenue initially on the acquired company's systems, generally under an up-front model; and, starting within the first fiscal year after the acquisition, to enter new licenses for such products under the Company's subscription model, following which revenue is recognized ratably and recorded as Subscription and maintenance revenue. In some instances, the Company sells newly developed and recently acquired products on an up-front model. The software license fees from these contracts are presented as Software fees and other. Selling such licenses under an up-front model may result in higher total revenue in a current reporting period than if such licenses were based on the Company's subscription model and the associated revenue recognized ratably.

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

Revenue from sales to distributors, resellers, and value-added resellers commences when all four of the SOP 97-2 revenue recognition criteria noted above are met and when these entities sell the software product to their customers. This is commonly referred to as the sell-through method. Revenue from the sale of products to distributors, resellers and value-added resellers that include licensing terms that provide the right for the end-users to receive certain unspecified future software products is recognized on a ratable basis.

For further information, refer to the Company's Consolidated Financial Statements and Notes thereto included in the Company's 2008 Form 10-K.

Cash Dividends:

In November 2008, the Company's Board of Directors declared a quarterly cash dividend of \$0.04 per share. The dividend totaled approximately \$21 million and was paid on December 16, 2008 to stockholders of record at the close of business on December 2, 2008. In September 2008, the Company's Board of Directors declared a quarterly cash dividend of \$0.04 per share. The dividend totaled approximately \$20 million and was paid on September 30, 2008 to stockholders of record at the close of business on September 22, 2008. In June 2008, the Company's Board of Directors declared a quarterly cash dividend of \$0.04 per share. The dividend totaled approximately \$21 million and was paid on June 27, 2008 to stockholders of record at the close of business on June 17, 2008.

In November 2007, the Company's Board of Directors declared a quarterly cash dividend of \$0.04 per share. The dividend totaled approximately \$21 million and was paid on December 28, 2007 to stockholders of record at the close of business on December 14, 2007. In August 2007, the Company's Board of Directors declared a quarterly cash dividend of \$0.04 per share. The dividend totaled approximately \$21 million and was paid on September 26, 2007 to stockholders of record at the close of business on September 12, 2007. In June 2007, the Company's Board of Directors declared a quarterly cash dividend of \$0.04 per share. The dividend totaled approximately \$21 million and was paid on June 29, 2007 to stockholders of record at the close of business on June 22, 2007.

Cash, Cash Equivalents and Marketable Securities:

The Company's cash, cash equivalents and marketable securities are held in numerous locations throughout the world, with approximately 50% residing outside the

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United States at December 31, 2008. Marketable securities were less than \$1 million at December 31, 2008 and March 31, 2008.

Restricted Cash:

The Company's insurance subsidiary requires a minimum restricted cash balance of \$50 million. In addition, the Company has other restricted cash balances, including cash collateral for letters of credit. The total amount of restricted cash was approximately \$56 million and \$62 million as of December 31, 2008 and March 31, 2008, respectively, and is included in the Other noncurrent assets, net line item in the Condensed Consolidated Balance Sheets.

Deferred Revenue (Billed or Collected):

The Company accounts for unearned revenue on billed amounts due from customers on a gross method of presentation. Under the gross method, unearned revenue on billed installments (collected or uncollected) is reported as deferred revenue in the liability section of the balance sheet. The components of Deferred revenue (billed or collected) current and Deferred revenue (billed or collected) noncurrent as of December 31, 2008 and March 31, 2008 are as follows:

	December 31, 2008	March 31, 2008
	(in millions)	
Current:		
Subscription and maintenance	\$ 1,981	\$ 2,455
Professional services	155	166
Financing obligations and other	10	43
Total deferred revenue (billed or collected) current	2,146	2,664
Noncurrent:		
Subscription and maintenance	941	1,001
Professional services	12	22
Financing obligations and other	3	13
Total deferred revenue (billed or collected) noncurrent	956	1,036
Total deferred revenue (billed or collected)	\$ 3,102	\$ 3,700

Deferred revenue (billed or collected) excludes unrealized revenue from contractual obligations that will be billed by the Company in future periods.

Concentration of Credit Risk:

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash equivalents, marketable securities, derivatives and accounts receivable.

The Company holds cash and cash equivalents in major financial institutions and related money market funds, some of which are protected by the US Treasury's Temporary Guarantee Program for Money Market Funds. Amounts invested in international funds enjoy different levels of protection depending upon the jurisdiction. The Company historically has not experienced any losses in its cash and cash equivalent portfolios.

Amounts included in accounts receivable expected to be collected from customers, as disclosed in Note E, Trade and Installment Accounts Receivable, have limited exposure to concentration of credit risk due to the diverse customer base and geographic areas covered by operations. Unbilled amounts due under the Company's prior business model that are expected to be collected from customers include one large IT

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outsourcer with a license arrangement that extends through fiscal year 2012 with a net unbilled receivable balance of approximately \$232 million.

Prior to fiscal 2001, we sold individual accounts receivable from certain financial institutions to a third party subject to certain recourse provisions. The outstanding principal balance subject to recourse of these receivables approximated \$45 million and \$81 million as of December 31, 2008 and March 31, 2008, respectively. As of December 31, 2008, the Company has established a liability for the fair value of the recourse provision of approximately \$2 million associated with these receivables.

Statement of Cash Flows:

For the nine-month periods ended December 31, 2008 and 2007, interest payments were \$95 million and \$122 million, respectively, and income taxes paid were \$180 million and \$170 million, respectively.

In June 2007, the Company entered into an Accelerated Share Repurchase program (ASR) with a third-party financial institution and paid \$500 million to repurchase shares of its common stock. In June 2007, the Company purchased approximately 16.9 million shares under the ASR. Based on the terms of the agreement between the Company and the third-party financial institution, the Company received approximately 3.0 million additional shares of its common stock at the conclusion of the program in November 2007 at no additional cost. The average price paid under the Accelerated Share Repurchase program was \$25.13 per share and total shares repurchased were approximately 19.9 million. The \$500 million paid in June 2007 under the ASR is included in cash used in financing activities in the Company's Condensed Consolidated Statement of Cash Flows for the nine-month period ended December 31, 2007 and is recorded as treasury stock in the stockholders' equity section of the Condensed Consolidated Balance Sheets at December 31, 2008 and March 31, 2008.

In the first quarter of fiscal year 2009, the Company paid the remaining \$350 million principal amount of its 6.500% Senior Notes due 2009 that was due and payable at that time. The \$350 million payment is included in Cash used in financing activities in the Company's Condensed Consolidated Statement of Cash Flows for the nine-month period ended December 31, 2008.

During the third quarter of fiscal year 2009, the Company repurchased approximately \$148 million principal amount of its 4.750% Senior Notes due 2009 at a price of approximately \$143 million in cash. As a result of this repurchase, the Company recognized a gain of approximately \$5 million in the Other (gains) expenses, net line of the Condensed Consolidated Statements of Operations. At December 31, 2008, approximately \$352 million principal of the 4.750% Senior Notes due 2009 remains outstanding. The approximate \$143 million payment is included in Cash used in financing activities in the Company's Condensed Consolidated Statement of Cash Flows for the nine-month period ended December 31, 2008.

During the third quarter of fiscal year 2009, the Company paid approximately \$4 million to repurchase approximately 0.3 million of its common shares at an average price of \$15.84. The repurchase is included in Cash used in financing activities in the Company's Condensed Consolidated Statement of Cash Flows for the nine-month period ended December 31, 2008. As of December 31, 2008, the Company remained authorized to purchase an aggregate amount of up to approximately \$246 million of additional common shares under the current stock repurchase program.

Non-cash financing activities for the nine-month periods ended December 31, 2008 and 2007 consisted of treasury shares issued in connection with the following: share-based incentive awards issued under the Company's equity compensation plans of approximately \$53 million (net of approximately \$24 million of tax withholding) and \$38 million (net of approximately \$15 million of tax withholding), respectively; the Company's Employee Stock Purchase Plan of approximately \$36 million and \$32 million, respectively; and discretionary stock contributions to the CA, Inc. Savings Harvest Plan of approximately \$19 million and \$22 million, respectively.

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Adoption of new accounting principles:

Effective April 1, 2008, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, as modified by the Financial Accounting Standards Board (FASB) Staff Position (FSP) Financial Accounting Standard (FAS) 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Its Related Interpretive Accounting Pronouncements That Address Leasing Transactions*, and FSP FAS 157-2, *Effective Date of FASB Statement No. 157*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. FSP FAS 157-1 removes leasing from the scope of SFAS No. 157. FSP FAS 157-2 delays the effective date of SFAS No. 157 from the Company's fiscal year ending March 31, 2009 to the Company's fiscal year ending March 31, 2010 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The provisions of SFAS No. 157 as amended by FSP FAS 157-1 were applied prospectively to fair value measurements and disclosures for financial assets and financial liabilities recognized or disclosed at fair value in the financial statements. The adoption of these Statements did not have an effect on the Company's consolidated results of operations or financial position for the first nine months of fiscal year 2009. While the Company does not expect the adoption of this Statement to have a material effect on its consolidated results of operations or financial position in subsequent reporting periods, the Company will continue to monitor any additional implementation guidance that is issued that addresses the fair value measurements for certain financial assets, and non-financial assets and non-financial liabilities not disclosed at fair value in the financial statements on at least an annual basis as required by SFAS No. 157.

Refer to Note G, *Derivatives and Fair Value Measurements*, for additional information regarding the assets and liabilities carried at fair value on the Company's financial statements.

Effective April 1, 2008, the Company adopted the provisions of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to elect to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. As permitted by SFAS No. 159 implementation options, the Company chose not to elect the fair value option for its financial assets and liabilities that had not been previously measured at fair value. Therefore, material financial assets and liabilities, such as the Company's short and long-term debt obligations, are reported at their historical carrying amounts.

Effective April 1, 2008, the Company elected to adopt the provisions of SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133*. SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The adoption of SFAS No. 161 did not have an effect on the Company's consolidated results of operations or financial position for the first nine months of fiscal year 2009.

Refer to Note G, *Derivatives and Fair Value Measurements*, for additional information regarding the Company's derivative activities.

Reclassification and revisions:

Certain prior year balances have been reclassified to conform to the current period's presentation as described below.

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CA, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008
(unaudited)

Effective with the filing of the Company's fiscal year 2008 Form 10-K, the Company modified its financial statements by adding line items for Selling and marketing costs and General and administrative expenses. Costs applicable to these new line items were reclassified from the prior line item entitled Selling, general and administrative costs. Effective with the filing of the first quarter of fiscal year 2009 Quarterly Report on Form 10-Q, the Company refined the classification of certain costs reported on its Condensed Consolidated Statement of Operations to better reflect the allocation of various expenses to the new line items and to better align the Company's reported financial statements with the Company's internal view of its business performance. To maintain consistency and comparability, the Company reclassified prior-year amounts to conform to the current-year Condensed Consolidated Statements of Operations presentation. These expense reclassifications had no effect on previously reported total expenses or total revenue.

The following table summarizes the expense section of the Company's Condensed Consolidated Statements of Operations for the reported prior periods indicated, giving effect to the reclassifications described above.

Three Months

Nine Months