

COMPUTER ASSOCIATES INTERNATIONAL INC

Form 11-K

September 27, 2005

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

**FORM 11-K  
(Mark One)**

- ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended March 30, 2005**  
**OR**
- TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Commission file number 1-9247**  
**Computer Associates Savings Harvest Plan**  
(Full title of the Plan)  
**Computer Associates International, Inc.**  
(Name of issuer of the securities held pursuant to the Plan)

**One Computer Associates Plaza, Islandia,**

**New York**

**11749**

(Address of principal executive offices)

(Zip Code)

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HARVEST PLAN  
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**Report of Independent Registered Public Accounting Firm**

Computer Associates Savings Harvest Plan Committee

Computer Associates Savings Harvest Plan:

We have audited the accompanying statements of net assets available for benefits of Computer Associates Savings Harvest Plan (the Plan) as of March 30, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of March 30, 2005 and 2004, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule H, line 4i schedule of assets (held at end of year) as of March 30, 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. This supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

New York, New York

September 26, 2005

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**COMPUTER ASSOCIATES SAVINGS  
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Statements of Net Assets Available for Benefits  
March 30, 2005 and 2004

	<b>2005</b>	<b>2004</b>
Assets:		
Investments, at fair value:		
Mutual Funds	\$ 688,117,129	\$ 635,212,889
Computer Associates common stock	200,007,583	217,520,808
Participant loans	13,428,141	13,919,993
Total investments	901,552,853	866,653,690
Employer's contributions receivable	15,585,471	20,022,658
Participants' contributions receivable	2,325,667	2,190,714
Total Assets	919,463,991	888,867,062
Liabilities:		
Administrative Fee Payable	25,000	41,470
Net assets available for benefits	\$ 919,438,991	\$ 888,825,592

See accompanying notes to financial statements.

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Statements of Changes in Net Assets Available for Benefits  
Years ended March 30, 2005 and 2004

	<b>2005</b>	<b>2004</b>
Additions to assets available for benefits:		
Investment Income:		
Net appreciation in fair value investments	\$ 24,044,618	\$ 217,083,941
Dividend income	16,210,040	10,957,399
Participant loan interest	756,210	772,260
 Total Investment Income	 41,010,868	 228,813,600
Contributions:		
Participants	57,756,430	54,194,387
Employer s	23,187,030	28,572,812
ERISA Action settlement (see Note 7)		4,507,881
Securities Action settlement (see Note 7)	1,942,125	
 Total Additions	 123,896,453	 316,088,680
 Deductions from assets available for benefits:		
Benefits paid to participants (withdrawal)	92,966,664	56,337,988
Administrative expenses	316,390	539,855
 Total Deductions	 93,283,054	 56,877,843
 Net increase	 30,613,399	 259,210,837
Net assets available for benefits at beginning of year	888,825,592	629,614,755
 Net assets available for benefits at end of year	 \$ 919,438,991	 \$ 888,825,592

See accompanying notes to financial statements.

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Notes to Financial Statements

March 30, 2005 and 2004

**(1) Description of the Plan**

The following description of the Computer Associates Savings Harvest Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

**(a) General**

The Plan, which has a fiscal year-end of March 30, is a defined contribution plan covering all eligible salaried employees of Computer Associates International, Inc. (the Company). Employees are eligible to participate in the Plan with respect to pre-tax contributions effective on hire date. Eligibility with respect to employer matching and discretionary contributions occurs in the month following completion of one full year of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The Plan is administered by the Computer Associates Savings Harvest Plan Committee (Plan Committee) which consists of managers and executives of the Company. The trustee of the Plan is Fidelity Management Trust Company.

**(b) Contributions**

Plan participants may elect to contribute a percentage of their base compensation ranging from 2% to 20%. Each participant may change this election at any time.

To comply with the applicable Internal Revenue Code (IRC) provision, pre-tax contributions elected by any participant may not exceed \$14,000 and \$13,000 for the calendar years ended December 31, 2005 and 2004, respectively. The Plan also allows participants age 50 and over to make an extra "catch-up" contribution on a pre-tax basis, which may not exceed \$4,000 and \$3,000 for the calendar years ended December 31, 2005 and 2004, respectively. Participants may also contribute on an after-tax basis.

For eligible participants, the Company makes a matching contribution to the Plan on behalf of each participant equal to 50% of such participant's contribution up to a maximum of 2.5% of the participant's base compensation (contributions are subject to certain IRC limitations). The total matching contribution for the plan year ended March 30, 2005 was \$12,066,650 of which \$3,962,468 was funded from plan forfeitures. The total matching contribution for the plan year ended March 30, 2004 was \$12,046,210 of which \$3,494,922 was funded from plan forfeitures.

In addition to its matching contribution, the Company may make a discretionary contribution to the Plan on behalf of eligible participants in an amount that the board of directors of the Company may, in its sole discretion, determine. The discretionary contribution for the plan year ended March 30, 2005 was \$15,084,832 which was paid in the form of 526,153 shares of common stock of the Company. The discretionary contribution for the plan year ended March 30, 2004 was \$19,522,293 which was paid in the form of 720,911 shares of common stock of the Company. The discretionary contribution is allocated to each eligible participant who is an employee of the Company on March 30 of that year, generally in the same ratio that the participant's base compensation for the plan year bears to the base compensation of all participants for such plan year. The discretionary





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contribution for the plan years ended March 30, 2005 and 2004 was allocated directly to the Computer Associates Stock Fund and funded into each participant's account in July 2005 and April 2004, respectively. Subsequent to this initial allocation, the participants of the Plan have the ability to re-direct these investments into the other investment options.

**(c) *Vesting***

Participants are immediately vested in their elective contributions. The matching and discretionary contributions made by the Company vest as follows:

<b>Percent vested</b>	<b>After years of service</b>
0%	Less than 2
	2
20%	
	3
40%	
	4
60%	
	5
80%	
	6
100%	

In addition, 100% vesting occurs upon death or total disability of a participant, upon attainment of normal retirement age, or upon termination of the Plan.

**(d) *Participant Accounts***

A separate account is established and maintained in the name of each participant and reflects the participant's balance invested therein. Such balance includes contributions, earnings and losses, and if applicable, expenses, allocated to each participant's account. Allocation of earnings, losses, and expenses is based upon the percentage investment that each participant's account balance bears to the total of all participant account balances. Forfeited balances of terminated participants' non-vested accounts may be used to reduce future Company contributions and pay for the Plan's administrative expenses.

**(e) *Investment Options***

The assets of the Plan are invested by Fidelity Management Trust Company. There were fourteen investment fund options available at the beginning of the Plan year. As of March 30, 2005 participants were able to invest in any of the following fourteen investment fund options:

*Fidelity Retirement Money Market Portfolio* invests in U.S. dollar denominated money market securities and repurchase agreements.

*Fidelity Intermediate Bond Fund* invests at least 80% of its assets in investment grade debt securities and repurchase agreements.

*Fidelity Puritan Fund* invests approximately 60% of its assets in stocks and other equity securities and the remainder in bonds and other debt securities.

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*Dodge & Cox Stock Fund (added February 2004)* invests at least 80% of its assets in common stocks.

*Fidelity Growth and Income Portfolio* invests a majority of its assets in common stocks, and may invest in bonds.

*Spartan U.S. Equity Index Fund* invests at least 80% of its assets in common stocks included in the Standard and Poor's 500 index.

*American Funds Growth Fund of America (added February 2004)* invests primarily in common stocks.

*Artisan Mid Cap Fund (added February 2004)* invests primarily in companies that have market capitalizations between \$600 million and \$6 billion.

*Fidelity Low Priced Stock Fund (added February 2004)* invests at least 80% of its assets in low-priced stocks.

*Fidelity Magellan Fund* invests primarily in common stocks of domestic and foreign issuers.

*Fidelity Small Cap Stock Fund (added February 2004)* invests at least 80% of its assets in common stocks of companies with small market capitalizations.

*Hotchkis and Wiley Mid Cap Value Fund (added February 2004)* invests in mid-sized companies with market capitalizations similar to those found in the Russell Midcap Index.

*Fidelity Diversified International Fund* invests primarily in foreign securities, primarily in common stock.

*Computer Associates Stock Fund* invests solely in the common stock of the Company.

Participants may direct contributions or transfer their current investment balances between funds on a daily basis.

The Fidelity Low Priced Stock Fund is closed to new investors effective July 30, 2004. Participants who had a position in the fund on July 30, 2004 are able to continue to invest in the fund.

**(f) *Payment of Benefits***

The Plan provides for benefit distributions to plan participants or their beneficiaries upon the participant's retirement, termination of employment or death. Any participant may apply to withdraw all or part of his/her vested account balance subject to specific hardship withdrawal criteria in the Plan.

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**(g) *Participant Loans***

Any participant may take a loan from his/her account once certain provisions of the Plan have been met. Upon the death, retirement or termination of employment of the participant, the Plan may deduct the total unpaid balance or any portion thereof from any payment or distribution to which the participant or his/her beneficiaries may be entitled. Interest rates on loans are fixed based on the prevailing market rate (the prevailing prime rate plus 1%) when the application for the loan is submitted. The prevailing rate at March 30, 2005 was 6.50%. All loans are being repaid in equal semimonthly installments and extend from periods of one to five years. Certain loans that were transferred from other plans had terms in excess of five years as they were for purchases of principal residences. Loans outstanding as of March 30, 2005 and 2004 bore interest ranging from 5.00% to 6.50% and 5.00% to 10.50%, respectively, and the terms range from 1 to 20 years. Participant loan fees which are included in administrative expenses on the accompanying statements of changes in net assets available for benefits, are borne by the participant and amounted to \$48,268 and \$49,655 for the plan years ended March 30, 2005 and 2004, respectively.

**(h) *Administrative Expenses***

Administrative expenses consist of participant fees, including loan fees, and costs of recordkeeping and administration. Participant fees for the plan years ended March 30, 2005 and 2004 were \$241,475 and \$371,704 respectively. To the extent that the costs of recordkeeping and administration of the funds are not paid from plan forfeitures, they are borne by the Company. Record keeping and administration costs for the plan years ended March 30, 2005 and 2004 were \$74,915 and \$168,151, respectively, and were all paid from plan forfeitures.

**(i) *Forfeited Accounts***

When participants leave the Company, the unvested portion of their Employer Contribution Account (Matching and Discretionary) will be forfeited as of the earlier of the date they receive a distribution of their vested account or the date they have 5 consecutive Break-in-Service Years. At March 30, 2005 and 2004 forfeited non-vested accounts totaled \$450,879 and \$551,721 respectively, and are available to fund future matching contributions and to pay administrative expenses of the Plan as noted above.

**(j) *Plan Termination***

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination of the Plan, participants will become 100% vested in their accounts.

**(2) *Summary of Significant Accounting Policies***

The accompanying financial statements of the Plan have been prepared in accordance with U.S. generally accepted accounting principles. The more significant accounting policies followed by the Plan are as follows:

**(a) *Basis of Presentation***

The accompanying financial statements have been prepared on an accrual method of accounting.

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HARVEST PLAN**Notes to Financial Statements  
March 30, 2005 and 2004**(b) Investments Valuation and Income Recognition**

Investments in mutual funds and Computer Associates common stock are stated at fair value based upon quoted prices in published sources. Participant loans are stated at cost.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date and interest is recorded when earned.

**(c) Payments of Benefits**

Benefits to participants or their beneficiaries are recorded when paid.

**(d) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions.

**(3) Investments**

The following individual investments exceeded 5% of the Plan's assets available for benefits at March 30, 2005 and 2004:

	<b>2005</b>	<b>2004</b>
Mutual funds:		
Fidelity Retirement Money Market Portfolio	\$ 140,810,846	\$ 146,544,761
Fidelity Puritan Fund	75,409,328	72,813,870
Fidelity Growth and Income Portfolio	71,986,215	74,548,941
Spartan U.S. Equity Index Fund	78,308,434	78,389,873
Fidelity Magellan Fund	88,280,758	100,667,668
Fidelity Diversified International Fund	72,750,807	61,095,609
Fidelity Intermediate Bond Fund	46,584,634	47,152,013
Computer Associates common stock	200,007,583	217,520,808
	<b>2005</b>	<b>2004</b>
Mutual funds	\$ 19,744,178	\$ 87,969,712
Computer Associates common stock	4,300,440	129,114,229
	<b>\$ 24,044,618</b>	<b>\$ 217,083,941</b>

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**(4) Related-Party Transactions**

Certain plan investments are shares of mutual funds managed by Fidelity Investments, an affiliate of Fidelity Management Trust Company (FMTC). Investment Management Fees and costs of administering the mutual funds are paid to Fidelity Investments from the mutual funds and are reflected in the change in net asset values of the mutual funds. FMTC is the trustee as defined by the Plan and a party-in-interest with respect to the Plan. Fees paid by the Plan to FMTC were \$232,975 and \$453,167 for the plan years ended March 30, 2005 and 2004, respectively, and include participant fees and recordkeeping and administrative costs. The Plan also holds shares of Computer Associates International, Inc. common stock, the Plan Sponsor, and a party-in-interest with respect to the Plan. These transactions are covered by an exemption from the prohibited transaction provisions of ERISA and the IRC.

**(5) Tax Status**

The Internal Revenue Service has determined and informed the Company in a letter dated March 12, 2004, that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the determination letter. However, the Plan committee and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC.

**(6) Risks and Uncertainties**

The Plan may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and/or credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits. At March 30, 2005 and 2004 approximately 21.70% and 24.47% of the Plan's net assets were invested in the common stock of Computer Associates International, Inc. The underlying value of the Computer Associates International, Inc. common stock is entirely dependent upon the performance of Computer Associates International, Inc. and the market's evaluation of such performance.

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**COMPUTER ASSOCIATES SAVINGS  
HARVEST PLAN**

Notes to Financial Statements

March 30, 2005 and 2004

**(7) Litigation**

**Stockholder Class Action and Derivative Lawsuits Filed Prior to 2004**

The Company, its former Chairman and CEO Charles B. Wang, its former Chairman and CEO Sanjay Kumar, and its Executive Vice President Russell M. Artzt were defendants in a number of stockholder class action lawsuits, the first of which was filed July 23, 1998, alleging that a class consisting of all persons who purchased the Company's common stock during the period from January 20, 1998 until July 22, 1998 were harmed by misleading statements, misrepresentations, and omissions regarding the Company's future financial performance. These cases, which sought monetary damages, were consolidated into a single action in the United States District Court for the Eastern District of New York (the Federal Court), the proposed class was certified, and discovery was completed. Additionally, in February and March 2002, a number of stockholder lawsuits were filed in the Federal Court against the Company and Messrs. Wang, Kumar, Ira H. Zar, the Company's former Chief Financial Officer, and in one instance, Mr. Artzt. The lawsuits generally alleged, among other things, that the Company made misleading statements of material fact or omitted to state material facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading in connection with the Company's financial performance. Each of the named individual plaintiffs in the 2002 lawsuits sought to represent a class consisting of purchasers of the Company's common stock and call options and sellers of put options for the period from May 28, 1999, through February 25, 2002. The 2002 cases were consolidated, and the Company's former independent auditor, Ernst & Young LLP, was named as a defendant. In addition, in May 2003, a class action lawsuit (the ERISA Action) captioned John A. Ambler v. Computer Associates International, Inc., et al. was filed in the Federal Court. The complaint in this matter, a purported class action on behalf of the Plan and the participants in, and beneficiaries of the Plan for a class period running from March 30, 1998, through May 30, 2003, asserted claims of breach of fiduciary duty under ERISA, the federal Employee Retirement Income Security Act. The named defendants were the Company, the Company's Board of Directors, the Plan, the Administrative Committee of the Plan, and the following current or former employees and/or directors of the Company: Charles B. Wang; Sanjay Kumar; Ira Zar; Russell M. Artzt; Peter A. Schwartz; Charles P. McWade; and various unidentified alleged fiduciaries of the Plan. The complaint alleged that the defendants breached their fiduciary duties by causing the Plan to invest in Company securities and sought damages in an unspecified amount.

A derivative lawsuit was filed against certain current and former directors of the Company, based on essentially the same allegations as those contained in the February and March 2002 stockholder lawsuits discussed above. This action was commenced in April 2002 in Delaware Chancery Court, and an amended complaint was filed in November 2002. The defendants named in the amended complaints were the Company as a nominal defendant, current Company directors Messrs. Lewis S. Ranieri, and Alfonse M. D'Amato, and former Company directors Ms. Shirley Strum Kenny and Messrs. Wang, Kumar, Artzt, Willem de Vogel, Richard Grasso, and Roel Pieper. The derivative suit alleged breach of fiduciary duties on the part of all the individual defendants and, as against the current and former management director defendants, insider trading on the basis of allegedly misappropriated confidential, material information. The amended complaints sought an accounting and recovery on behalf of the Company of an unspecified amount of damages, including recovery of the profits allegedly realized from the sale of common stock of the Company.

On August 25, 2003, the Company announced the settlement of all outstanding litigation, including the ERISA Action, related to the above-referenced stockholder and derivative actions as well as the settlement of an additional derivative action filed in the Federal Court in connection with the settlement. As part of the class action settlement, which was approved by the Federal Court in December 2003, the Company agreed to issue a total of up to 5.7 million shares of common stock to the shareholders represented in the three class action lawsuits, including payment of attorneys' fees. In January 2004, approximately 1.6 million settlement shares were issued along with approximately \$3.3 million to the plaintiffs' attorneys for attorney fees and related expenses. In March 2004, 168,393 settlement



shares (valued at \$4,507,881) were issued to participants and beneficiaries of the Plan. On October 8, 2004, the Federal Court signed an order approving the distribution of the remaining 3.8 million settlement shares, less administrative expenses. The order was amended in December 2004. The Company issued the remaining 3.8 million settlement shares in December 2004. With respect to that order, 49,504 shares (valued at \$1,538,089) and approximately \$404,000 in cash were distributed to the Plan for allocation to certain participants and beneficiaries pursuant to the plan of allocation in the securities action. The remaining settlement shares were distributed to class members entitled to receive a distribution of shares.

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In settling the derivative suit, which settlement was also approved by the Federal Court in December 2003, the Company committed to maintain certain corporate governance practices. Under the settlement, the Company and the individual defendants were released from any potential claim by shareholders relating to accounting-related or other public statements made by the Company or its agents from January 1998 through February 2002 (and from January 1998 through May 2003 in the case of the ERISA Action), and the individual defendants were released from any potential claim by the Company or its shareholders relating to the same matters. Ernst & Young LLP is not a party to the settlement. The settlement was reviewed by the independent directors who chair the Corporate Governance, Audit, and Compensation and Human Resource Committees of the Board of Directors as well as by all non-interested, independent directors who were not named in any of the suits. It was also approved by the Board's independent directors as a whole.

On October 5, 2004 and December 9, 2004, four purported Company shareholders filed motions to vacate the Order of Final Judgment and Dismissal entered by the Federal Court in December 2003 in connection with the settlement of the derivative action. These motions primarily seek to void the releases that were granted to the individual defendants under the settlement. On December 7, 2004, a motion to vacate the Order of Final Judgment and Dismissal entered by the Federal Court in December 2003 in connection with the settlement of the 1998 and 2002 stockholder lawsuits discussed above was filed by Sam Wyly and certain related parties. The motion seeks to reopen the settlement to permit the moving shareholders to pursue individual claims against certain present and former officers of the Company. The motion states that the moving shareholders do not seek to file claims against the Company. These motions (60(b) Motions) have been fully briefed. On June 14, 2005, the Federal Court granted movants' motion to be allowed to take limited discovery prior to the Federal Court's ruling on these motions. No hearing date is currently set for the motions.

**The Government Investigation**

In 2002, the United States Attorney's Office for the Eastern District of New York (USAO) and the staff of the Northeast Regional Office of the Securities and Exchange Commission (SEC) commenced an investigation concerning certain of the Company's past accounting practices, including the Company's revenue recognition procedures in periods prior to the adoption of the Company's Business Model in October 2000.

In response to the investigation, the Board of Directors authorized the Audit Committee (now the Audit and Compliance Committee) to conduct an independent investigation into the timing of revenue recognition by the Company. On October 8, 2003, the Company reported that the ongoing investigation by the Audit Committee had preliminarily found that revenues were prematurely recognized in the fiscal year ended March 31, 2000, and that a number of software license agreements appeared to have been signed after the end of the quarter in which revenues associated with such software license agreements had been recognized in that fiscal year. Those revenues, as the Audit Committee found, should have been recognized in the quarter in which the software license agreements were signed. Those preliminary findings were reported to government investigators.

Following the Audit Committee's preliminary report and at its recommendation, four executives who oversaw the relevant financial operations during the period in question, including Ira Zar, resigned at the Company's request. On January 22, 2004, one of these individuals pled guilty to federal criminal charges of conspiracy to obstruct justice in connection with the ongoing investigation. On April 8, 2004, Mr. Zar and two other executives pled guilty to charges of conspiracy to obstruct justice and conspiracy to commit securities fraud in connection with the investigation, and Mr. Zar also pled guilty to committing securities fraud. The SEC filed related actions against each of the four executives alleging that they participated in a widespread practice that resulted in the improper recognition of revenue by the Company. Without admitting or denying the allegations in the complaints, Mr. Zar and two other executives each consented to a permanent injunction against violating, or aiding and abetting violations of, the securities laws, and also to a permanent bar from serving as an officer or director of a publicly held company. Litigation with respect to the SEC's claims for disgorgement and penalties is continuing.

A number of other employees, primarily in the Company's legal and finance departments were terminated

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or resigned as a result of matters under investigation by the Audit Committee, including Steven Woghin, the Company's former General Counsel. Stephen Richards, the Company's former Executive Vice President of Sales, resigned from his position and was relieved of all duties in April 2004, and left the Company at the end of June 2004. Additionally, on April 21, 2004, Sanjay Kumar resigned as Chairman, director and Chief Executive Officer of the Company, and assumed the role of Chief Software Architect. Thereafter, Mr. Kumar resigned from the Company effective June 30, 2004.

In April 2004, the Audit Committee completed its investigation and determined that the Company should restate certain financial data to properly reflect the timing of the recognition of license revenue for the Company's fiscal years ended March 31, 2001 and 2000. The Audit Committee believes that the Company's financial reporting related to contracts executed under its current Business Model is unaffected by the improper accounting practices that were in place prior to the adoption of the Business Model in October 2000 and that had resulted in the restatement, and that the historical issues it had identified in the course of its independent investigation concerned the premature recognition of revenue. However, certain of these prior period accounting errors have had an impact on the subsequent financial results of the Company. The Company continues to implement and consider additional remedial actions it deems necessary.

On September 22, 2004, the Company reached agreements with the USAO and the SEC by entering into a Deferred Prosecution Agreement (the DPA) with the USAO and consenting to the entry of a Final Consent Judgment in a parallel proceeding brought by the SEC (the Consent Judgment, and together with the DPA, the Agreements). The Federal Court approved the DPA on September 22, 2004 and entered the Final Consent Judgment on September 28, 2004. The agreements resolve the USAO and SEC investigations into certain of the Company's past accounting practices, including its revenue recognition policies and procedures, and obstruction of their investigations. Under the DPA, the Company has agreed to establish a \$225 million fund for purposes of restitution to current and former stockholders of the Company. The Company created the Restitution Fund by depositing \$75 million into an account with a financial institution. The Company made a second deposit of \$75 million in September 2005, and is required to make a third deposit of \$75 million on or about March 16, 2006. Pursuant to the Agreements, the Company proposed and the USAO accepted, on or about November 4, 2004, the appointment of Kenneth R. Feinberg as Fund Administrator. Also pursuant to the Agreements, Mr. Feinberg submitted to the USAO on or about June 28, 2005, a Plan of Allocation for the Restitution Fund. This Plan of Allocation must be approved by the USAO and by the Federal Court. The payment of these restitution funds is in addition to the amounts, payable in the Company's shares and/or cash that the Company previously agreed to provide current and former stockholders in settlement of certain private litigation in August 2003 (See *Stockholder Class Action and Derivative Lawsuits Filed Prior to 2004* ). The Company has also agreed, among other things, to take the following actions by December 31, 2005: (1) add a minimum of two new independent directors to its Board of Directors; (2) establish a Compliance Committee of the Board of Directors; (3) implement an enhanced compliance and ethics program, including appointment of a Chief Compliance Officer; and (4) reorganize its Finance and Internal Audit Departments; and (5) establish an executive disclosure committee. The Company has since appointed a Chief Compliance Officer. On February 11, 2005, the Board of Directors elected William McCracken to serve as a new independent director, and also changed the name of the Audit Committee of the Board of Directors to the Audit and Compliance Committee of the Board of Directors and amended the Committee's charter. On April 11, 2005, the Board of Directors elected Ron Zambonini to serve as a new independent director. Under the Agreements, the Company has also agreed to the appointment of an Independent Examiner to examine the Company's practices for the recognition of software license revenue, its ethics and compliance policies and other matters. Under the Agreements the Independent Examiner will also review the Company's compliance with the Agreements and will report findings and recommendations to the USAO, SEC and Board of Directors within six months after appointment and quarterly thereafter. On March 16, 2005, the Federal Court appointed Lee S. Richards III, Esq. of Richards Spears Kibbe & Orbe LLP, to serve as Independent Examiner. Mr. Richards will serve for a term of 18 months unless his term of appointment is extended under conditions specified in the DPA. On September 15, 2005, Mr. Richards issued his six-month report concerning his recommendations regarding best practices.

Pursuant to the DPA, the USAO will defer and subsequently dismiss prosecution of a two-count



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information filed against the Company charging it with committing securities fraud and obstruction of justice if the Company abides by the terms of the DPA, which currently is set to expire within 30 days after the Independent Examiner's term of engagement is completed. Pursuant to the Consent Judgment with the SEC, the Company is permanently enjoined from violating Section 17(a) of the Securities Act of 1933 (the Securities Act), Sections 10(b), 13(a) and 13(b)(2) of the Securities Exchange Act of 1934 (the Exchange Act) and Rules 10b-5, 12b-20, 13a-1 and 13a-13 under the Exchange Act. Pursuant to the Agreements, the Company has also agreed to comply in the future with federal criminal laws, including securities laws. In addition, the Company has agreed not to make any public statement, in litigation or otherwise, contradicting its acceptance of responsibility for the accounting and other matters that are the subject of the investigations, or the related allegations by the USAO, as set forth in the DPA.

Under the Agreements, the Company also is required to cooperate fully with the USAO and SEC concerning their ongoing investigations into the misconduct of any present or former employees of the Company. The Company has also agreed to fully support efforts by the USAO and SEC to obtain disgorgement of compensation from any present or former officer of the Company who engaged in any improper conduct while employed at the Company.

After the Independent Examiner's term expires, the USAO will seek to dismiss its charges against the Company. However, the Company shall be subject to prosecution at any time if the USAO determines that the Company has deliberately given materially false, incomplete or misleading information pursuant to the DPA, has committed any federal crime after the date of the DPA or has knowingly, intentionally and materially violated any provision of the DPA (including any of those described above). Also, as indicated above, the USAO and SEC may require that the term of the DPA be extended beyond 18 months.

Also on September 22, 2004, Steven Woghin, the Company's former General Counsel, pled guilty to conspiracy to commit securities fraud and obstruction of justice under a two-count information filed against him by the USAO. The SEC also filed a complaint against Mr. Woghin alleging that he violated Section 17(a) of the Securities Act, Sections 10(b) and 13(b)(5) of the Exchange Act, and Rules 10b-5 and 13b2-1 thereunder. The complaint further alleged that under Section 20(e) of the Exchange Act, Mr. Woghin aided and abetted the Company's violations of Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder. Mr. Woghin consented to a partial judgment imposing a permanent injunction against him from committing such violations in the future and a permanent bar from being an officer or director of a public company. The SEC's claims for disgorgement and civil penalties against Mr. Woghin are pending.

Additionally on September 22, 2004, the SEC filed complaints against Sanjay Kumar and Stephen Richards alleging that they violated Section 17(a) of the Securities Act, Sections 10(b) and 13(b)(5) of the Exchange Act, and Rules 10b-5 and 13b2-1 thereunder. The complaints further alleged that under Section 20(e) of the Exchange Act, Messrs. Kumar and Richards aided and abetted the Company's violations of Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder.

On September 23, 2004, the USAO filed a ten-count indictment charging Messrs. Kumar and Richards with conspiracy to commit securities fraud and wire fraud, committing securities fraud, filing false SEC filings, conspiracy to obstruct justice and obstruction of justice. Additionally, Mr. Kumar was charged with one count of making false statements to an agent of the Federal Bureau of Investigation and Mr. Richards was charged with one count of perjury in connection with sworn testimony before the SEC. On or about June 29, 2005, the USAO filed a superseding indictment against Messrs. Kumar and Richards, dropping one count and adding several allegations to certain of the nine remaining counts.

As required by the Agreements, the Company continues to cooperate with the USAO and SEC in connection with their ongoing investigations of the conduct described in the Agreements and in the superseding indictment of Messrs. Kumar and Richards, including providing documents and other information to the USAO and SEC. The Company cannot predict at this time the outcome of the USAO's and SEC's ongoing investigations, including any actions the Company may have to take in response to these investigations.

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**Derivative Actions Filed in 2004**

In June 2004, a purported derivative action was filed in the Federal Court by Ranger Governance Ltd. against certain current or former employees and/or directors of the Company. In July 2004, two additional purported derivative actions were filed in the Federal Court by Company shareholders against certain current or former employees and/or directors of the Company. In November 2004, the Federal Court issued an order consolidating these three derivative actions. The plaintiffs filed a consolidated amended complaint (the Consolidated Complaint) on January 7, 2005. The Consolidated Complaint names as defendants Charles B. Wang; Sanjay Kumar; Ira H. Zar; David Kaplan; David Rivard; Lloyd Silverstein; Russell M. Artzt; Alfonse D. Amato; Stephen Richards; Michael A. McElroy; Charles P. McWade; Peter A. Schwartz; Gary Fernandes; Robert E. La Blanc; Lewis S. Ranieri; Jay W. Lorsch; Kenneth Cron; Walter P. Schuetze; Willem deVogel; Richard Grasso; Roel Pieper; Steven Woghin; KPMG LLP; and Ernst & Young LLP. The Company is named as a nominal defendant. The Consolidated Complaint alleges a claim against Messrs. Wang, Kumar, Zar, Kaplan, Rivard, Silverstein, Artzt, D. Amato, Richards, McElroy, McWade, Schwartz, Fernandes, La Blanc, Ranieri, Lorsch, Cron, Schuetze, deVogel, Grasso, Pieper and Woghin for contribution towards the consideration the Company had previously agreed to provide current and former stockholders in settlement of certain class action litigation commenced against the Company and certain officers and directors in 1998 and 2002 (See *Stockholder Class Action and Derivative Lawsuits Filed Prior to 2004*) as well as all damages suffered by the Company in connection with the USAO and SEC investigations (See *The Government Investigation*). The Consolidated Complaint also alleges a claim seeking unspecified relief against Messrs. Wang, Kumar, Zar, Kaplan, Rivard, Silverstein, Artzt, D. Amato, Richards, McElroy, McWade, Fernandes, La Blanc, Ranieri, Lorsch, Cron, Schuetze, deVogel and Woghin for violations of Section 14(a) of the Exchange Act for alleged false and material misstatements made in the Company's proxy statements issued in 2002 and 2003. The Consolidated Complaint also alleges breach of fiduciary duty by Messrs. Wang, Kumar, Zar, Kaplan, Rivard, Silverstein, Artzt, D. Amato, Richards, McElroy, McWade, Schwartz, Fernandes, La Blanc, Ranieri, Lorsch, Cron, Schuetze, deVogel, Grasso, Pieper and Woghin. The Consolidated Complaint also seeks unspecified compensatory, consequential and punitive damages against Messrs. Wang, Kumar, Zar, Kaplan, Rivard, Silverstein, Artzt, D. Amato, Richards, McElroy, McWade, Schwartz, Fernandes, La Blanc, Ranieri, Lorsch, Cron, Schuetze, deVogel, Grasso, Pieper and Woghin based upon allegations of corporate waste and fraud. The Consolidated Complaint also seeks unspecified damages against Ernst & Young LLP and KPMG LLP, for breach of fiduciary duty and the duty of reasonable care, as well as contribution and indemnity under Section 14(a) of the Exchange Act. The Consolidated Complaint requests restitution and rescission of the compensation earned under the Company's executive compensation plan by Messrs. Artzt, Kumar, Richards, Zar, Woghin, Kaplan, Rivard, Silverstein, Wang, McElroy, McWade and Schwartz. Additionally, pursuant to Section 304 of the Sarbanes-Oxley Act, the Consolidated Complaint seeks reimbursement of bonus or other incentive-based equity compensation received by defendants Wang, Kumar, Schwartz and Zar, as well as alleged profits realized from their sale of securities issued by the Company during the time periods they served as the Chief Executive Officer (Messrs. Wang and Kumar) and Chief Financial Officer (Mr. Zar) of the Company.

The derivative action has been stayed pending resolution of the 60(b) motions discussed above that have been filed in connection with the settlement of previously filed litigation. Also, on February 1, 2005, the Company established a Special Litigation Committee of independent members of its Board of Directors to control and determine the Company's response to this litigation. The Special Litigation Committee has moved for a stay of the derivative litigation until it completes its investigation of the claims alleged in the derivative action. That motion is pending. The Company is obligated to indemnify its officers and directors under certain circumstances to the fullest extent permitted by Delaware law. As a part of that obligation, the Company has advanced and will continue to advance certain attorneys' fees and expenses incurred by current and former officers and directors in various litigations arising out of similar allegations, including the litigation described above.

The Company, various subsidiaries, and certain current and former officers have been named as defendants

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in various other lawsuits and claims arising in the normal course of business. The Company believes that it has meritorious defenses in connection with such lawsuits and claims, and intends to vigorously contest each of them. In the opinion of the Company's management, the results of these other lawsuits and claims, either individually or in the aggregate, are not expected to have a material effect on the Company's financial position, results of operations, or cash flow.

**Table of Contents****COMPUTER ASSOCIATES SAVINGS HARVEST PLAN**

Schedule H, Line 4i Schedule of Assets (at End of Year)

March 30, 2005

<b>Identity of issuer, borrower, lessor or similar party</b>	<b>Description of investment including maturity date, rate of interest, collateral, par, or maturity value</b>	<b>Current value</b>
* Fidelity Investments	Fidelity Retirement Money Market Portfolio, 140,810,846 units	\$ 140,810,846
* Fidelity Investments	Fidelity Intermediate Bond Fund, 4,514,015 units	46,584,634
* Fidelity Investments	Fidelity Puritan Fund, 4,041,229 units	75,409,328
* Fidelity Investments	Fidelity Growth and Income Portfolio, 1,927,858 units	71,986,215
* Fidelity Investments	Fidelity Spartan U.S. Equity Index Fund 1,866,264 units	78,308,434
* Fidelity Investments	Fidelity Magellan Fund, 873,807 units	88,280,758
* Fidelity Investments	Fidelity Diversified International Fund, 2,549,082 units	72,750,807
* Fidelity Investments	Fidelity Small Cap Stock Fund 511,086 units	9,005,339
* Fidelity Investments	Fidelity Low Priced Stock Fund 299,211 units	11,875,693
Dodge and Cox	Dodge and Cox Stock Fund 221,884 units	28,592,022
Artisan	Artisan Mid Cap Fund 982,979 units	28,064,043
American Funds	American Funds Growth Fund of America 218,418	5,823,034
Hotchkis and Wiley	Hotchkis and Wiley Mid Cap Value Fund 1,133,875 units	30,625,976
* Computer Associates International, Inc.	Computer Associates common stock, 7,351,774 units	200,007,583
* Plan participants	1,975 Loans to participants with interest rates ranging from 5.00% to 6.5% and terms from 1 year to 20 years	13,428,141
	Total	\$ 901,552,853

\*Party-in-interest as defined by ERISA

See accompanying report of independent registered public accounting firm



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

COMPUTER ASSOCIATES  
SAVINGS HARVEST PLAN

Date: September 26, 2005

By: /s/ Douglas E. Robinson  
Douglas E. Robinson  
Senior Vice President and Controller

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**EXHIBIT INDEX**

Exhibit 23.1 Consent of Independent Registered Public Accounting Firm

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