

NANOBAC PHARMACEUTICALS INC  
Form 10QSB  
November 13, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-QSB  
QUARTERLY REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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For the Quarter Period Ended  
**September 30, 2006**

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**Nanobac Pharmaceuticals, Incorporated**  
(Exact name of registrant as specified in its charter)

**Florida**  
(State or Other Jurisdiction  
of Incorporation)

**0-24696**  
(Commission File Number)

**59-3248917**  
(I.R.S. Employer  
Identification Number)

**4730 North Habana Avenue, Suite 205, Tampa, Florida 33614**  
(Address of Principal Executive Office) (Zip Code)

**(813) 264-2241**  
(Registrant's telephone number, including area code)

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 a 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 an accelerated filer (as defined in Rule 12b-2 of the Act):

Yes  No

The number of shares issued and outstanding of the Registrant's Common Stock, no par value, as of November 6, 2006 was 193,973,426.

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NANOBAC PHARMACEUTICALS, INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED  
BALANCE SHEETS

(UNAUDITED)

(Unaudited)

September 30, 2006

December 31, 2005

**ASSETS****CURRENT ASSETS**

Cash	\$	110,710	\$	8,975
Account receivable		9,052		3,283
Inventory		112,108		117,280
Prepaid expenses		37,555		43,725
<b>Total current assets</b>		<b>269,425</b>		<b>173,263</b>

**FURNITURE AND EQUIPMENT, less**

accumulated depreciation

of \$96,236 at September 30, 2006 and \$131,163

at December 31, 2005

66,322

106,952

**OTHER ASSETS**

Security deposits

74,168

20,695

Intangible assets, less accumulated amortization

of \$1,169,811 at September 30, 2006 and

\$1,539,621 at December 31, 2005

4,073,231

5,053,421

Goodwill

3,615,393

3,615,393

**Total other assets**

7,762,792

8,689,509

**TOTAL ASSETS**

\$

8,098,539

\$

8,969,724

**LIABILITIES AND STOCKHOLDERS' EQUITY****CURRENT LIABILITIES**

Accounts payable	\$	326,953	\$	313,932
Accrued compensation		211,065		462,658
Accrued expenses		368,379		376,874
Short-term notes payable		-		50,843
Other liabilities		9,068		29,425
Related party loans		4,674,493		2,434,733
<b>Total current liabilities</b>		<b>5,589,958</b>		<b>3,668,465</b>

**LONG-TERM LIABILITIES**

Stock settlement obligation		2,836,538		2,836,538
<b>Total liabilities</b>		<b>8,426,496</b>		<b>6,505,003</b>

**COMMITMENTS AND CONTINGENCIES**

(Note 6)

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**STOCKHOLDERS' EQUITY (DEFICIT)**

Preferred stock, no par value, 1,000,000 shares authorized,

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no shares issued and outstanding	-	-
Common stock, no par value, 250,000,000 shares authorized, 2006: 193,973,426 shares issued and outstanding		
2005: 189,006,760 shares issued and outstanding	16,484,550	16,307,050
Additional paid-in capital	3,669,231	3,503,681
Accumulated deficit	(20,490,865)	(17,380,535)
Accumulated other comprehensive income	9,127	34,525
<b>Total stockholders' equity (deficit)</b>	<b>(327,957)</b>	<b>2,464,721</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 8,098,539</b>	<b>\$ 8,969,724</b>

The accompanying notes are an integral part of these financial statements.

## NANOBAC PHARMACEUTICALS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED  
STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months ended September 30, 2006	Three Months ended September 30, 2005	Nine Months ended September 30, 2006	Nine Months ended September 30, 2005		
<b>REVENUE</b>	\$ 23,894	\$ 130,394	\$ 222,745	\$ 450,247		
<b>COST OF REVENUE</b>	11,286	47,085	79,104	149,384		
<b>GROSS PROFIT</b>	12,608	83,309	143,641		21.89	6/21/12
Stephen Richards	150,000		1.76		13.83	3/28/13
	90,000		1.06		21.89	6/21/12
Ira H. Zar	225,000		2.64		13.83	3/28/13
	170,000		1.99		21.89	6/21/12
						\$885,420

- (1) See footnote 1 to the Summary Compensation Table for a discussion of the various option grants made in fiscal 2003. Options vest in equal installments over a three-year period and have a 10-year term.
- (2) Percentages are based on a total of 8,530,060 options granted in fiscal 2003.
- (3) The Black-Scholes option pricing model was selected to estimate the Grant Date Present Value of the options set forth in this table. The Company's use of this model should not be construed as an endorsement of its accuracy in valuing options. The following assumptions were made for purposes of calculating the Grant Date Present Value of the grants awarded on June 21, 2002: a contract life of ten years, a volatility factor of 0.59, dividend yield of 0.51%, and a risk-free interest rate of 4.79%. The following assumptions were made for purposes of calculating the Grant Date Present Value of the grants awarded on March 28, 2003: a contract life of ten years, a volatility factor of 0.59, dividend yield of 0.58%, and a risk-free interest rate of 3.92%. The actual value of the stock option grants will depend on the future performance of the Common Stock.

**Table of Contents****AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND  
FISCAL YEAR-END OPTION VALUES**

Name	Share Acquired on Exercised	Value Realized(1)	Number of Unexercised Options at March 31, 2003		Value of Unexercised In-the-Money Options at March 31, 2003(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Sanjay Kumar			601,518	1,849,500		
Russell M. Artzt	253,937	1,240,193	802,435	642,500	45,278	
Gary Quinn			316,147	603,750		
Stephen Richards			558,350	741,525		
Ira H. Zar	5,400	32,762	931,686	1,390,810	181,087	

- (1) Options exercised were granted in prior years with exercise prices equal to the fair market value at the date of grant. Messrs. Artzt and Zar continue to hold the shares acquired upon exercise of the options. Value realized was calculated based on the market value of the shares purchased at the exercise date less the aggregate option exercise price.
- (2) Valuation based on the closing price of \$13.66 on March 31, 2003 (the last trading day of the fiscal year), less the respective exercise prices of the options.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table summarizes share and exercise price information about the Company's equity compensation plans as of March 31, 2003. All of the Company's equity compensation plans have been approved by the Company's stockholders.

Plan Category	Number of Securities Issuable Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders	49,216,548(1)	\$ 28.74	67,728,958(2)
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	49,216,548(1)	\$ 28.74	67,728,958(2)

- (1) Includes all outstanding options, shares outstanding under compensation plans for non-employee directors and shares outstanding under the 1998 Incentive Award Plan. Includes options covering 3,582,204 shares assumed in connection with various acquisitions. Such options have a weighted average exercise price of \$27.19 per share. The plans relating to such options were previously approved by the security holders of the respective acquired companies.
- (2) Consists of 27,370,663 shares available for issuance under the Company's Year 2000 Employee Stock Purchase Plan, 39,794,991 shares available for issuance under the 2002 Incentive Plan and 563,304 shares available under the 2002 Compensation Plan for Non-Employee Directors.

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**Retirement of Founder and Former Chairman of the Board**

In November 2002, the Company's founder and former Chairman of the Board, Charles B. Wang, retired from the Board. In recognition of his many years of service to the Company, the Company agreed during the fourth quarter of fiscal year 2003 to accelerate the vesting of any unvested stock options that had been granted to him in prior years, effective as of the date of his retirement from the Company. In addition, the Company agreed to extend the period in which he could exercise stock options that had been granted to him in prior years. The vesting acceleration and the extension of the exercise period affected only those options whose exercise price exceeded the fair market value of the shares at the time of his retirement. These consist of (1) options covering approximately 2.3 million shares, extended for one year or less, and having exercise prices ranging from \$19.33 to \$51.69 per share; and (2) options covering 240,000 shares, extended for 10 years from the date of grant, having an exercise price of \$21.89. The Company also agreed to provide Mr. Wang with medical benefits for the balance of his life comparable to and on the same terms as those provided to active employees of the Company. The Board of Directors also authorized the Company to enter into an agreement with Mr. Wang for assistance in connection with matters such as litigation. Payment for such services would be on a per diem basis. Payment of amounts in excess of \$50,000 per year must be approved by the Board of Directors in advance of the services being rendered. To date, no agreement has been entered into and no services have been rendered. The 1995 Key Employee Stock Ownership Plan was amended to remove the transfer restrictions on shares granted under the plan upon the retirement of persons to whom the shares were granted.

**COMPENSATION AND HUMAN RESOURCE COMMITTEE REPORT  
ON EXECUTIVE COMPENSATION**

**General**

The Compensation and Human Resource Committee is responsible for determining the compensation of the Chairman and CEO. In most cases, the Committee makes recommendations for consideration by the full Board of Directors; however, in accordance with SEC regulations, grants of stock options or stock awards are approved by the Committee and reported to the Board. The Committee also oversees the compensation of senior executives whose compensation is determined by the CEO consistent with the guidelines set by the Committee. All members of the Committee are independent directors.

The Company's executive compensation program is designed to attract, retain and motivate executives to enhance profitability and maximize stockholder value in the rapidly evolving computer software marketplace. The program recognizes executives' efforts during each fiscal year, as well as over multi-year cycles. For example, in fiscal 2003, the program considered the executives' performance in an environment where cautious capital spending by existing and potential customers, associated with weak conditions in the overall economy, made bookings of new license agreements and revenue particularly challenging. Designed with the assistance of a consulting firm, the program has three components to achieve these objectives: base salary, annual incentives, if earned (both paid in cash), and long-term equity participation. On a combined basis, compensation paid under these three components is generally targeted to be at the 75th percentile of competitive practice within the computer software and services industry. However, the actual amount of each executive's total compensation is dependent on the attainment of predetermined performance objectives that are consistent with improved profitability and the maximization of stockholder value. The philosophy and operation of each of these components is discussed below.

**Base Salary.** Base salaries for executive officers are designed to attract and retain superior, high-performing individuals. Base salaries for executive officers are determined by evaluating the responsibilities of the position and the experience of the individual, and by reference to the competitive marketplace for executive talent, including comparisons of base salaries for comparable positions in the Company's peer group. Base salary adjustments are determined, generally on an annual basis, by evaluating the financial performance and certain non-financial performance measures of the Company, and the performance of the executive officer.

**Annual Incentives.** The Committee believes that a substantial portion of each executive officer's annual compensation should be in the form of variable incentive pay. Accordingly, under the Company's annual incentive plan previously approved by the stockholders, targeted payouts are determined at the beginning of

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each fiscal year based on the Company's achievement of (1) a minimum level of revenue and (2) threshold amounts of net operating profit after taxes (NOPAT), relative to the performance of the Company's peers. The NOPAT thresholds are derived from the financial forecasts of the Company that are publicly disclosed at the beginning of each fiscal year.

No payouts are made unless the minimum revenue level is achieved. If the minimum revenue level is reached, the payout amount can range from 0% to 200%, based on the percentage of NOPAT that is achieved as compared to the threshold, as follows:

	<u>% Target Payout</u>
Below Threshold	0%
At Threshold	Up to 50%
Between Threshold and Target	Up to 100%
Between Target and Maximum	Up to 200%

The Committee must certify the achievement of the minimum revenue level and the NOPAT thresholds prior to each annual payout under the annual incentive plan. In addition, the Committee has discretion to reduce the amount of any payout if it determines that, notwithstanding the achievement of the minimum amounts, a reduction is appropriate.

In fiscal 2003, the Company exceeded the minimum revenue level and the NOPAT target amounts. The amounts paid under the annual incentive plan reflected those results, as well as individual contributions and customer satisfaction. (However, see "Chief Executive Officer Compensation" below.)

**Long-Term Equity Participation.** In addition to the objectives discussed above, the Company's equity-based long-term incentive plan is designed to align the interests of executive officers with those of the stockholders. Under the long-term plan, the Committee determines targeted incentives at the beginning of each performance cycle based on the Company's achievement of total shareholder return (TSR) as compared to the companies included in the Standard & Poor's Systems Software Index; in addition, the amount of each executive's targeted incentive is based on his or her position within the Company, recent performance, his or her potential for future responsibility and promotion, and comparable awards made to individuals in similar positions with the Company's peers. The relative weight given to each of these factors may vary among individuals at the Committee's discretion.

The amounts of incentives actually awarded under the long-term plan can range from 0% to 150% of the targeted incentives, depending upon the level of TSR as compared to the companies in the Standard & Poor's Systems Software Index, as follows:

<u>Relative TSR Performance</u>	<u>% of Targeted Incentive</u>
Up to 25th Percentile	0%
Above 25th to 50th Percentile	Up to 50%
Above 50th to 75th Percentile	Up to 100%
Above 75th to 100th Percentile	Up to 150%

The Committee must certify the achievement of the levels of relative TSR prior to awarding any incentives under the long-term plan. In addition, the Committee has discretion to reduce the amount of any incentive if it determines that, notwithstanding the achievement of the minimum amounts, a reduction is appropriate. Incentives under the long-term plan are in the form of restricted stock, stock options with an exercise price equal to the fair market value of the Company's Common Stock on the date of grant, stock options with an exercise price equal to 120% of such fair market value, or a combination of the three. Options granted under the plan vest in equal annual installments over a three-year period and have 10-year terms.



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At the beginning of fiscal 2003, the Committee granted contingent incentives under the long-term plan covering a one-year performance cycle ending on March 31, 2003. The Committee intends to increase the length of successive performance cycles to three years. For that one-year performance cycle, the Company's relative TSR performance yielded a relatively small incentive under the long-term plan. Under its authority to reduce the amount of incentives under the plan, the Committee determined not to make any restricted stock grants for that cycle.

**Chief Executive Officer Compensation**

The Compensation Committee determined the components of Mr. Kumar's fiscal year 2003 compensation as follows:

**Base Salary.** Mr. Kumar's base salary was \$1,000,000 in fiscal year 2003, which was the same as in fiscal year 2002.

**Annual Incentives.** As in fiscal 2001 and 2002, Mr. Kumar elected not to receive any annual incentive compensation for fiscal 2003. He took this action despite the fact that, based upon the achievement of objectives discussed above, the formula under the annual incentive plan would have yielded an annual incentive compensation payment of \$1,023,000. In conjunction with his election not to receive any annual incentive compensation, Mr. Kumar asked the Compensation Committee and the Board to consider distributing some additional amount of compensation among members of the Company's executive management team in recognition of their extraordinary leadership during the 2003 fiscal year. The Compensation Committee and the Board so acted, and where applicable, this additional compensation is included in the amounts shown under Bonus for 2003 in the preceding Summary Compensation Table.

**Long-Term Equity Participation.** Neither Mr. Kumar nor the Company's other executive officers received any stock option grants during the fiscal year ended March 31, 2002. Stock options are generally granted to executive officers and other employees in March of each year; however, the Compensation Committee approved stock option grants to executive officers in June 2002. Consequently, executive officers received two stock option grants during fiscal 2003. The first such grant was made on June 21, 2002. On that date the fair market value of the Common Stock was \$15.62. The Compensation Committee, however, determined that the exercise price of the options granted to the executive officers (other than Mr. Kumar) should be the same as the exercise price of the options granted to other employees in March 2002, or \$21.89. Mr. Kumar received options which, at his request, were premium-priced, with an exercise price of \$26.27, or 20% higher than the exercise price of the options issued to other employees in 2002, and 68% higher than the fair market value of the Common Stock on the date of grant.

Mr. Kumar and the Company's other executive officers were then granted options in March 2003, at the same time as options were granted to other employees. Mr. Kumar's option covered 700,000 shares of Common Stock and provided for an exercise price of \$13.83 per share, the fair market value of the Common Stock on the date of grant (and the same as the exercise price of the options granted to other employees at that time).

For the one-year performance cycle ended March 31, 2003, the long-term incentive plan yielded a relatively small incentive that would have been paid in restricted stock (see General Long-Term Equity Participation above). However, under its authority to reduce the amount of incentives under the plan, the Committee determined not to make any restricted stock grants for that cycle.

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**Deductibility**

Section 162(m) of the Internal Revenue Code limits the deductibility of compensation in excess of \$1 million paid to the Company's chief executive officer and to each of the other four highest-paid executive officers unless this compensation qualifies as performance-based. In 1994, the Compensation Committee adopted, and the stockholders approved, terms under which annual incentive compensation and long-term equity participation awards should qualify as performance-based. Additionally, based on the applicable tax regulations, any taxable compensation derived from the exercise of stock options, the issuance or vesting of restricted stock, or the award of any other equity-based compensation, as applicable, under the Company's 2002 Plan and any prior plans should qualify as performance-based. However, the Compensation Committee is not precluded from approving other compensation arrangements, even if they would not qualify for tax deductibility under Section 162(m).

**Other Matters**

The Company's 2002 Incentive Plan expressly prohibits the repricing of stock options, and the Board has adopted a policy prohibiting the repricing of stock options granted the Company's other stock option plans.

In addition, effective April 1, 2003, the Company is expensing stock options in accordance with Statement of Financial Accounting Standards No. 123.

SUBMITTED BY THE COMPENSATION  
AND HUMAN RESOURCES COMMITTEE  
Lewis S. Ranieri, *Chair*  
Kenneth Cron  
Robert E. La Blanc

**Table of Contents****STOCK PERFORMANCE GRAPH**

The following graph compares the cumulative total return of the Common Stock (using the closing price on the NYSE at March 31, 2003, the last trading day of the Company's 2003 fiscal year, of \$13.66) with the Standard & Poor's Systems Software Index\* and the Standard & Poor's 500 Index during the fiscal years 1999 through 2003 assuming the investment of \$100 on March 31, 1998 and the reinvestment of dividends.

**Comparison of Five-Year Cumulative Total Return**

(Among Computer Associates International, Inc.,  
S&P Systems Software Index, and S&P 500 Index)

**TOTAL RETURN DATA**

	<u>3/31/98</u>	<u>3/31/99</u>	<u>3/31/00</u>	<u>3/31/01</u>	<u>3/31/02</u>	<u>3/31/03</u>
Computer Associates International, Inc.	100	62	103	47	38	24
S&P Systems Software Index	100	167	258	122	126	99
S&P 500 Index	100	118	140	109	110	83

\* The Standard & Poor's Systems Software Index is composed of the following companies:

Adobe Systems, Inc.	Novell, Inc.
BMC Software, Inc.	Oracle Corporation
Computer Associates International, Inc.	Veritas Software Corporation
Microsoft Corporation	

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**PROPOSAL 2 APPROVAL OF THE COMPUTER ASSOCIATES INTERNATIONAL, INC.  
2003 COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS**

**General**

At the meeting, stockholders will be asked to vote on a proposal to approve the 2003 Compensation Plan for Non-Employee Directors. The 2003 Plan has been adopted by the Board of Directors on the recommendation of the Corporate Governance Committee, subject to stockholder approval. If stockholders approve the 2003 Plan, it will be effective as of the date of the meeting and will replace the Company's 2002 Compensation Plan For Non-Employee Directors. If stockholders do not approve the 2003 Plan it will not be implemented, and the 2002 Directors Plan will remain in effect.

**Background and Purposes of the 2003 Plan**

In late 2002, the Corporate Governance Committee undertook a review of director compensation. The purpose of the review was to assure that the compensation provided to the Company's directors is (1) appropriate in type and amount; (2) comparable to and competitive with director compensation provided by other companies of similar size and in similar businesses; and (3) commensurate with the increased responsibilities being borne by the Board and Board Committees under the Company's Corporate Governance Principles, as well as under recent legislation and regulation.

In particular, the Committee noted that under the 2002 Directors Plan, a significant portion of director compensation is in the form of stock options. Specifically, under the 2002 Directors Plan, each director receives an annual grant of an option to purchase 6,750 shares of Common Stock; using the Black-Scholes option pricing model, the option granted in 2002 under the 2002 Directors Plan had a value of approximately \$49,000 at the date of grant. In view of various factors, including recent studies indicating that stock options may not provide the best means of aligning the interests of directors with those of stockholders and that other forms of equity compensation may provide more appropriate incentives to directors the Committee determined that stock options should be eliminated as a form of director compensation.

At the same time, the Committee reviewed data, including surveys prepared by a compensation consulting firm retained by the Committee, concerning the compensation provided to directors by other companies of comparable size and in similar businesses. The purpose of this review was to determine the appropriate amount of total compensation to be provided to the Company's directors and whether that amount would be comparable to and competitive with the compensation levels provided by those other companies.

The Committee also considered the increased responsibilities being borne by the Board and its Committees under the Company's Corporate Governance Principles (adopted in mid-2002), as well as under the extensive legislation and regulations that became effective at and subsequent to the time the 2002 Directors Plan was approved.

As a result of the foregoing reviews, the Committee determined that a total annual compensation package equivalent to \$150,000, of which at least 50% must be paid in the form of deferred stock units (and, upon a director's termination of service, in shares of Common Stock), would be appropriate in type and amount, as well as commensurate with the increased responsibilities of the Board and its Committees. Further, the Committee noted that this amount falls at or near the average compensation provided by comparable companies.

The purposes of the 2003 Plan are to attract and retain the services of highly qualified and talented non-employee directors, whose present and future contributions to the welfare, growth and continued business success of the Company will be of benefit to the Company.

**Key Terms of the 2003 Plan**

The key terms of the 2003 Plan are as follows. A more detailed summary of these terms appears below (see Description of the 2003 Plan).

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Under the 2003 Plan, non-employee directors will no longer receive annual grants of stock options (as compared to an annual grant of options to purchase 6,750 shares of Common Stock under the 2002 Directors Plan).

Under the 2003 Plan, each director will receive an annual fee, payable quarterly in the form of a credit to a deferred stock account. The annual director's fee under the 2003 Plan will initially be set at \$150,000. The Plan permits the Board (on the recommendation of the Corporate Governance Committee) to change the amount of the annual fee. In addition, the Board may authorize the payment of additional fees to the chair of any committee of the Board comprised entirely of independent directors or to the lead independent director. Each director can elect at the beginning of each year to take up to 50% of his or her annual fee in cash.

The units credited to a director's deferred stock account will remain in the account until the termination of the director's service on the Board. Following a director's termination of service, the account will be paid to the director in the form of shares of the Company's Common Stock; such payment can be made in a lump sum or in installments up to 10 years.

### **Description of the 2003 Plan**

The following is a summary of the material terms and provisions of the 2003 Plan and of the principal tax effects of participation in the 2003 Plan. This summary is qualified in its entirety by reference to the complete text of the 2003 Plan, which is attached to this Proxy Statement as Exhibit A. Any capitalized terms that are used but not defined in this summary have the meanings used in the 2003 Plan.

**Eligibility.** Each member of the Board who (1) is not also an employee of the Company or any of its consolidated subsidiaries, (2) is not a party to a separately compensated consulting arrangement with the Company and (3) does not hold a paid directorship or paid advisory position with any organization of which another director of the Company is an executive officer, is eligible to receive annual Director Fees under the 2003 Plan. Currently there are eight directors who would be eligible to receive Director Fees under the 2003 Plan.

**Director Fees.** Under the 2003 Plan, each Eligible Director's annual Director Fees for a Director Service Year will initially be set at \$150,000. The Board, on the recommendation of the Corporate Governance Committee, may set a different amount for any Director Service Year. In addition, the Board may authorize the payment of additional fees to the chair of any committee of the Board comprised entirely of eligible directors or to the lead director. If an Eligible Director serves for a short Director Service Year (less than 12 months), the Director Fees payable to him or her will be subject to pro-rata. Director Fees payable under the 2003 Plan will be subject to the following terms and conditions:

**Form and Timing of Payment.** Director Fees will be payable quarterly in the form of Stock Deferrals credited to an Eligible Director's Deferred Stock Compensation Account. However, an Eligible Director may elect to receive up to 50% of his or her Director Fees for a Director Service Year in cash, payable quarterly.

**Stock Deferrals.** Director Fees in the form of Stock Deferrals will be credited to an unfunded and unsecured Deferred Stock Compensation Account in the name of the Eligible Director. The number of shares underlying each Stock Deferral will be determined by dividing the dollar amount of the Director Fees subject to the Stock Deferral by the market price of a Share on the day the deferral is credited to the Eligible Director's Deferred Stock Compensation Account.

**Dividends.** Each Eligible Director will receive cash payments on the shares underlying his or her Deferred Stock Compensation Account, in amounts equal to the cash dividends and other distributions payable to Company stockholders generally. However, the Corporate Governance Committee may determine in its discretion that in lieu of such cash payments, an Eligible Director's Deferred Stock Compensation Account will be credited with additional Stock Deferrals in the amount of such dividends or other distributions.

**Payment of Stock Deferrals.** Generally, amounts credited to an Eligible Director's Deferred Stock Compensation Account will be settled in shares of Common Stock in one lump sum on the first business day of the calendar year following the Director Service Year in which the Eligible Director ceases to be a member of the Board for any reason (the Payment Commencement Date). However, an Eligible Director may elect at any time prior to his or her termination date to receive payment of his or her Deferred Stock Compensation Account in up to 10 annual installments, commencing on the Payment Commencement Date. If an

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Eligible Director dies before payment in full of the amount credited to his or her Deferred Stock Compensation Account, the balance will be paid in one lump sum in accordance with the Eligible Director's will, or if there is no will, in accordance with the laws of descent and distribution.

*Hardship Withdrawals.* At its discretion, the Corporate Governance Committee may permit early withdrawals of amounts credited to an Eligible Director's Deferred Stock Compensation Account if the Eligible Director or his or her representative provides satisfactory evidence that such early withdrawal is needed to meet an unforeseen financial hardship.

*Shares Available For Issuance.* 200,000 shares of the Company's Common Stock have been reserved for issuance under the 2003 Plan, subject to adjustment (see Adjustments below). In addition, any shares that have been reserved for issuance under the 2002 Plan but have not been awarded (or that have been awarded, but will not be issued due to expiration, forfeiture, cancellation, settlement in cash or otherwise) will be available for issuance under the 2003 Plan. A total of 561,858 of shares remains available for issuance under the 2002 Plan (including shares that have been awarded but may not be issued). Consequently, up to 761,858 shares may be issued under the 2003 Plan. Shares issuable under the 2003 Plan may consist of authorized but unissued shares or shares held in the Company's treasury.

*Plan Administration.* The 2003 Plan will be administered by the Corporate Governance Committee, which will have discretion to (1) interpret the 2003 Plan; (2) adopt, amend and rescind rules regarding its operation; (3) make specified adjustments, in accordance with the 2003 Plan's adjustment provisions (see Adjustments below); and (4) take other actions it deems necessary or advisable for the proper operation and administration of the 2003 Plan.

*Adjustments.* The maximum number or kind of shares available for issuance under the 2003 Plan, or in the number or kind of shares underlying a Stock Deferral or credited to a Deferred Stock Compensation Account, may be adjusted by the Corporate Governance Committee, in its discretion, if the Committee determines that, because of any stock split, reverse stock split, dividend or other distribution (whether in the form of cash, shares, other securities or other property), extraordinary cash dividend, recapitalization, merger, consolidation, split-up, spin-off, reorganization, combination, repurchase or exchange of shares or other securities, the exercisability of stock purchase rights received under the Rights Agreement, the issuance of warrants or other rights to purchase shares or other securities, or other similar corporate transaction or event, such adjustment is required in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2003 Plan.

*Amendment and Termination.* The 2003 Plan may be amended or terminated by the Board at any time without stockholder approval, except that any amendment that either increases the aggregate number of shares that may be issued under the 2003 Plan or materially modifies the eligibility requirements for participation in the Plan requires stockholder approval before it can be effective. No amendment may adversely affect any right of any Eligible Director with respect to any Stock Deferral credited to such Eligible Director's Deferred Stock Compensation Account under the 2003 Plan without his or her written consent. For this purpose, however, an amendment that accelerates the time period within which any installment payments will be made will not be considered an amendment that adversely affects an Eligible Director's rights with respect to his or her Stock Deferrals.

If not earlier terminated by the Board, the 2003 Plan will automatically terminate on the 10-year anniversary of the 2003 Annual Meeting of Stockholders. No Director Fees may be paid or Stock Deferrals credited under the 2003 Plan after it is terminated, but any previously credited Stock Deferrals will remain in effect until they are paid in full or expire, except that the Board, in its sole discretion, may, at any time after the termination of the Plan and without the consent of the affected individuals, accelerate the time period within which any installment payments will be paid, or determine that the remaining balance of Deferred Stock Compensation Accounts under the 2003 Plan will be paid in one lump sum on such date as the Board shall determine.

## **Summary of Federal Income Tax Consequences of Participation in the 2003 Plan**

The following is a brief summary of the principal United States federal income tax consequences of Director Fees and Stock Deferrals under the 2003 Plan, based on advice received from counsel to the Company regarding current United States federal income tax laws. This summary is not intended to be exhaustive and, among other things, does not describe state, local or foreign tax consequences.

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An Eligible Director will not recognize any income at the time Director Fees are credited as Stock Deferrals to such Eligible Director's Deferred Stock Compensation Account or at the time additional Stock Deferrals are credited to such Account in connection with dividend or distribution payments in the event that the Corporate Governance Committee decides to pay dividends or distributions in the form of additional Stock Deferrals. In the event an Eligible Director elects to receive payment of a portion of his or her annual Director Fees in cash, or the Corporate Governance Committee decides to make dividend or distribution payments on Stock Deferrals in cash, the Eligible Director will recognize ordinary income in an amount equal to such cash payments for the taxable year during which such payments are received by the Eligible Director. When the Eligible Director is ultimately issued shares in payment of amounts credited to his or her Deferred Stock Compensation Account, the Eligible Director will recognize ordinary income for the taxable year during which such shares are issued in an amount equal to the fair market value of the shares on the date of issuance.

The Company will be entitled to a tax deduction at the same time and in the same amount as the Eligible Director recognizes income. The Director's tax basis in any shares acquired as payment of amounts credited to his or her Deferred Stock Compensation Account will be equal to the amount of ordinary income recognized.

Upon a sale of the shares received by an Eligible Director as payment of his or her Deferred Stock Compensation Account, any gain or loss will generally be treated as long-term or short-term capital gain or loss, depending on how long the Eligible Director held such shares prior to sale. The Eligible Director's holding period for shares so acquired begins on the date the shares are issued to the Eligible Director.

**New Plan Benefits**

As of the date of this Proxy Statement, no awards have been made under the 2003 Plan. The number of shares underlying Stock Deferrals to be credited to Deferred Stock Compensation Accounts of the Eligible Directors in payment of Director Fees for the forthcoming year is not presently determinable, as such number is dependent on the fair market value of the shares as of the last day of each fiscal quarter of the Company's forthcoming fiscal year, and on each Eligible Director's right to elect to receive in cash, in lieu of Stock Deferrals, up to 50% of the Director Fees payable under the 2003 Plan in respect of the forthcoming year.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE 2003 COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS.**

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**PROPOSAL 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

KPMG LLP was the independent auditor for the Company for the 2003, 2002 and 2001 fiscal years and has been appointed by the Audit Committee to serve in that capacity for the 2004 fiscal year.

Although the Company's By-Laws do not require the submission of the selection of independent auditors to the stockholders for approval or ratification, the Audit Committee considers it desirable to obtain the views of the stockholders on its appointment of independent auditors. In the event that the stockholders fail to ratify the appointment of KPMG LLP, the Audit Committee may reconsider its selection of the firm as the Company's independent auditors for the year ending March 31, 2004.

A representative of KPMG LLP will be present at the meeting, will have an opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions from stockholders.

**Audit and Other Fees Paid to KPMG LLP**

The following table presents the aggregate fees billed for professional services rendered by KPMG LLP for the audit of the Company's annual financial statements for the fiscal year ended March 31, 2003, including statutory audits, and for review of the financial statements included in the Company's Quarterly Reports on Form 10-Q for fiscal year 2003 and fees billed for other services rendered by KPMG LLP.

Audit fees	\$3,116,000
All other fees:	
Audit related fees(1)	\$ 1,167,000
Other non-audit services(2)	\$ 683,000
	<hr/>
Total all other fees	\$ 1,850,000

(1) Audit-related fees consisted principally of audits of financial statements of certain employee benefit plans, review of registration statements and the issuance of consents and comfort letters.

(2) Other non-audit fees consisted principally of tax services.

KPMG LLP did not provide any financial information systems and implementation services to the Company during the fiscal year ended March 31, 2003.

The Audit Committee has considered whether the provision of the services, other than those in connection with the audit, is compatible with maintaining the independence of KPMG LLP.

**Audit Committee Pre-Approval Policies and Procedures**

The Audit Committee has adopted policies and procedures requiring Audit Committee pre-approval of the performance of all audit and non-audit services by our independent auditors. The Audit Committee may consult with management in the decision-making process but may not delegate this authority to management. The Audit Committee has also delegated to the chairman of the Audit Committee the authority to pre-approve the performance of audit and non-audit services by our independent auditors if such approval is necessary or desirable at a time when the Audit Committee is not scheduled to meet, provided that the Chairman must advise the Audit Committee no later than its next scheduled meeting. The Audit Committee believes that the provision of tax services by the independent auditors generally creates a risk of conflicts of interest and impairment of the auditors' independence. Accordingly, the Committee does not currently intend to pre-approve the rendering of any tax services by the independent auditors (although it may do so in the future should circumstances warrant).

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT AUDITORS.**



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**AUDIT COMMITTEE REPORT**

The Audit Committee monitors the Company's financial reporting process on behalf of the Board. In addition, the Committee retains the Company's independent auditors.

The Audit Committee has reviewed and discussed with the management of the Company the audited financial statements as of and for the fiscal year ended March 31, 2003. In addition, the Audit Committee has discussed with the independent auditors the matters required to be discussed by SAS 61. The Audit Committee has received from the independent auditors the written disclosures and the letter required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with its auditors their independence.

The Audit Committee discusses with the Company's independent auditors the overall scope and plans for their audits. The Audit Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee also meets with members of the Company's internal audit department as part of its regular meetings.

Based upon the Audit Committee's discussions with management and the independent auditors referred to above and the Audit Committee's review of the representations of management and the report of the independent auditors to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended March 31, 2003.

SUBMITTED BY THE AUDIT COMMITTEE

Walter P. Schuetze, *Chair*

Alfonse M. D. Amato

Lewis S. Ranieri<sup>1</sup>

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<sup>1</sup> Mr. Ranieri joined the Audit Committee in January 2003.

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**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who beneficially own more than 10% of the Company's Common Stock (10% stockholders), to file with the SEC and the NYSE initial reports of ownership and reports of changes in beneficial ownership of Common Stock and other equity securities of the Company (Section 16(a) Reports). Executive officers, directors and 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) Reports they file.

Based solely on its review of such copies of Section 16(a) Reports received by it, or written representations from each reporting person for the fiscal year ended March 31, 2003, the Company believes that each of its executive officers, directors and 10% stockholders complied with all applicable filing requirements during and with respect to that year.

**RELATED PARTY TRANSACTIONS**

Mr. Kumar has a minority ownership interest in the New York Islanders, a National Hockey League club, and Messrs. Kumar and Artzt have a minority ownership interest in the New York Dragons, an arena football team. In fiscal 2003, the Company paid the two organizations a total of approximately \$558,000 for the rental of a corporate suite and the purchase of advertising. The Company expects to purchase similar services from the Islanders and Dragons in fiscal 2004. These expenditures are consistent with the Company's overall marketing plan and with amounts paid by third parties for similar services. This amount was approved by the Company's Board of Directors (other than Messrs. Kumar and Artzt).

Mr. Vieux is the Chairman of DASAR, an international company that produces conferences for the technology industry. Before he joined the Company's Board of Directors, the Company agreed to sponsor one of these conferences, for which it paid DASAR approximately \$100,000; this payment was made in November 2002. This payment is believed to be consistent with amounts paid by third parties for similar services.

Immediate family members (but in no case a spouse or child) of Messrs. Zar, Kumar and Richards are employed by the Company and received total cash compensation of \$115,508, \$256,250 and \$648,774, respectively, in fiscal 2003, plus standard benefits available to all employees. In each case the compensation levels were commensurate with other employees having similar positions and responsibilities.

**ADVANCE NOTICE PROCEDURES**

Under the Company's By-Laws, director nominations and other business may be brought at the Company's annual meeting only by or at the direction of the Board of Directors or by a stockholder entitled to vote who has delivered notice to the Company containing certain information specified in the By-Laws (i) not less than 60 days nor more than 90 days prior to the anniversary date of the preceding year's annual meeting, or (ii) if the meeting date is changed by more than 30 days from such anniversary date, not later than the close of business on the tenth day following the date notice of such meeting is mailed or made public, whichever is earlier. Accordingly, the deadline for nominating directors at or bringing other business before the 2004 Annual Meeting will be June 28, 2004 (unless the date of the meeting is changed by more than 30 days).

A copy of the full text of the By-Laws provisions discussed above may be obtained by writing to the Secretary of the Company at the Company's World Headquarters, One Computer Associates Plaza, Islandia, NY 11749.

**STOCKHOLDER PROPOSALS**

The submission deadline for stockholder proposals for inclusion in proxy materials for the 2004 Annual Meeting is March 28, 2004. All such proposals must be received by the Secretary of the Company at the Company's World Headquarters in Islandia, New York.

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**OTHER BUSINESS**

The Board of Directors knows of no other business to be acted upon at the meeting. However, if any other business properly comes before the meeting, it is the intention of the persons named in the enclosed proxy to vote the shares represented thereby on such matters in accordance with their best judgment.

The prompt return of your proxy will be appreciated. Therefore, whether or not you expect to attend the meeting, please either vote by telephone or sign and date your proxy and return it in the enclosed postage paid envelope or vote via the Internet.

**HOUSEHOLDING**

If you and other residents with the same last name at your mailing address own shares of Common Stock in street name, your broker or bank may have sent you a notice that your household will receive only one Annual Report and Proxy Statement for each company in which you hold stock through that broker or bank. This practice of sending only one copy of proxy materials is known as householding. If you receive a householding communication, your broker will send one copy of the Company's 2003 Proxy Statement and Annual Report for fiscal year 2003 to your address unless contrary instructions were given by any stockholder at that address. If you received more than one copy of the proxy materials this year and you wish to reduce the number of reports you receive in the future and save the Company the cost of printing and mailing these reports, please contact your broker.

You may revoke your consent to householding at any time by sending your name, the name of your brokerage firm, and your account number to the Investor Relations Department at the address below. The revocation of your consent to householding will be effective 30 days following its receipt. In any event, if your household received a single set of proxy materials for this year, but you would prefer to receive your own copy, we will send a copy of the Annual Report and Proxy Statement to you if you address your written request to Computer Associates International, Inc., Investor Relations, One Computer Associates Plaza, Islandia, NY 11749, or contact Investor Relations at 631-342-6000.

**FORM 10-K**

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K WILL BE SENT WITHOUT CHARGE TO ANY STOCKHOLDER REQUESTING IT IN WRITING. SUCH REQUESTS SHOULD BE ADDRESSED TO:

COMPUTER ASSOCIATES INTERNATIONAL, INC.  
ATTN.: INVESTOR RELATIONS DEPARTMENT  
ONE COMPUTER ASSOCIATES PLAZA, ISLANDIA, NEW YORK 11749

THE ANNUAL REPORT ON FORM 10-K MAY ALSO BE OBTAINED VIA THE INTERNET AT [ca.com/invest](http://ca.com/invest).

Dated: July 17, 2003  
Islandia, New York

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**EXHIBIT A**

**COMPUTER ASSOCIATES INTERNATIONAL, INC.**

**2003 COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS**

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**COMPUTER ASSOCIATES INTERNATIONAL, INC.  
2003 COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS**

**ARTICLE I**

**ESTABLISHMENT AND PURPOSE**

**1.01 Purpose.** The purposes of the Plan are to attract and retain the services of highly qualified and talented non-employee directors, whose present and future contributions to the welfare, growth and continued business success of the Company will be of benefit to the Company.

**1.02 Effective Date; Stockholder Approval.** The Plan is effective as of the date of the Company's 2003 Annual Meeting of Stockholders, subject to the approval by a vote at such Annual Meeting, or any adjournment of such meeting, of the holders of at least a majority of the Shares of the Company, present in person or by proxy and entitled to vote at such meeting. If such approval is not obtained, the Plan shall have no effect.

**ARTICLE II**

**DEFINITIONS**

For purposes of the Plan, the following terms shall have the following meanings, unless another definition is clearly indicated by particular usage and context:

**2.01 Annual Meeting** means the Annual Meeting of Stockholders of the Company, as specified in the Company's By-Laws.

**2.02 Board** means the board of directors of the Company.

**2.03 Change in Control** means the happening of any of the following events:

(a) an acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the Exchange Act ))(a Person ) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of either (i) the then-outstanding Shares (the Outstanding Company Common Stock ) or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities ); excluding, however, the following: (i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself directly acquired from the Company, (ii) any acquisition by the Company, (iii) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, or (iv) any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2.03; or

(b) a change in the composition of the Board such that the individuals who, as of the effective date of the Plan, constitute the Board (such individuals shall be hereinafter collectively referred to as the Incumbent Board ) cease for any reason to constitute a majority of the Board; provided, however, for purposes of this Section 2.03, that any individual who becomes a member of the Board subsequent to the effective date of the Plan, whose election, or nomination for election by the Company's shareholders, was approved by a majority of the individuals who comprise the Incumbent Board and who are also members of the Board, shall be considered as though such individual was a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of any actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be considered a member of the Incumbent Board; or

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(c) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company ( Corporate Transaction ); excluding, however, a Corporate Transaction pursuant to which (i) all or substantially all of the individuals and entities who are beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as the result of such transaction owns the Company or all or substantially all of the Company s assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 25% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, except to the extent that such ownership existed prior to the Corporate Transaction, and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(d) the approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

**2.04 Code** means the Internal Revenue Code of 1986, as amended.

**2.05 Committee** means the Corporate Governance Committee of the Board, any successor committee or subcommittee of the Board, or any other committee of the Board authorized or instructed by the Board to administer the Plan.

**2.06 Company** means Computer Associates International, Inc.

**2.07 Deferred Stock Compensation Account or Account** means the bookkeeping account maintained by the Company to track Stock Deferrals in accordance with Section 4.03. A separate Deferred Stock Compensation Account shall be maintained for each Eligible Director.

**2.08 Director Fees** means an Eligible Director s fees payable for services as a member of the Board and as a member of any committee thereof.

**2.09 Director Service Year** means, with respect to an Eligible Director, the period beginning on the later of (i) the date of an Annual Meeting (beginning with the 2003 Annual Meeting) or (ii) the date such Eligible Director is first deemed to be a member of the Board (as determined in accordance with Section 2.11) and ending on the earlier of (x) the day before the date of the next Annual Meeting that occurs after (i) or (ii) above or (y) the date the Eligible Director ceases to be an Eligible Director for any reason. For purposes of the Plan, a Director Service Year in respect of an Eligible Director may be less than one year.

**2.10 Disabled or Disability** means permanently and totally disabled within the meaning of Section 22(e) of the Code.

**2.11 Eligible Director** means any member of the Board, elected or appointed, who (i) is not an employee of the Company or a Related Company, (ii) is not a party to a separately compensated consulting arrangement with the Company and (iii) does not hold a paid directorship or paid advisory position with any organization of which another director of the Company is an executive officer. An individual who is elected to the Board at an Annual Meeting shall be deemed to be a member of the Board as of the date of such Annual Meeting. An individual who is appointed to the Board between Annual Meetings shall be deemed to become a member of the Board as of the date of the first meeting of the Board (or any committee thereof to which such individual has been appointed) that occurs on or after the date of such appointment, whether or not the



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individual participates in such meeting. An individual shall cease to be an Eligible Director on the date his or her Board membership is terminated for any reason, including without limitation, resignation, removal, death or Disability.

**2.12 Fair Market Value** means the closing sales price of a Share as reported on the New York Stock Exchange (or any other reporting system selected by the Committee, in its sole discretion) on the date as of which the determination is being made or, if no sale of Shares is reported on such date, on the next preceding day on which sales of Shares were reported.

**2.13 Payment Commencement Date** means the first business day of the calendar year following the Director Service Year in which the Eligible Director ceases to be a member of the Board for any reason, including without limitation, resignation, removal, death or Disability.

**2.14 Plan** means the Computer Associates International, Inc. 2003 Compensation Plan For Non-Employee Directors, as set forth in this document and as may be amended from time to time.

**2.15 Related Company** means a consolidated subsidiary of the Company for purposes of reporting in the Company's consolidated financial statements.

**2.16 Rights Agreement** means the Rights Agreement dated June 18, 1991, as amended from time to time, between the Company and Mellon Investor Services LLC (as successor rights agent to Manufacturers Hanover Trust Company).

**2.17 Shares** means shares of Common Stock, \$.10 par value per share, of the Company.

**2.18 Stock Deferral** means the deferral of the issuance of Shares by the Company to an Eligible Director in accordance with Section 4.03 of the Plan.

**ARTICLE III**

**ADMINISTRATION**

**3.01 The Committee.** The Plan shall be administered by the Committee.

**3.02 Authority of the Committee.** The Committee shall have authority, in its sole and absolute discretion and subject to the terms of the Plan, to (1) interpret the Plan; (2) prescribe such rules and regulations as it deems necessary for the proper operation and administration of the Plan, and amend or rescind any rules or regulations relating to the Plan; (3) in accordance with Article V, make such adjustments to the Plan (including but not limited to adjustment of the number of Shares available under the Plan, that underlie any Stock Deferral or that are credited to a Deferred Stock Compensation Account) as may be appropriate; and (4) take any and all other action it deems necessary or advisable for the proper operation or administration of the Plan.

**3.03 Effect of Determinations.** All determinations of the Committee shall be final, binding and conclusive on all persons having an interest in the Plan.

**3.04 No Liability; Indemnification.** No member of the Committee, nor any person acting under the authority of the Committee in respect of the Plan, shall be liable for any losses incurred by any person resulting from any action, interpretation or construction made in good faith with respect to the Plan or any Stock Deferral. The Company shall indemnify, to the full extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that he or she, or his or her testator or intestate, is or was a member of the Committee or is or was acting under the authority of the Committee.

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**ARTICLE IV**

**DIRECTOR FEES**

**4.01 Eligibility.** Each non-employee director of the Company shall be entitled to Director Fees under the Plan in respect of each Director Service Year during which he or she is an Eligible Director.

**4.02 Director Fees.** Director Fees payable under the Plan shall be subject to the following terms and conditions:

(a) **Amount of Director Fees.** Subject to Paragraph (d) of this Section 4.02, each Eligible Director's annual Director Fees for a Director Service Year shall initially be set at \$150,000; provided, however, that the Board may from time to time, at the recommendation of the Committee, change the amount of Director Fees that will be payable in respect of a Director Service Year; and provided further, however, that the Board may from time to time, at the recommendation of the Committee, authorize the payment of additional fees to the chair of any committee of the Board comprised entirely of Eligible Directors or to an Eligible Director serving as the lead director.

(b) **Form of Payment.** Except to the extent that an Eligible Director has elected to receive a portion of his or her annual Director Fees in cash pursuant to Section 4.04, Director Fees shall be paid exclusively in Stock Deferrals, in accordance with Section 4.03.

(c) **Timing of Payments.** Unless the Committee determines otherwise, subject to Paragraph (d) of this Section 4.02,

(i) that portion of an Eligible Director's Director Fees for a Director Service Year that are payable in Stock Deferrals shall be credited in arrears to such Eligible Director's Deferred Stock Compensation Account in accordance with Section 4.03 in substantially equal quarterly amounts as of the last business day of each fiscal quarter of the Company that ends within such Director Service Year and

(ii) that portion of an Eligible Director's Director Fees for a Director Service Year that is subject to a cash election made in accordance with Section 4.04 shall be paid in arrears in substantially equal quarterly cash payments as of the last business day of each fiscal quarter of the Company that ends within such Director Service Year.

(d) **Pro-Ration and Adjustment for Short Director Service Years.** In the event that a Director Service Year of an Eligible Director is less than 12 months, the amount of Director Fees payable to such Eligible Director in respect of such Director Service Year (and the number, amount and timing of quarterly payments of such Director Fees) shall be subject to pro-ration and adjustment in such manner as the Committee, in its discretion, deems appropriate to reflect such short Director Service Year.

(e) **Reports to Eligible Directors.** As soon as practical after the close of each fiscal quarter of the Company, the Company shall provide to each Eligible Director a report containing such information regarding his or her Deferred Stock Compensation Account, and changes therein during such quarter, as the Committee deems appropriate.

**4.03 Stock Deferrals.** Stock Deferrals credited under the Plan shall be subject to the following terms and conditions:

(a) **General.** On each day that Stock Deferrals are scheduled to be credited in accordance with Paragraph (c) of Section 4.02, the Company shall credit each Eligible Director's Deferred Stock Compensation Account with a Stock Deferral of a number of Shares (including fractional Shares) equal to (x) the dollar amount of Director Fees payable as Stock Deferrals on such date to the Eligible Director pursuant to Section 4.02 divided by (y) the Fair Market Value of a Share on such date.

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(b) **Dividends on Deferred Shares.** If a dividend or distribution is paid on Shares in cash or property other than Shares, then, unless the Committee determines otherwise, each Eligible Director shall, on the date of payment of the dividend or distribution to the holders of Shares, be paid in cash an amount equal to (x) the number of Shares in respect of Stock Deferrals that have been credited to such Eligible Director's Deferred Stock Compensation Account as of the date fixed for determining the stockholders entitled to receive the dividend or distribution multiplied by (y) the amount of the dividend or distribution paid per Share. If the dividend or distribution is paid in property, the amount of the dividend or distribution for purposes of the foregoing calculation shall be the fair market value of the property on the date on which such dividend or distribution is paid. Amounts remaining in an Eligible Director's Deferred Stock Compensation Account pending completion of installment payments elected pursuant to Paragraph (d) of this Section 4.03 shall continue to be subject to this Paragraph (b) until such Deferred Stock Compensation Account is fully distributed.

(c) **Payment of Stock Deferrals.** Subject to Paragraph (d) of this Section 4.03, Shares in respect of Stock Deferrals credited to a Deferred Stock Compensation Account shall be issued in one lump sum on the Payment Commencement Date. The Company shall issue certificates representing Shares to the Eligible Director or, in the event of the Eligible Director's death prior to the complete payment of his or her Deferred Stock Compensation Account balance, to the person or persons designated in the Eligible Director's will or, if there is no will, to the person or persons entitled to receive distribution of the Eligible Director's estate under the laws of descent and distribution.

(d) **Election to Receive Installment Payments.** An Eligible Director may elect, on a form and in a manner prescribed by the Committee, to be issued Shares in respect of his or her Stock Deferrals in annual installments rather than a lump sum, provided, however, that (i) such election is made and received by the Committee prior to the date such Eligible Director ceases to be a member of the Board and (ii) the payment period for the installment payments does not exceed ten (10) years following the Payment Commencement Date. If installments are elected, the number of Shares issued in respect of each installment shall be determined by multiplying (x) the number of Shares in respect of Stock Deferrals remaining in the Eligible Director's Deferred Stock Compensation Account on the date such installment is paid by (y) a fraction, the numerator of which is one (1) and the denominator of which is the number of remaining unpaid installments, and by rounding such result to the nearest whole number of Shares. The Eligible Director's Deferred Compensation Account shall be reduced to reflect each installment payment made thereunder. Notwithstanding the foregoing, in the event of the Eligible Director's death prior to the complete payment of his or her Deferred Stock Compensation Account balance, payment of the Eligible Director's remaining Account balance shall be paid in one lump sum payment, in accordance with the Eligible Director's will, as described in Paragraph (c) of this Section 4.03, or, if there is no will, in accordance with the laws of descent and distribution, as soon as practicable after the Committee receives satisfactory verification of such Eligible Director's death.

(e) **Hardship Withdrawals.** Upon the request of an Eligible Director, if the Committee determines that the Eligible Director is confronted with an unforeseeable emergency, the Committee may, in its sole and absolute discretion, permit the issuance of Shares in respect of Stock Deferrals credited to a Deferred Stock Compensation Account prior to the Payment Commencement Date or, in the case of installment payments elected pursuant to Paragraph (d) of this Section 4.03, after the Payment Commencement Date but prior to the complete payment of the Eligible Director's Deferred Stock Compensation Account balance. For this purpose, an unforeseeable emergency is an unanticipated emergency caused by an event that is beyond the control of the Eligible Director, and that would result in severe financial hardship to the Eligible Director if an early hardship withdrawal were not permitted. The Eligible Director shall provide to the Committee such evidence as the Committee, in its discretion, may require to demonstrate that such emergency exists and financial hardship would occur if the withdrawal were not permitted. The withdrawal shall be limited to the number of Shares necessary to meet the unforeseen financial hardship if the Eligible Director has an unexpected need for cash to pay for expenses incurred by him or her or a member of his or her immediate family (spouse and/or natural or adopted children), such as those arising from illness, casualty loss or death. Cash needs arising from foreseeable events, such as the purchase or building of a house or education expenses, will not be considered to be the result of an unforeseen financial emergency.

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The Shares subject to the hardship withdrawal shall be issued as soon as practicable after the Board approves the payment and determines the number of Shares that shall be withdrawn in a single lump sum from the Eligible Director's Deferred Stock Compensation Account. An Eligible Director shall not participate in any decision of the Board regarding such Eligible Director's request for a hardship withdrawal under this Section 4.03(e).

**4.04 Election to Receive Cash in Lieu of Stock Deferrals.** In lieu of Stock Deferrals, an Eligible Director may elect to receive up to 50% of each quarterly payment of his or her Director Fees payable in respect of a Director Service Year in cash. If no cash election is in force for an Eligible Director in respect of a Director Service Year, payment of Director Fees to such Eligible Director for such Director Service Year shall be made exclusively in Stock Deferrals in accordance with Section 4.02. Cash elections under the Plan shall be subject to the following terms and conditions:

(a) **Form and Manner of Cash Elections.** Elections to receive cash payments in lieu of Stock Deferrals shall be made on the form and in the manner prescribed by the Committee for this purpose.

(b) **Timing of Cash Elections.** Except as provided in the following sentence, cash elections in respect of a Director Service Year must be made and received by the Company prior to December 31 of the year immediately preceding the first day of such Director Service Year. Notwithstanding the foregoing, a cash election in respect of either the Director Service Year beginning on the effective date of the Plan or, if later, an Eligible Director's first Director Service Year under the Plan, must be made and received by the Company within 30 days after the start of such Director Service Year. Elections made after the election deadline for a Director Service Year shall be void as to that Director Service Year. Cash elections in respect of a Director Service Year may not be revoked or modified on or after the election deadline for such Director Service Year.

(c) **Subsequent Elections.** An Eligible Director's cash election in respect of a Director Service Year shall remain in full force and effect as to the next succeeding Director Service Year, and all subsequent Director Service Years, unless the Eligible Director submits, prior to December 31 of the year immediately preceding the first day of any such subsequent Director Service Year, a new election revoking or modifying the Eligible Director's existing cash election.

(d) **Timing of Cash Payments.** Cash payments pursuant to this Section 4.04 shall be made in accordance with Paragraph (c) of Section 4.02.

**ARTICLE V**

**SHARES SUBJECT TO THE PLAN; ADJUSTMENTS**

**5.01 Shares Available.** The Shares issuable under the Plan shall be authorized but unissued Shares or Shares held in the Company's treasury. Subject to adjustment in accordance with Section 5.03, the total number of Shares that may be issued under the Plan may equal but shall not exceed in the aggregate 200,000 Shares. Moreover, any Shares that have been approved by Company shareholders for issuance under the Company's 2002 Compensation Plan For Non-Employee Directors (the "2002 Plan"), but which have not been awarded under such 2002 Plan (or have been awarded, but will not be issued due to expiration, forfeiture, cancellation, settlement in cash in lieu of Shares or otherwise) and which are no longer available for issuance under such 2002 Plan for any reason (including, without limitation, the termination of such 2002 Plan) shall be available for issuance under this Plan in addition to the 200,000 Shares reserved hereunder.

**5.02 Adjustments.** In the event of a change in the outstanding Shares by reason of any stock split, reverse stock split, dividend or other distribution (whether in the form of cash, Shares, other securities or other property), extraordinary cash dividend, recapitalization, merger, consolidation, split-up, spin-off, reorganization, combination, repurchase or exchange of Shares or other securities, the exercisability of stock purchase rights received under the Rights Agreement, the issuance of warrants or other rights to purchase Shares or other securities, or other

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similar corporate transaction or event, if the Committee shall determine, in its sole discretion, that, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, such transaction or event equitably requires an adjustment in the number or kind of Shares that may be issued under the Plan, or in the number or kind of Shares underlying a Stock Deferral or credited to a Deferred Stock Compensation Account, such adjustment shall be made by the Committee and shall be conclusive and binding for all purposes under the Plan.

**5.03 Consolidation; Merger or Sale of Assets.** Upon the occurrence of (i) a merger, consolidation, acquisition of property or stock, reorganization or otherwise involving the Company in which the Company is not to be the surviving corporation, (ii) a merger, consolidation, acquisition of property or stock, reorganization or otherwise involving the Company in which the Company is the surviving corporation but holders of Shares receive securities of another corporation, or (iii) a sale of all or substantially all of the Company's assets (as an entirety) or capital stock to another person, any Stock Deferral credited hereunder shall be deemed to apply to the securities, cash or other property (subject to adjustment by cash payment in lieu of fractional interests) to which a holder of the number of Shares equal to the number of Shares the Eligible Director would have been entitled, and proper provisions shall be made to ensure that this clause is a condition to any such transaction.

**5.04 Fractional Shares.** No fractional Shares shall be issued under the Plan. In the event that an Eligible Director acquires the right to receive a fractional Share under the Plan, such Eligible Director shall receive, in lieu of such fractional Share, cash equal to the Fair Market Value of the fractional Share as of the date of settlement.

## **ARTICLE VI**

### **AMENDMENT AND TERMINATION**

**6.01 Amendment.** The Plan may be amended at any time and from time to time by the Board without the approval of shareholders of the Company, except that no amendment that increases the aggregate number of Shares that may be issued pursuant to the Plan or materially modifies the eligibility requirements for participation in the Plan shall be effective unless and until the same is approved by the shareholders of the Company. No amendment of the Plan shall adversely affect any right of any Eligible Director with respect to any Stock Deferral theretofore credited to the Eligible Director's Deferred Stock Compensation Account without such Eligible Director's written consent. For purposes of the preceding sentence, an amendment that accelerates the time period within which any installment payments elected pursuant to Section 4.03(d) shall be paid shall not be considered an amendment that adversely affects a right of such Eligible Director with respect to any Stock Deferral.

**6.02 Termination.** The Plan shall terminate upon the earlier of the following dates or events to occur:

(a) the adoption of a resolution of the Board terminating the Plan; or

(b) the 10-year anniversary of the date of the Company's 2003 Annual Meeting. No Director Fees shall be paid and no Stock Deferrals shall be credited to any Deferred Stock Compensation Accounts under this Plan after it has been terminated. However, the termination of the Plan shall not alter or impair any of the rights or obligations of any person, without such person's consent, under any Deferred Stock Compensation Account under the Plan; except, however, that the Board, in its sole discretion, may, at any time after the termination of the Plan and without the consent of the affected individuals, accelerate the time period within which any installment payments elected pursuant to Section 4.03(d) shall be paid, or determine that the remaining balance of Deferred Stock Compensation Accounts under the Plan shall be paid in one lump sum on such date as the Board shall determine. Subject to the preceding sentence, any existing Stock Deferrals shall remain in effect and shall continue to be governed by the terms of the Plan after the Plan is terminated.

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**ARTICLE VII**

**GENERAL PROVISIONS**

**7.01 Nontransferability of Awards.** The rights to receive Shares hereunder shall not be subject in any manner to alienation, anticipation, sale, assignment, pledge, encumbrance or transfer, other than by will or by the laws of descent or distribution, by an Eligible Director, and no other persons shall otherwise acquire any rights therein. Nothing in the preceding sentence, however, shall bar the payment of all or a portion of an Eligible Director's Director Fees or Deferred Stock Compensation Account balance to such Eligible Director's spouse pursuant to a qualified domestic relations order as defined by Section 414(p) of the Code.

**7.02 No Implied Rights.** Neither the establishment and subsequent operation of the Plan, nor the payment of Director Fees, nor the crediting of Stock Deferrals to a Deferred Stock Compensation Account, nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that an individual has a right to continue as a Director for any period of time or at any particular rate of compensation.

**7.03 No Rights as Stockholders.** Neither the recipient of a Stock Deferral under the Plan nor such person's successor(s) in interest shall have any rights as a stockholder of the Company with respect to any Shares underlying such Stock Deferral unless and until such time as certificates for the Shares are registered in such person's name.

**7.04 Nature of Payments.** All Director Fees payable pursuant to the Plan are in consideration of services rendered for the Company as member of the Board.

**7.05 Nature of Deferred Stock Compensation Accounts.** Deferred Stock Compensation Accounts established and maintained under the Plan, and all credits and adjustments to such Accounts, shall be bookkeeping entries only and reflect a mere unfunded and unsecured promise by the Company to issue Shares in the future. No Shares or other assets or funds of the Company shall be removed from the claims of the Company's general or judgment creditors or otherwise be made available until Shares are actually issued to Eligible Directors or their heirs as provided herein. The Eligible Directors and their heirs shall have the status of, and their rights to be issued Shares in settlement of amounts credited to their Deferred Stock Compensation Accounts shall be no greater than the rights of, general unsecured creditors of the Company. The Company may, however, in its discretion, set aside funds in a trust or other vehicle, subject to the claims of its creditors, in order to assist it in meeting its obligations under the Plan, if such arrangement will not cause the Plan to be considered a funded deferred compensation plan under the Code.

**7.06 Securities Law Compliance.** The obligation of the Company to issue Shares under the Plan shall be subject to (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such Shares, if deemed necessary or appropriate by counsel to the Company, (ii) the condition that the Shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, upon which Shares may then be listed, and (iii) all other applicable laws, regulations, rules and orders which may then be in effect.

Stock Deferrals under the Plan are intended to satisfy the requirements of Rule 16b-3 under the Securities Exchange Act of 1934. If any provision of this Plan or of any grant of a Stock Option would otherwise frustrate or conflict with such intent, that provision shall be interpreted and deemed amended so as to avoid such conflict.

**7.07 Governing Law; Severability.** The Plan and all determinations made and actions taken thereunder shall be governed by the internal substantive laws, and not the choice of law rules, of the State of New York and construed accordingly, to the extent not superseded by applicable federal law. If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity or unenforceability shall not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect.

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Notice: If you plan on attending the 2003 Annual Meeting, please cut out and use the admission ticket(s) below.

No admission will be granted without an admission ticket.

**Annual Meeting of Stockholders  
August 27, 2003, 10:00 a.m. (Eastern Daylight Time)  
Wyndham Wind Watch Hotel  
1717 Motor Parkway  
Hauppauge, NY 11788  
1-631-232-9800**

*From East of Islandia:*

Take 495 West to Exit 58 (Old Nichols Road). Go North on Old Nichols Road. Make a left onto Motor Parkway. The Wyndham Wind Watch Hotel is on the right.

*From West of Islandia:*

Take 495 East to Exit 57 (Motor Parkway). At the light, turn left. Go straight across Route 454 (Veterans Highway). The Wyndham Wind Watch Hotel is on the left.

**PLEASE VOTE YOUR SHARES VIA THE TELEPHONE OR INTERNET, OR SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.**

**Admission Ticket**

Annual Meeting of Stockholders  
Wyndham Wind Watch Hotel  
1717 Motor Parkway  
Hauppauge, NY 11788  
1-631-232-9800  
August 27, 2003  
10:00 a.m. EDT  
*Admit ONE*

**Admission Ticket**

Annual Meeting of Stockholders  
Wyndham Wind Watch Hotel  
1717 Motor Parkway  
Hauppauge, NY 11788  
1-631-232-9800  
August 27, 2003  
10:00 a.m. EDT  
*Admit ONE*

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**COMPUTER ASSOCIATES INTERNATIONAL, INC.**

**2003 ANNUAL MEETING OF STOCKHOLDERS**

**THIS PROXY IS SOLICITED BY THE COMPUTER ASSOCIATES BOARD OF DIRECTORS FOR THE 2003**

**ANNUAL MEETING OF STOCKHOLDERS ON AUGUST 27, 2003.**

The undersigned hereby appoints Robert B. Lamm and Steven M. Woghin, and each of them, as proxies, acting jointly and severally, with full power of substitution, for and in the name of the undersigned to vote all shares of Common Stock, par value \$.10 per share, of Computer Associates International, Inc. that the undersigned is entitled to vote at the Annual Meeting of Stockholders to be held on Wednesday, August 27, 2003 at 10:00 a.m. Eastern Daylight Time, at the Wyndham Wind Watch Hotel, 1717 Motor Parkway, Islandia, New York, and at any adjournment or postponement thereof, upon the matters set forth in the accompanying Notice of Annual Meeting of Stockholders and upon such other matters as may properly come before the Annual Meeting.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. **IF NO DIRECTION IS SPECIFIED, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2, AND 3 AND IN THE DISCRETION OF THE PROXIES UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING.** AT PRESENT, THE BOARD KNOWS OF NO OTHER BUSINESS WHICH WILL COME BEFORE THE MEETING.

**Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**

**(Continued on Reverse Side. Please Sign and Date.)**

**Address Change/Comments (Mark the corresponding box on the reverse side)**

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**ADMISSION TICKET**

Notice: If you plan on attending the 2003 Annual Meeting, please use this admission ticket.

No admission will be granted without an admission ticket.

**ANNUAL MEETING OF STOCKHOLDERS**

**AUGUST 27, 2003, 10:00 A.M. (EASTERN DAYLIGHT TIME)  
WYNDHAM WIND WATCH HOTEL  
1717 MOTOR PARKWAY  
ISLANDIA, NY 11749  
1-631-232-9800**

From East of Islandia: Take 495 West to Exit 58. (Old Nichols Road.) Go North on Old Nichols Road. Make left on Motor Parkway. The Wyndham Wind Watch Hotel is on the right.

From West of Islandia: Take 495 East to Exit 57. (Motor Parkway.) At the light, turn left. Go straight across Route 454 (Veterans Highway). The Wyndham Wind Watch Hotel is on the left.

Please sign, date, and return the proxy card promptly using the enclosed envelope even if you plan to attend the 2003 Annual Meeting.

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Please Mark Here for Address Change or Comments SEE REVERSE SIDE

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSALS 1, 2 AND 3.**

	FOR	WITHHELD		FOR	AGAINST	ABSTAIN
1. Election of the following director nominees to serve for the following year and until their successors are elected:	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Nominees:						
01 Russell M. Artzt			06 Robert E. La Blanc			
02 Kenneth Cron			07 Jay W. Lorach			
03 Alfonse M. D Amat			08 Lewis S. Ranieri			
04 Gary J. Fernandes			09 Walker P. Schuetze			
05 Sanjay Kumar			10 Alex Serge Viewx			

Withhold vote only from: \_\_\_\_\_

**IF YOU WISH TO VOTE BY TELEPHONE OR INTERNET PLEASE READ THE INSTRUCTIONS BELOW**

I consent to future access of the Annual Reports and Proxy Statements electronically via the internet and I understand that the company may no longer distribute printed materials to me for any future shareholder meetings until such consent is revoked. I understand that I may revoke my consent at any time.

Date \_\_\_\_\_ Signature \_\_\_\_\_ Joint Signature \_\_\_\_\_ Title or Authority \_\_\_\_\_

**PLEASE SIGN EXACTLY AS YOUR NAME APPEARS ON THIS CARD. JOINT OWNERS SHOULD EACH SIGN PERSONALLY. CORPORATE PROXIES SHOULD BE SIGNED IN CORPORATE NAME BY AN AUTHORIZED OFFICER, EXECUTORS, ADMINISTRATORS, TRUSTEES OR GUARDIANS SHOULD GIVE THEIR TITLE WHEN SIGNING.**

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5FOLD AND DETACH HERE5

**Vote by Internet or Telephone or Mail**

**24 Hours a Day, 7 Days a Week**

**Internet and telephone voting is available through 11PM Eastern Time the day prior to the annual meeting day.**

**Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**

**Internet**  
<http://www.eproxy.com/ca>

**OR**

**Telephone 1-800-435-6710**

**OR**

**Mail**

Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site. You will be prompted to enter your

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call. You will be prompted to enter your control number, located in the box below, and

Mark, sign and date your proxy card and return it in the

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control number, located in the box below, to  
create and submit an electronic ballot.

then follow the directions given.

enclosed postage-paid  
envelope.

**If you vote your proxy by Internet or by telephone,  
you do NOT need to mail back your proxy card.**

**You can view the Annual Report and Proxy Statement  
on the internet at [www.ca.com](http://www.ca.com)**