

CA, INC.

FORM 10-K (Annual Report)

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|-------------|------------------------------------|
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| Symbol | CA |
| SIC Code | 7372 - Prepackaged Software |
| Industry | Software & Programming |
| Sector | Technology |
| Fiscal Year | 03/31 |

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 1996

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Commission file number 0-10180

COMPUTER ASSOCIATES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware 13-2857434
(State or other jurisdiction of (I.R.S. Employer Identification Number)
incorporation or organization)

One Computer Associates Plaza, Islandia, New York 11788-7000
(Address of principal executive offices) (Zip Code)

(516) 342-5224
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
(Title of Class) (Exchange on which registered)

Common Stock, par value \$.10 per share New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

6 1/4% Convertible Subordinated Debentures of On-Line Software International, Inc.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III to this Form 10-K or any amendment to this Form 10-K.

State the aggregate market value of the voting stock held by non-affiliates of the Registrant:

The aggregate market value of the voting stock held by non-affiliates of the Registrant as at May 22, 1996 was \$13,439,761,644 based on a total of 176,838,969 shares held by non-affiliates and the closing price on the New York Stock Exchange on that date which was \$76.00.

Number of shares of stock outstanding at May 22, 1996:
242,653,264 shares of Common Stock, par value \$.10 per share.

Documents Incorporated by Reference:

Part III - Proxy Statement to be issued in conjunction with Registrant's Annual Stockholders' Meeting.

Item 1. Business

(a) General Development of Business

Computer Associates International, Inc. (the "Company" or "Registrant") was incorporated in Delaware in 1974. In December 1981, the Company completed its initial public offering of Common Stock. The Company's Common Stock is traded on the New York Stock Exchange under the symbol "CA".

In its early years, the Company supplied systems management software for mainframe computers from International Business Machines Corp. ("IBM"), primarily those using the VSE operating system. Since that time the Company's line of products has expanded significantly, paralleling the growth of the software industry itself. Employing a tripartite strategy of growing through the introduction of internally developed products, strategic alliances coupled with a series of company and product acquisitions, and integration of the other two, the Company has significantly increased the breadth of its product portfolio. Today, the Company supplies an extensive array of systems management, information management, business management and consumer software products for use on a variety of hardware platforms. Because of its independence from hardware manufacturers, the Company has been able to offer products for use on most of the existing major operating systems. The Company's products operate on over 40 different desktop, midrange and mainframe operating systems and platforms.

In June 1994, the Company acquired The ASK Group, Inc. ("ASK"). ASK was primarily engaged in developing, marketing and selling relational database management systems, data access and connectivity products, manufacturing and financial software applications and application development tools designed for use in client/server environments. The acquisition was accounted for using the purchase method of accounting. See Note 2 of Notes to Consolidated Financial Statements for additional information concerning acquisitions.

In August 1995, the Company acquired Legent Corporation ("Legent"). Legent provides a broad range of computer software products for the management of information systems across several platforms and operating systems. The acquisition was accounted for using the purchase method of accounting. See Note 2 of Notes to Consolidated Financial Statements for additional information concerning acquisitions.

In April 1996, the Company announced a restructuring with respect to its business applications solutions. Organized around the concept of self-contained operational units, the Company formed seven new "Independent Business Units" ("iBUs"). These iBUs will be responsible for development, marketing, sales and support of their respective product areas. In order to better maintain its commitment to delivering quality technical support for its clients throughout the world, the Company has also formed a Technical Services Group. This group, which will serve as the bridge between the Company's sales and development organizations, will provide the highest quality technical assistance and guidance to clients. Although the Company expects these structural changes will improve operational efficiencies, it should be noted that there are risks associated with changing the Company's business model.

(b) Financial Information about Industry Segments

The Company's business is in a single industry segment--the design, development, marketing, licensing and support of a wide range of integrated computer software products operating on an equally diverse range of hardware platforms and operating systems.

See Note 4 of Notes to Consolidated Financial Statements for financial data pertaining to geographic areas.

(c) Narrative Description of Business

General

The Company designs, develops, markets and supports standardized computer software products for use with a broad range of desktop, midrange and mainframe computers from many different hardware manufacturers including among others, IBM, Hewlett-Packard Company ("HP"), Digital Equipment Corp. ("DEC"), Sun Microsystems Inc. ("Sun"), Data General Corp. ("DG"), Tandem Computers Inc. and Compaq Computer Corp.

A computer system, running the most powerful mainframe or the ubiquitous desktop, consists of hardware and software. Hardware is the physical computer or central processing unit as well as peripheral equipment such as disk and tape data storage devices, printers and terminals. Software products are the programs, or sets of instructions, which tell the hardware what to do and how to respond to specific user requests.

The Company continues to follow its approach of designing and developing new software technology solutions, acquiring software technology that is complementary to existing products and integrating internally developed products with acquired software.

Products

The Company offers a broad range of standardized systems management software products which enable clients to use their total data processing resources-- hardware, software and personnel--more efficiently. Many of the Company's products provide tools to measure and improve computer hardware and software performance and programmer productivity. During the past fiscal year, the Company announced CA-Unicenter TNG (The Next Generation)TM, the newest release of its systems management platform, CA-Unicenter.

CA-Unicenter TNG is an object-oriented solution that enables organizations to visualize and control their entire information technology infrastructure-- including applications, databases, systems and networks--from a business perspective. This technology establishes a link between an organization's information technology resources and its business policies. Through CA-Unicenter TNG, an organization can define its business policies, map these policies to particular resource management requirements, and then monitor resources for their support of specific business processes. The flexible business process views can be customized to deliver information based on specific roles, locations, resources, and any other dimensions of control. To visualize the complex interactions and interdependencies of an enterprise's entire distributed environment, CA-Unicenter TNG features a real world interface that incorporates 3-D animation and elements of virtual reality.

With more than 30 million users, and growing by 15 percent each month, the Internet has emerged as the de facto communications platform. Recognizing the growth of the Internet as a platform for business computing, the Company announced several offerings for this environment during this past fiscal year. These are CA-Unicenter/ICE (Internet Commerce Enabled)TM, JasmineTM and CA-OpenIngres/ICETM. While the Internet has created untapped electronic commerce opportunities, these cannot be realized until the Internet becomes more secure, reliable and manageable. The CA ICE family of solutions is supporting the Internet evolution from a personal browser to a business forum.

CA-Unicenter/ICE was introduced as a comprehensive solution for securing and managing electronic commerce over the Internet. CA-Unicenter/ICE addresses the management needs of Web Servers and Web Clients by providing security, event management, help-desk, storage management, resource accounting and database monitoring.

Jasmine is the first object-oriented database for development and deployment of multimedia, client/server, Intranet and Internet business applications. Developed in conjunction with Fujitsu Limited, Jasmine enables organizations to build applications with intuitive multimedia representation of complex real world activities and data which may be executed on client workstations, either standalone or within a Web browser. It will be integrated with Netscape's Commerce and Internet servers and Spyglass' Web Server. Jasmine is ideally suited for the development of such cross-industry applications as electronic catalogs, kiosks, customer support and sales force automation as well as industry specific applications in sectors such as insurance, financial services, manufacturing, pharmaceuticals, health care and telecommunications. Applications built with Jasmine are easily customizable to match specific business requirements.

The Company also announced CA-OpenIngres/ICE. This database management solution provides Web-enabled access to corporate data in UNIX and Windows NT environments. As a relational database solution which has been extended and optimized for Internet use, CA-OpenIngres/ICE enables users to access databases quickly and efficiently through the convenience of the Web page. The Company plans to embed Spyglass Web Server technology in each copy of CA-OpenIngres/ICE.

Prices for the Company's products vary depending upon the type of license agreement, operating environment and platform chosen by the client. See "Narrative Description of Business-Licensing."

Sales and Marketing

The company distributes, markets and supports its products on a worldwide basis with its own employees and a network of independent value-added resellers, distributors and dealers. The Company has approximately 4,100 sales and sales support personnel engaged in promoting the licensing of the Company's products.

In North America, the Company operates primarily through a single sales force responsible for sales, marketing and service of the Company's non-business application solutions. Several iBUs are responsible for the sales and marketing activities of business application solutions. A separate Global Accounts group provides additional service to large clients, particularly facilities managers. Facilities managers deliver data processing services using the Company's products to those companies that wish to "outsource" their computer processing requirements.

The Company also operates through wholly owned subsidiaries located in 36 countries outside North America. Each of these subsidiaries is structured as an autonomous entity and markets all or most of the Company's products in its respective territory. In addition, the Company's products are marketed by independent distributors in many areas of the world where it does not have a direct presence. Revenue from independent distributors accounted for approximately 1% of the Company's fiscal 1996 revenues.

The Company considers that it has established marketing and distribution channels in most areas of the world where the number of computer installations warrants the establishment of such channels. For fiscal year 1996 approximately 50% of the Company's revenue was derived from business outside North America. The percentages for fiscal year 1995 and 1994 were approximately 49% and 46%, respectively. Western Europe is the Company's most important foreign market. The Company believes that its operations outside the United States are located in countries which are politically stable, and that such operations are not exposed to any special or unusual risks. See Note 4 of Notes to Consolidated Financial Statements for further information concerning the Company's foreign operations.

The Company's marketing and marketing services groups produce substantially all of the user documentation for its products, as well as promotional brochures, advertising and other business solicitation materials. The duties of these groups include the writing of the requisite materials, editing, typesetting, photocomposition and printing.

Licensing

The Company does not sell or transfer title to its products to its clients. The products are licensed on a "right to use" basis pursuant to license agreements. Such licenses generally require that the client use the product only for its internal purposes at its own computer installation. In addition, the Company offers license agreements to facilities managers enabling them to utilize the Company's software in conjunction with their outsourcing business. Under certain circumstances, the Company will also license, on a non-exclusive basis, clients and other third parties as resellers of certain of the Company's products. The Company is encouraging value-added resellers ("VARs") to actively market the Company's products. VAR's bundle the Company's products along with specialized consulting services to provide clients with a complete solution. Such VAR's generally service a particular market or sector and provide enhanced user-specific solutions.

The Company offers several types of mainframe licenses. Under the first, the client agrees to pay a one-time fee and an annual usage and maintenance fee. The annual usage and maintenance fees typically range from 9% to 20% of the then prevailing one-time fee for the product. Payment of the usage and maintenance fee entitles the client to receive technical support for the product from the Company and to receive all enhancements and improvements (other than optional features subject to a separate charge) to the product developed by the Company during the period covered. A second alternative is the term license under which the client agrees to pay a fixed fee and in return receives the right to use the product for a specified term ranging from one month to three years. Upon expiration of this period, a term license must be renewed for continued use of the product, and the then prevailing term license fee paid. Maintenance and support is included in the term license fee. The Company offers a third alternative which combines elements of the other licensing options in that the client pays an initial licensing fee and a periodic license fee including maintenance to continue using the product. The Company also offers licenses for products and groups of products based on the size of an enterprise's computing power as measured in MIPS-- millions of instructions per second. Usage of software programs under the enterprise-wide licensing options may be expanded to subsidiaries and other related entities on a national or worldwide basis, regardless of the number, size and location of the data centers or central processing units ("CPUs") in use. Under this option, the client is free to reallocate hardware or modify user configurations without incremental costs. Product revenue for licenses is recognized upon delivery of the product to the client. Usage and maintenance fees are recognized ratably over the term of the agreement. Where the client has elected to pay the license fees in monthly or annual installments, the present value of the license fee is recognized as product revenue upon delivery of the product. Maintenance is unbundled from the selling price and ratably recognized over the term of the agreement. One-time license fees under the first alternative range between \$1,500 and \$1,200,000, and three-year term license fees range between \$1,000 and \$805,000. Pricing under enterprise-wide licensing options is dependent on contracted levels of usage. See Note 1 of Notes to Consolidated Financial Statements for further discussion of revenue recognition policies.

The Company's micro software products are licensed to end users upon payment of a fixed fee. Suggested license fees range between \$10 and \$4,500 per copy, dependent upon the product and number of users licensed. The Company also offers site licenses on micro software products providing pricing advantages based on the number of copies licensed. Maintenance is also available on a site-license basis under terms and conditions similar to those for mainframe software licenses. UNIX-based software products are licensed to end users on

a CPU basis, number of concurrent users basis, or based on the size of the enterprise in terms of computing power, as measured in Power Units. Maintenance and support services, primarily provided through telephone contact with employees of the Company, may be purchased for an additional fee.

Under its standard form of license agreements, the Company warrants that its products will perform in accordance with specifications published in the product documentation.

Competition And Risks

The computer software business is highly competitive. There are many companies, including DEC, HP, IBM, Sun, and other large computer manufacturers, which have substantially greater resources, as well as the ability to develop and market software programs similar to and competitive with the products offered by the Company. Competitive products are also offered by numerous independent software companies, which specialize in specific aspects of the highly fragmented software industry. Some are the leading developers and vendors in their own specialized markets.

IBM, DEC, HP and Sun are by far the largest suppliers of systems software, and are the manufacturers of the computer hardware systems used by most of the Company's clients. From time to time, these hardware manufacturers have modified or introduced new operating systems, systems software and computer hardware. Such products could incorporate features which are currently performed by the Company's products or could require modification of the Company's products to maintain their compatibility with these companies' hardware or software. Although the Company has to date been able to adapt its products and its business to changes introduced by hardware manufacturers, there can be no assurance that it will be able to do so in the future.

Historically, licensees using proprietary operating systems were furnished with "source code" which makes the operating system generally understandable to programmers, or "object code" which directly controls the hardware, and other technical documentation. Since the availability of source code facilitated the development of systems and applications software which must interface with the operating systems, independent software vendors such as the Company were able to develop compatible software. IBM and other hardware vendors have a policy of restricting the use or availability of the source code for some of its operating systems. To date, this policy has not had any effect on the Company. However, such restrictions may in the future result in higher research and development costs for the Company in connection with the enhancement and modification of existing products and the development of new products. Although the Company does not expect such restrictions will have an adverse effect on its products, there can be no assurance that such restrictions or other restrictions will not have a material adverse effect on the Company's business.

The Company anticipates ongoing use of microcode or firmware provided by hardware manufacturers. Microcode and firmware are basically software programs in hardware form, and therefore are less flexible than pure software. The Company believes that these technical advances will not have a significant impact on the Company's operations and that its products will remain compatible with any such changes. However, there can be no assurance that future technological developments will not have an adverse impact on the Company's operations.

Although no company competes with the Company across its entire software product line or a significant portion thereof, the Company considers at least 75 firms to be directly competitive with one or more of the Company's systems software packages. In the areas of database management systems, graphics and applications software for the desktop, midrange and mainframe environments, there are hundreds of companies, whose primary business focus is on at least one but not all of these areas. Certain of these companies have substantially larger operations than the Company's in these specific areas. Many companies, large and small, use their own technical personnel to develop programs similar to those of the Company; these may rightly be seen as competitors of the Company. The Company believes that the most important considerations for potential purchasers of software packages are: product capabilities; ease of installation and use; dependability and quality of technical support; documentation and training; the experience and financial stability of the vendor; integration of the product line; and, to a lesser extent, price. Price is a stronger factor in the client/server and microcomputer marketplace.

The Company's future operating results may be affected by a number of factors, including, but not limited to: uncertainties relative to global economic conditions; market acceptance of competing technologies; the availability and cost of new solutions; the Company's ability to successfully maintain or increase market share in its core business while expanding its product base into other markets; the strength of its distribution channels; the Company's ability to effectively manage fixed and variable expense growth relative to revenue growth; possible disruptions resulting from organizational changes; and the Company's ability to effectively integrate acquired products and operations.

Product Protection

The products of the Company are treated as trade secrets and confidential information. The Company relies for protection upon its contractual agreements with clients as well as its own security systems and confidentiality procedures. In addition to obtaining patent protection for new technology, the Company protects its products and their documentation and other written materials under copyright law. The Company also obtains trademark protection for its various product names.

Clients

No individual client accounted for a material portion of the Company's revenue during any of the past three fiscal years. Since the Company's mainframe packages are used with relatively expensive computer hardware, most of its revenues are derived from companies which have the resources to make a substantial commitment to data processing and their computer installations. Most of the world's major companies use one or more of the Company's software packages. The Company's software products are generally used in a broad range of industries, businesses and applications. The Company's clients include manufacturers, financial service providers, banks, insurance companies, educational institutions, hospitals, retail microcomputer distributors, value-added resellers, government agencies and individual personal computer users.

Product Development

The history of the computer industry has seen rapid changes in hardware and software technology. The Company must maintain the usefulness of its products as well as modify and enhance its products to accommodate changes to, and to ensure compatibility with, hardware and software.

To date, the Company has been able to adapt its products to such changes and, as described more fully in "Narrative Description Of Business--Products," the Company believes that it will be able to do so in the future. Computer software vendors must also continually ensure that their products meet the needs of clients in the ever-changing marketplace. Accordingly, the Company has the policy of continually enhancing, improving, adapting and adding new features to its products, as well as developing additional products. The Company offers a facility, CA-Uniservice, for many of its software products whereby problem diagnosis, program "fixes" and other mainframe services can be provided online between the client's installation and the support facilities of the Company. CA-TCC (Total Client Care), another facility, provides a major extension to existing support services of the Company by offering access to the Company's client support database. In addition, the Company anticipates offering support services online via the Internet. These services have contributed to the Company's ability to provide maintenance more efficiently.

Product development work is primarily done at the Company's facilities in Alameda, California; San Diego, California; Santa Clara, California; Chicago, Illinois; Andover, Massachusetts; Westwood, Massachusetts; Mount Laurel, New Jersey; Princeton, New Jersey; Islandia, New York; Columbus, Ohio; Pittsburgh, Pennsylvania; Dallas, Texas; Reston, Virginia; and Bellevue, Washington. The Company also performs product development in Sydney, Australia; Vienna, Austria; Brussels, Belgium; Vancouver, Canada; Slough, England; Paris, France; Darmstadt, Germany; Dublin, Ireland; Tel Aviv, Israel; and Milan, Italy. For its fiscal years ended March 31, 1996, 1995 and 1994, product development costs charged to operations were \$285,404,000, \$232,785,000 and \$211,273,000, respectively. In fiscal years 1996, 1995, and 1994, the Company capitalized \$15,742,000, \$15,505,000 and \$15,471,000, respectively, of internally developed software costs.

Certain of the Company's products were acquired from others. The Company continues to seek synergistic companies, products and partnerships. The purchase price of acquired products is capitalized and amortized over a period not exceeding five years.

Employees

As of March 31, 1996, the Company had approximately 8,800 employees of whom approximately 1,500 were located at its facilities in Islandia, New York; approximately 4,000 were located at other offices in the United States, and approximately 3,300 were located at its offices in foreign countries. Of the total employees, approximately 2,700 were engaged in product development efforts and 4,100 were engaged in sales and sales support functions. The Company believes its employee relations are excellent.

(d) Financial Information About Foreign and Domestic Operations and Export Revenue

See Note 4 of Notes to Consolidated Financial Statements for financial data pertaining to the geographic distribution of the Company's operations.

Item 2. Properties

The principal properties of the Company are geographically distributed to meet sales and operating requirements. All of the properties of the Company are considered to be both suitable and adequate to meet current operating requirements.

The Company leases approximately 60 office facilities throughout the United States, and approximately 80 office facilities outside the United States. Expiration dates on material leases range from fiscal 1997 to 2020.

The Company owns a 675,000 square-foot headquarters in Islandia, New York. The Company's subsidiary in Germany owns two buildings totaling approximately 120,000 square feet. The Company also owns 54,000 and 214,000 square-foot office facilities in Austin, Texas and Princeton, New Jersey, respectively. As a result of the Legent acquisition, the company now owns and operates 115,000, 143,000, 240,000 square-foot office facilities in Columbus, Ohio; Herndon, Virginia and Pittsburgh, Pennsylvania, respectively.

The Company owns various computer, telecommunications and electronic equipment. It also leases IBM, DEC, HP and DG computers located at the Company's facilities in Islandia, New York; Princeton, New Jersey; San Diego, California; and Chicago, Illinois. This equipment is used for the Company's internal product development, for technical support efforts and for administrative purposes. In addition, each of the Company's subsidiaries outside the U.S. leases certain computer hardware enabling them to communicate with all other offices of the Company through a dedicated worldwide network. The Company considers its computer and other equipment to be adequate for its needs. See Note 7 of Notes to Consolidated Financial Statements for information concerning lease obligations.

Item 3. Legal Proceedings

The Company, various subsidiaries and certain current and former officers have been named as defendants in various claims and lawsuits arising in the normal course of business. The Company believes that the facts do not support the plaintiffs' claims and intends to vigorously contest each of them.

Item 4. Submission of Matters to Vote of Security Holders

None.

Executive Officers of the Registrant

The name, age, present position and business experience of all executive officers of the Company as of May 23, 1996 are listed below:

| Name | Age | Position |
|----------------------|-----|---|
| Charles B. Wang (1) | 51 | Chairman, Chief Executive Officer and Director |
| Sanjay Kumar (1) | 34 | President, Chief Operating Officer and Director |
| Russell M. Artzt (1) | 49 | Executive Vice President--Research and Development and Director |
| Belden A. Frease | 57 | Senior Vice President and Secretary |
| Charles P. McWade | 51 | Senior Vice President--Finance |
| Peter A. Schwartz | 52 | Senior Vice President--Finance and Chief Financial Officer |
| Ira Zar | 34 | Senior Vice President and Treasurer |

(1) Member of the Executive Committee

Mr. Charles B. Wang has been Chief Executive Officer and a Director of the Company since June 1976 and Chairman of the Board since April 1980.

Mr. Kumar joined the Company with the acquisition of UCCEL in August 1987. He was elected President, Chief Operating Officer and a Director effective January 1994, having previously served as Executive Vice President-- Operations from January 1993 to December 1993, and Senior Vice President-- Planning from April 1989 to December 1992.

Mr. Artzt has been with the Company since June 1976. He has been Executive Vice President--Research and Development of the Company since April 1987 and a Director of the Company since November 1980.

Mr. Frease was elected Secretary of the Company effective May 1991, and he has been a Senior Vice President of the Company since April 1985. He joined the Company in November 1983 and served as Secretary from that date through March 1988.

Mr. McWade has been Senior Vice President--Finance of the Company since April 1990, having served in various financial positions including Treasurer from April 1988 to March 1994. Mr. McWade joined the company in October 1983.

Mr. Schwartz has been Senior Vice President--Finance and Chief Financial Officer of the Company since April 1987. He has served in various financial roles since joining the Company in July 1983.

Mr. Zar was elected Senior Vice President and Treasurer effective April 1994, having previously served as Vice President--Finance since April 1990. Mr. Zar joined the Company in June 1982.

The officers are appointed annually and serve at the discretion of the Board of Directors.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is listed on the New York Stock Exchange. The following table sets forth, for the quarters indicated, the quarterly high and low closing prices on the New York Stock Exchange.

| | Fiscal 1996 | | Fiscal 1995 | |
|----------------|-------------|----------|-------------|----------|
| | High | Low | High | Low |
| Fourth Quarter | \$ 75.88 | \$ 52.88 | \$ 42.50 | \$ 31.58 |
| Third Quarter | \$ 67.88 | \$ 37.63 | \$ 33.83 | \$ 29.08 |
| Second Quarter | \$ 50.83 | \$ 40.75 | \$ 30.00 | \$ 25.25 |
| First Quarter | \$ 48.67 | \$ 37.17 | \$ 28.75 | \$ 18.50 |

On March 31, 1996, the closing price for the Company's Common Stock on the New York Stock Exchange was \$ 71.63. The Company currently has approximately 8,500 record stockholders.

The Company has paid cash dividends in July and January of each year since July 1990 and intends to continue that policy. The Company's most recent dividend, paid in January 1996, was \$.07 per share.

References to prices per share have been adjusted to reflect a three-for-two stock split effective August 21, 1995.

Item 6. Selected Financial Data

The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this annual report on Form 10-K.

| INCOME STATEMENT DATA | Year Ended March 31, | | | | |
|--|----------------------|--------------|--------------|--------------|--------------|
| | 1996(1) | 1995(2) | 1994 | 1993 | 1992 |
| (in thousands, except per share amounts) | | | | | |
| Revenue | \$ 3,504,629 | \$ 2,622,992 | \$ 2,148,470 | \$ 1,841,008 | \$ 1,508,761 |
| Net (loss) income | (56,354) | 431,904 | 401,262 | 245,544 | 162,909 |
| - - - Per common share(3) | \$ (.23) | \$ 1.71 | \$ 1.56 | \$.96 | \$.61 |
| Dividends declared per common share(3) | .137 | .133 | .093 | .067 | .067 |
| BALANCE SHEET DATA | March 31, | | | | |
| | 1996(1) | 1995(2) | 1994 | 1993 | 1992 |
| (in thousands) | | | | | |
| Cash from operations | \$ 619,358 | \$ 489,370 | \$ 480,213 | \$ 415,747 | \$ 360,717 |
| Working capital (deficiency) | (53,757) | 299,673 | 450,599 | 340,694 | 311,058 |
| Total assets | 5,015,966 | 3,269,428 | 2,491,605 | 2,348,819 | 2,168,862 |
| Long-term debt (less current maturities) | 944,506 | 50,489 | 71,381 | 166,714 | 40,804 |
| Stockholders' equity | 1,481,662 | 1,578,125 | 1,243,133 | 1,054,530 | 988,339 |

(1)Includes a pre-tax write-off of \$1,303 million related to the acquisition of Legent Corporation

in August 1995. See Note 2 of Notes to Consolidated Financial Statements for additional information.

(2)Includes a pre-tax write-off of \$249 million related to the acquisition of The ASK Group, Inc. in June 1994. See Note 2 of Notes to Consolidated Financial Statements for additional information.

(3)Adjusted to reflect a three-for-two stock split effective August 21, 1995.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The Annual Report on Form 10-K contains certain forward-looking statements and information relating to the Company that are based on the beliefs and assumptions made by the Company's management as well as information currently available to the management. When used in this document, the words "anticipate," "believe," "estimate," and "expect" and similar expressions, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. The Company does not intend to update these forward-looking statements.

Total revenue for fiscal year 1996 of \$3.5 billion increased 34% over the \$2.6 billion recorded in fiscal year 1995. The increase reflects continued demand for less restrictive enterprise licensing pricing options, as well as the continued growth of licensing fees for the Company's client/server products. In addition, the inclusion of Legent mainframe and client/server products acquired in August 1995 contributed to revenue growth. International revenues increased 34% during fiscal year 1996. Relatively stable economic conditions and continued expansion of foreign markets, especially relating to Legent products were largely responsible for this growth. Maintenance revenue was essentially unchanged; increasing 1% or \$10 million primarily due to the acquisition of the Legent client base, partially offset by the ongoing trend of site consolidations as well as expanding client/server revenues which yield lower maintenance. Price changes did not have a material impact in either year.

Selling, marketing and administrative expenses for fiscal year 1996 decreased to 39% of revenue from 40% in fiscal year 1995. This percentage reduction reflects higher revenue achievement without a proportionate increase in total fixed and administrative costs as well as operating efficiencies realized from the acquisitions of Legent and ASK. Net research and development expenditures increased \$53 million, or 23%, for fiscal year 1996 over the prior fiscal period. The addition of Legent product and development personnel, the expanded emphasis on adapting products for the client/server environment and introduction of Inter/Intranet products were largely responsible for this increase. Commissions and royalties approximated 5% of revenue for both fiscal year 1996 and 1995. Depreciation and amortization expense increased 57%, or \$147 million in fiscal year 1996 over fiscal year 1995, primarily as a result of additional and accelerated purchased software amortization associated with the Legent acquisition. Approximately \$150 million of additional amortization expense during fiscal 1996 was directly attributable to the Legent acquisition. Net interest expense for fiscal year 1996 was \$71 million, an increase of approximately \$63 million over fiscal year 1995, reflecting the higher debt levels associated with borrowings used to finance the Legent acquisition. A pre-tax purchased research and development charge of \$1,303 million is included in fiscal year 1996 total expenses. The charge represents a write-off of purchased research and development technology that had not reached the working model stage and has no alternative future use. Fiscal year 1996 had a pre-tax loss of \$101 million compared to the \$697 million pre-tax income in fiscal year 1995. The pre-tax amounts for both fiscal years 1996 and 1995 include charges relative to the acquisitions of Legent and ASK, respectively. Excluding the fiscal year 1996 Legent charge of \$1,303 million and fiscal year 1995 ASK charge of \$249 million, pre-tax income for fiscal year 1996 was \$1,202 million compared to \$946 million in fiscal year 1995, an increase of \$256 million, or 27%. The consolidated effective tax rate for fiscal year 1996 reflects a tax benefit of 44%. Without the effect of the Legent charge, the consolidated effective tax rate would have been 37.5% in fiscal 1996 as versus 38% in fiscal 1995. Fiscal year 1996 had a net loss of \$56 million, including the previously mentioned charge. Excluding the aforementioned charges in fiscal 1996 and 1995, net income was \$752 million compared to \$586 million in fiscal year 1995. This \$166 million increase over fiscal year 1995 was a 28% improvement. Net income per share excluding both charges was \$2.98 in 1996 compared to \$2.33 for 1995, also an increase of 28%.

Total revenue for fiscal year 1995 of \$2.6 billion increased 22% over the \$2.1 billion total for fiscal year 1994. Product revenue increased by 31% over the prior year's level. The growth was attributable to greater revenue derived from licensing fees on the midrange platform as well as modest increases in product revenues for mainframe based systems management products. The midrange platform increase was due chiefly to the success of the Company's pioneer UNIX-based systems management product, CA-Unicenter, as well as integration of the ASK/Ingres products acquired in June 1994. The continued demand for enterprise licensing alternatives and less restrictive pricing options also contributed to revenue growth. International revenue, positively affected by foreign exchange currency rates, relatively stable economic conditions, expanding markets and favorable product offerings, grew by 28% during fiscal year 1995 over the prior fiscal year. Maintenance revenue in fiscal year 1995 increased 4%, or \$27 million, primarily due to

the acquisition of ASK. Absolute maintenance revenue was negatively affected by site consolidations and the revenue mix shift toward lower maintenance generating client/server solutions. Price changes did not have a material impact in either year.

Selling, marketing and administrative expenses were 40% of total revenue for fiscal year 1995 in contrast to 47% for fiscal year 1994. This percentage reduction reflects a higher revenue achievement without a proportionate increase in total fixed and administrative costs, and to a lesser extent, operating efficiencies realized from the acquisition of ASK. Net product and development expenditures increased \$22 million, or 10%, for fiscal year 1995 over the prior period. The increase was due to support and enhancement of the ASK products and ongoing development efforts to expand client/server product offerings. Commissions and royalties were 5% of revenue for both fiscal years. Depreciation and amortization expense increased by \$51 million, or 25% in fiscal year 1995 over fiscal year 1994, primarily due to the additional purchased software product amortization associated with the ASK acquisition. Net interest expense for fiscal year 1995 was \$8.1 million, approximately \$6.3 million higher than fiscal year 1994, as a result of higher debt levels associated with borrowings used to finance the ASK acquisition. A pre-tax purchased research and development charge of \$249 million is reflected in fiscal year 1995 total expenses. The charge represents a write-off of purchased research and development technology that had not reached the working model stage and has no alternative future use. Pre-tax income increased in fiscal 1995 by 11%, or \$70 million to \$697 million from \$627 million in fiscal year 1994. This pre-tax income figure includes the charge of \$249 million noted above. Without the charge, income would have been \$946 million, an increase of \$319 million or 51% from fiscal year 1994. The consolidated effective tax rate for fiscal year 1995 increased to 38% from 36% in fiscal year 1994. The increase was principally the result of reduced foreign tax credits. Net income in fiscal 1995 increased 8%, including the previously mentioned charge, and 46% without it. Net income per share increased 10% after the charge and 49% before it. A 2% reduction in the average shares outstanding during fiscal year 1995 contributed to this improvement.

The Company's foreign subsidiaries operate as distributors for the products of the Company. As such, the subsidiaries pay royalties to the Company on revenue generated from the licensing of products. After payment of such royalties, these foreign subsidiaries had net income of \$224,733,000, \$155,251,000 and \$108,001,000 in fiscal years 1996, 1995 and 1994, respectively. See Note 4 of Notes to Consolidated Financial Statements.

The Company's products are designed to improve the productivity and efficiency of its clients' data processing resources. Accordingly, in a recessionary environment, the Company's products are often a reasonable economic alternative to customers faced with the prospect of incurring expenditures to increase their existing data processing resources. However, a general or global slowdown in the world economy could adversely affect the Company's operations.

Selected Unaudited Quarterly Information
(in thousands, except per share amounts)

| 1996 Quarterly Results | June 30 | Sept. 30(1) | Dec. 31 | Mar. 31 | Total(1) |
|---------------------------|-----------|-------------|-------------|-------------|-------------|
| Revenue | \$577,452 | \$812,316 | \$1,004,439 | \$1,110,422 | \$3,504,629 |
| Percent of total revenue | 16 % | 23 % | 29 % | 32 % | 100% |
| Net income (loss) | 88,549 | (637,180) | 227,178 | 265,099 | (56,354) |
| - - - Per common share(3) | \$.35 | \$ (2.64) | \$.90 | \$ 1.05 | \$ (.23) |

| 1995 Quarterly Results | June 30(2) | Sept. 30 | Dec. 31 | Mar. 31 | Total(2) |
|--------------------------|------------|-----------|-----------|-----------|-------------|
| Revenue | \$476,631 | \$623,340 | \$721,032 | \$801,989 | \$2,622,992 |
| Percent of total revenue | 18% | 24% | 27% | 31% | 100% |
| Net income (loss) | (85,579) | 130,375 | 174,206 | 212,902 | 431,904 |
| Per common share(3) | \$ (.35) | \$.52 | \$.69 | \$.85 | \$ 1.71 |

(1)Includes a pre-tax write-off of \$1,303 million related to the acquisition of Legent Corporation in August 1995. See Note 2 of Notes to Consolidated Financial Statements for additional information.

(2)Includes a pre-tax write-off of \$249 million related to the acquisition of The ASK Group, Inc. in June 1994. See Note 2 of Notes to Consolidated Financial Statements for additional information.

(3)Adjusted to reflect a three-for-two stock split effective August 21, 1995.

The Company has traditionally reported lower profit margins for the first two quarters of each fiscal year than those experienced in the third and fourth quarters. As part of the annual budget process, management establishes higher discretionary expense levels in relation to revenue for the first half of the year. Historically, the Company's combined third and fourth quarter revenues have been greater than the first half of the year, as these two quarters coincide with the clients' calendar year budget periods and the culmination of the Company's annual sales plan. These historically higher second half revenues have resulted in significantly higher profit margins since total expenses have not increased in proportion to revenue. However, past financial performance should not be considered to be a reliable indicator of future performance.

The Company's future operating results may be affected by a number of factors, including, but not limited to: uncertainties relative to global economic conditions; market acceptance of competing technologies; the availability and cost of new solutions; the Company's ability to successfully maintain or increase market share in its core business while expanding its product base into other markets; the strength of its distribution channels; the Company's ability to effectively manage fixed and variable expense growth relative to revenue growth; and the Company's ability to effectively integrate acquired products and operations.

There have been no special marketing programs by the Company which have had a material effect on the revenue or net income of any given quarterly period.

Foreign Currency Exchange

Uncertainty in world currency markets caused a gradual strengthening of the U.S. Dollar during fiscal year 1996. Approximately 50% of the Company's total revenue in fiscal year 1996, 49% in fiscal year 1995 and 46% in fiscal year 1994, was derived from sales outside of North America. The net income effect of foreign currency exchange rate fluctuations versus the U.S. Dollar on international revenues is largely offset to the extent expenses of the Company's international operations are incurred and paid for in the same currencies as those of its revenues. During fiscal 1996, the net income effect of foreign exchange gains was approximately \$1 million. A foreign currency translation adjustment of \$25 million was charged to Stockholders' Equity in fiscal year 1996. As part of its risk management strategy, the Company did not enter into any foreign exchange derivative transactions during fiscal years 1996 and 1995.

Liquidity and Capital Resources

Cash from operations for the year ended March 31, 1996 increased by \$130 million, or 27%, over the preceding fiscal year. The increase was primarily the result of increased net income, excluding the non-cash charge to earnings for purchased research and development. While absolute accounts receivable balances have increased during fiscal 1996 reflecting the clients' higher propensity to finance licensing fees, collection of billed receivables has reduced the amount of time such receivables are outstanding. Installment, or unbilled, receivables have grown proportionally with revenue and continue to be viewed by the Company both as a competitive advantage when marketing product as well as a beneficial use of the Company's capital. Cash generated from operations and maturities of marketable securities were used to reduce debt drawn as a result of the August 1995 Legent acquisition. The Company's fiscal 1996 open market purchases of its common stock of \$31 million was significantly lower than that of the prior year primarily due to concerted efforts to reduce the debt levels associated with the Legent acquisition.

In August 1995, the Company's revolving line of credit was renegotiated from \$500 million to \$2 billion to fund the \$1.8 billion acquisition of Legent. Under the new credit facility, borrowings are subject to interest primarily at the prevailing London Interbank Rate ("LIBOR") plus a fixed spread dependent on the achievement of certain financial ratios. The agreement provides for a facility fee, also dependent on the achievement of certain financial ratios. The facility calls for the maintenance of certain financial conditions. The Company also has \$23 million of unsecured and uncommitted multicurrency lines of credit available. These multicurrency facilities were established to meet any short-term working capital requirements for subsidiaries principally outside the United States. Peak borrowings under all financing arrangements were \$1,845 million during fiscal 1996, and the weighted average interest rate for those borrowings was 6.5%. Peak borrowing under credit facilities during fiscal 1995 were \$392 million and the weighted average interest rate for these borrowings was 5.3%. At March 31, 1996, approximately \$1.4 billion was outstanding under these credit arrangements.

In April 1996, the Company further restructured a portion of its debt by completing a \$320 million private placement of debt. The private placement affords the Company several advantages including extending the maturity of its debt, locking in a favorable interest rate and broadening the Company's sources of liquidity.

The Company's capital resource commitment as of March 31, 1996, consisted of lease obligations for office facilities, computer equipment, a mortgage obligation and amounts due resulting from the acquisition of products and companies. The Company intends to meet its capital resource requirements from its available funds. No significant commitments exist for future capital expenditures. See Notes 6 and 7 for details concerning commitments.

The Company believes that the foregoing sources of liquidity, plus existing cash and marketable securities balances of \$201 million as of March 31, 1996, are adequate for its foreseeable operating needs.

The Company purchased approximately 750 thousand shares of its Common Stock under its open market repurchase program during fiscal 1996, bringing the total purchased under this program to approximately 24.5 million shares. An additional 13 million shares is authorized for repurchase. The Company had previously completed a 22.5 million share repurchase program, for a total of 47 million shares. All references to share amounts have been adjusted for the three-for-two stock split effective August 21, 1995.

Item 8. Financial Statements and Supplementary Data

The Financial Statements of the Company are listed in the Index to Financial Statements filed as part of this Form 10-K.

The Supplementary Data specified by Item 302 of Regulation S-K as it relates to selected quarterly data is included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations." Information on the effects of changing prices is not required.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

Reference is made to the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year for information concerning directors and to Part I, page 7, of this Annual Report on Form 10-K for information concerning executive officers under the caption "Executive Officers of the Registrant."

Item 11. Executive Compensation

Reference is made to the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year for information concerning executive compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Reference is made to the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year for information concerning security ownership of each person known by the Company to own beneficially more than 5% of the Company's outstanding shares of Common Stock, of each director of the Company and all executive officers and directors as a group.

Item 13. Certain Relationships and Related Transactions

Reference is made to the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year for information concerning certain relationships and related transactions.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

- (a) (1) The Registrant's financial statements together with a separate table of contents are annexed hereto.
(2) Financial Statement Schedules are listed in the separate table of contents annexed hereto.
(3) Exhibits

REGULATION S-K
EXHIBIT NUMBER

| | | |
|---------|--|--|
| 3(i)(a) | Restated Certificate of Incorporation | Previously filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Registration No. 2-74618) and incorporated herein by reference. |
| 3(i)(b) | Certificate of Amendment of the Restated Certificate of Incorporation | Previously filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Registration No. 2-84239) and Incorporated herein by reference. |
| 3(i)(c) | Certificate of Amendment of the Restated Certificate of Incorporation | Previously filed on Form 8 dated January 22, 1986 to Form 10-Q for fiscal quarter ended September 30, 1985, and incorporated herein by reference. |
| 3(i)(d) | Certificate of Amendment of the Restated Certificate of Incorporation | Previously filed as Exhibit 3(d) to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1988 (File No. 0-10180) and incorporated herein by reference. |
| 3(i)(e) | Certificate of Amendment of the Restated Certificate of Incorporation | Previously filed as Exhibit 3(e) to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1990 (File No. 0-10180) and incorporated herein by reference. |
| 3(ii) | By-Laws | Previously filed as an Exhibit to the Company's Form 10-Q for fiscal quarter ended September 30, 1993 (File No. 0-10180) and incorporated herein by reference. |
| 4(a) | Indenture dated as of March 1, 1987 between On-Line Software International, Inc. and Manufacturers Hanover Trust Company with respect to the 6 1/4% Convertible Subordinated Debentures due 2002 of the Company's wholly owned subsidiary. | Previously filed as Exhibit 4.1 to On-Line Software International, Inc.'s Registration Statement on Form S-2 (No. 33-12488) and incorporated herein by reference. |
| 4(b) | Supplemental Indenture dated as of September 25, 1991 between On-Line Software International, Inc. and Manufacturers Hanover Trust Company with respect to the 6 1/4% Convertible Subordinated Debentures due 2002 of the Company's wholly owned subsidiary. | Previously filed as Exhibit A to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1992 (File No. 0-10180) and incorporated herein by reference. |

REGULATION S-K
EXHIBIT NUMBER

| | | |
|-------|---|---|
| 4(c) | Certificate of Designation of Series One Junior Participating Preferred Stock, Class A of the Company. | Previously filed as Exhibit 3 to the Company's Current Report on Form 8-K dated June 18, 1991 and incorporated herein by reference. |
| 4(d) | Rights Agreement dated as of June 18, 1991 between the Company and Manufacturers Hanover Trust Company. | Previously filed as Exhibit 4 to the Company's Current Report on Form 8-K dated June 18, 1991 and incorporated herein by reference. |
| 4(e) | Amendment No. 1 dated May 17, 1995 to Rights Agreement dated as of June 18, 1991. | Previously filed as Exhibit C to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1995 (File No. 0-10180) and incorporated herein by reference. |
| 10(a) | 1981 Incentive Stock Option Plan. | Previously filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1 (Registration 2-74618) and incorporated herein by reference. |
| 10(b) | 1987 Non-Statutory Stock Option Plan. | Previously filed as Appendix C to the Company's definitive Proxy Statement dated July 1, 1987 and incorporated herein by reference. |
| 10(c) | Amendment No. 1 to the 1987 Non-Statutory Stock Option Plan dated October 20, 1993. | Previously filed as Exhibit c to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994 and incorporated herein by reference. |
| 10(d) | 1991 Stock Incentive Plan, as amended by Amendment No. 1 thereto. | Previously filed as Exhibit A to the Company's definitive Proxy Statement dated July 11, 1991 and incorporated herein by reference. |
| 10(e) | Amendment No. 2 to the 1991 Stock Incentive Plan dated October 20, 1993. | Previously filed as Exhibit D to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994 and incorporated herein by reference. |
| 10(f) | Amendment No. 3 to the 1991 Stock Incentive Plan date August 9, 1995. | Filed herewith. |
| 10(g) | 1993 Stock Option Plan for Non-Employee Directors. | Previously filed as Annex 1 to the Company's definitive Proxy Statement dated July 7, 1993 and incorporated herein by reference. |
| 10(h) | Amendment No. 1 to the 1993 Stock Option Plan for Non-Employee Directors dated October 20, 1993. | Previously filed as Exhibit E to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994 and incorporated herein by reference. |

REGULATION S-K
EXHIBIT NUMBER

| | ----- | |
|-------|---|---|
| 10(i) | 1994 Annual Incentive Compensation Plan. | Previously filed as Exhibit A to the Company's definitive Proxy Statement dated July 8, 1994 and incorporated herein by reference. |
| 10(j) | Amendment No. 1 to the 1994 Annual Incentive Compensation Plan dated August 9, 1995. | Previously filed as Exhibit A to the Company's definitive Proxy Statement dated July 7, 1995 and incorporated herein by reference. |
| 10(k) | 1995 Key Employee Stock Ownership Plan. | Previously filed as Exhibit A to the Company's definitive Proxy Statement dated July 7, 1995 and incorporated herein by reference. |
| 10(l) | Credit Agreement dated June 24, 1995 among the Company, various banks and financial institutions and Credit Suisse, as agent. | Previously filed as an Exhibit 1 to the Company's Form 10-Q for the fiscal quarter ended June 30, 1995 (File No. 0-10180) and incorporated herein by reference. |
| 10(m) | Note Purchase Agreement dated as of April 1, 1996. | Filed herewith. |
| 21 | Subsidiaries of the Registrant. | Filed herewith. |
| 23 | Consent of Ernst & Young LLP. | Filed herewith. |

(b) Reports on Form 8-K.

There were no current reports on Form 8-K filed during the fiscal quarter ended March 31, 1996.

(c) Exhibits: See Index to Exhibits.

(d) Financial Statement Schedules: The response to this portion of Item 14 is submitted as a separate section of this report.

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, as amended, the undersigned Registrant hereby undertakes as set forth in the following paragraph, which undertaking shall be incorporated by reference into Registrant's Registration Statements on Form S-8 Nos. 33-64377 (filed November 17, 1995), 33-53915 (filed May 31, 1994), 33-53572 (filed October 22, 1992), 33-34607 (filed April 27, 1990), 33-18322 (filed December 4, 1987), 33-20797 (filed December 19, 1988), 2-92355 (filed July 23, 1984), 2-87495 (filed October 28, 1983) and 2-79751 (filed October 6, 1982).

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPUTER ASSOCIATES INTERNATIONAL, INC.

By /s/ CHARLES B. WANG

Charles B. Wang
Chairman
Chief Executive Officer

By /s/ PETER A. SCHWARTZ

Peter A. Schwartz
Senior Vice President-Finance
Principal Financial and Accounting Officer

Dated: May 24, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

| Name | Title |
|---------------------------|--------------|
| ----- | ----- |
| /s/ CHARLES B. WANG | Chairman |
| ----- | and Director |
| Charles B. Wang | |
| /s/ SANJAY KUMAR | Director |
| ----- | |
| Sanjay Kumar | |
| /s/ RUSSELL M. ARTZT | Director |
| ----- | |
| Russell M. Artzt | |
| /s/ WILLEM F. P. de VOGEL | Director |
| ----- | |
| Willem F. P. de Vogel | |
| /s/ IRVING GOLDSTEIN | Director |
| ----- | |
| Irving Goldstein | |
| /s/ RICHARD A. GRASSO | Director |
| ----- | |
| Richard A. Grasso | |
| /s/ EDWARD C. LORD | Director |
| ----- | |
| Edward C. Lord, III | |
| /s/ SHIRLEY STRUM KENNY | Director |
| ----- | |
| Shirley Strum Kenny | |

Dated: May 24, 1996

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
ISLANDIA, NEW YORK

ANNUAL REPORT ON FORM 10-K

ITEM 8, ITEM 14(a)(1) AND (2) AND ITEM 14(d)

LIST OF FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES

YEAR ENDED MARCH 31, 1996

| | Page |
|--|------|
| The following consolidated financial statements of Computer Associates International, Inc. and subsidiaries are included in Item 8: | |
| Report of Independent Auditors | 18 |
| Consolidated Statements of Operations--Years Ended March 31, 1996, 1995 and 1994 | 19 |
| Consolidated Balance Sheets-March 31, 1996 and 1995 | 20 |
| Consolidated Statements of Stockholders' Equity--Years Ended March 31, 1996, 1995 and 1994 | 22 |
| Consolidated Statements of Cash Flows--Years Ended March 31, 1996, 1995 and 1994 | 23 |
| Notes to Consolidated Financial Statements | 24 |
| The following consolidated financial statement schedule of Computer Associates International, Inc. and subsidiaries is included in Item 14(d): | |
| Schedule II--Valuation and Qualifying Accounts | 34 |

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Computer Associates International, Inc.

We have audited the accompanying consolidated balance sheets of Computer Associates International, Inc. and subsidiaries as of March 31, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and the schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Computer Associates International, Inc. and subsidiaries at March 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

New York, New York
May 24, 1996

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year Ended March 31, | | |
|---|--|-------------|-------------|
| | 1996 | 1995 | 1994 |
| | ---- | ---- | ---- |
| | (Dollars in thousands, except per share amounts) | | |
| Product revenue and other related income | \$2,775,261 | \$1,903,349 | \$1,455,675 |
| Maintenance fees | 729,368 | 719,643 | 692,795 |
| | ----- | ----- | ----- |
| TOTAL REVENUE | 3,504,629 | 2,622,992 | 2,148,470 |
| Costs and Expenses: | | | |
| Selling, marketing and administrative | 1,367,301 | 1,051,096 | 1,000,682 |
| Product development and enhancements | 285,404 | 232,785 | 211,273 |
| Commissions and royalties | 174,116 | 127,436 | 101,410 |
| Depreciation and amortization | 404,326 | 257,699 | 206,317 |
| Interest expense, net | 70,813 | 8,057 | 1,816 |
| Purchased research and development | 1,303,280 | 249,300 | |
| | ----- | ----- | ----- |
| TOTAL COSTS AND EXPENSES | 3,605,240 | 1,926,373 | 1,521,498 |
| (Loss) income before income taxes | (100,611) | 696,619 | 626,972 |
| Income taxes (benefit) | (44,257) | 264,715 | 225,710 |
| | ----- | ----- | ----- |
| NET (LOSS) INCOME | \$ (56,354) | \$ 431,904 | \$ 401,262 |
| | ===== | ===== | ===== |
| NET (LOSS) INCOME PER COMMON SHARE | \$ (.23) | \$ 1.71 | \$ 1.56 |
| | ===== | ===== | ===== |
| Weighted average common shares used in computation | 241,512 | 252,057* | 257,142* |

*Share amounts adjusted for three-for-two stock split effective August 21, 1995.

See Notes to Consolidated Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| ASSETS | 1996 ---- | March 31, 1995 ---- |
|---|------------------------|---------------------------|
| | (Dollars in thousands) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 96,539 | \$ 116,579 |
| Marketable securities | 104,674 | 184,643 |
| Trade and installment accounts receivable | 1,181,948 | 787,684 |
| Other current assets | 64,559 | 58,660 |
| | ----- | ----- |
| TOTAL CURRENT ASSETS | 1,447,720 | 1,147,566 |
| INSTALLMENT ACCOUNTS RECEIVABLE, due after one year | | |
| | 1,700,766 | 1,045,798 |
| PROPERTY AND EQUIPMENT | | |
| Land and buildings | 316,776 | 258,441 |
| Equipment, furniture and improvements | 403,636 | 341,804 |
| | ----- | ----- |
| | 720,412 | 600,245 |
| Allowance for depreciation and amortization | 300,072 | 256,292 |
| | ----- | ----- |
| TOTAL PROPERTY AND EQUIPMENT | 420,340 | 343,953 |
| PURCHASED SOFTWARE PRODUCTS, net of accumulated amortization of \$786,472 and \$487,164 | | |
| | 580,173 | 342,999 |
| EXCESS OF COST OVER NET ASSETS ACQUIRED, net of accumulated amortization of \$83,830 and \$48,603 | | |
| | 785,830 | 300,268 |
| OTHER ASSETS | | |
| | 81,137 | 88,844 |
| | ----- | ----- |
| TOTAL ASSETS | \$5,015,966 | \$3,269,428 |
| | ===== | ===== |

See Notes to Consolidated Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| LIABILITIES AND STOCKHOLDERS' EQUITY | March 31, | |
|--|------------------------|-----------------|
| | 1996 | 1995 |
| | ---- | ---- |
| | (Dollars in thousands) | |
| CURRENT LIABILITIES | | |
| Loans payable and current portion of long-term debt | \$ 499,353 | \$ 243,275 |
| Accounts payable | 101,429 | 86,475 |
| Salaries, wages and commissions | 119,046 | 89,035 |
| Accrued expenses and other liabilities | 340,397 | 157,410 |
| Taxes, other than income taxes | 65,457 | 51,172 |
| Federal, state and foreign income taxes payable | 228,700 | 113,972 |
| Deferred income taxes | 147,095 | 106,554 |
| | ----- | ----- |
| TOTAL CURRENT LIABILITIES | 1,501,477 | 847,893 |
| LONG-TERM DEBT, net of current portion | 944,506 | 50,489 |
| DEFERRED INCOME TAXES | 721,445 | 460,838 |
| DEFERRED MAINTENANCE REVENUE | 366,876 | 332,083 |
| STOCKHOLDERS' EQUITY | | |
| Common Stock, \$.10 par value, 500,000,000 shares authorized, 280,411,290* shares issued | 28,041 | 28,041 |
| Additional paid-in capital | 516,651 | 514,251 |
| Retained earnings | 1,426,306 | 1,515,677 |
| Equity adjustment | 41,397 | 57,313 |
| Treasury stock, at cost--38,203,519 shares for 1996 and 40,205,113* shares for 1995 | (530,733) | (537,157) |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' EQUITY | 1,481,662 | 1,578,125 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$5,015,966 | \$3,269,428 |
| | ===== | ===== |

*Share amounts adjusted for three-for-two stock split effective August 21,1995.

See Notes to Consolidated Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Common Stock(2) ----- | Additional Paid-In Capital(2) ----- | Retained Earnings ----- | Equity Adjustment ----- | Treasury Stock ----- | Total Stockholders' Equity ----- |
|---|-----------------------------|--|-------------------------------|-------------------------------|----------------------------|---|
| | (Dollars in | | | | | |
| thousands) | | | | | | |
| Balance at March 31, 1993 | \$ 28,031 | \$ 505,727 | \$ 737,915 | \$ (8,564) | \$ (208,579) | \$ 1,054,530 |
| Net income | | | 401,262 | | | 401,262 |
| Dividends declared (\$.093 per share)(2) | | | (23,202) | | | (23,202) |
| Exercise of Common Stock options and other | 10 | (352) | | | 13,843 | 13,501 |
| 401(k) discretionary contribution | | 4,369 | | | 5,025 | 9,394 |
| Translation adjustment in 1994 | | | | (8,293) | | (8,293) |
| Net change attributable to unrealized gain on marketable securities | | | | 640 | | 640 |
| Purchases of treasury stock | | | | | (204,699) | (204,699) |
| Balance at March 31, 1994 | 28,041 | 509,744 | 1,115,975 | (16,217) | (394,410) | 1,243,133 |
| Net income | | | 431,904 | | | 431,904 |
| Dividends declared (\$.133 per share)(2) | | | (32,202) | | | (32,202) |
| Exercise of Common Stock options and other | | (1,306) | | | 23,150 | 21,844 |
| 401(k) discretionary contribution | | 5,813 | | | 7,386 | 13,199 |
| Translation adjustment in 1995 | | | | 76,030 | | 76,030 |
| Net change attributable to unrealized loss on marketable securities | | | | (2,500) | | (2,500) |
| Purchases of treasury stock | | | | | (173,283) | (173,283) |
| Balance at March 31, 1995 | 28,041 | 514,251 | 1,515,677 | 57,313 | (537,157) | 1,578,125 |
| Net loss | | | (56,354) | | | (56,354) |
| Dividends declared (\$.137 per share)(2) | | | (33,017) | | | (33,017) |
| Exercise of Common Stock options and other | | (7,450) | | 6,765 | 32,218 | 31,533 |
| 401(k) discretionary contribution | | 9,850 | | | 5,116 | 14,966 |
| Translation adjustment in 1996 | | | | (25,001) | | (25,001) |
| Net change attributable to unrealized gain on marketable securities | | | | 2,320 | | 2,320 |
| Purchases of treasury stock | | | | | (30,910) | (30,910) |
| Balance at March 31, 1996 | \$28,041 ===== | \$516,651 ===== | \$1,426,306 ===== | \$41,397(1) ===== | \$ (530,733) ===== | \$1,481,662 ===== |

(1) Represents foreign currency translation adjustment of \$34,172,000, unrealized gain on marketable securities of \$460,000 and \$6,765,000 of restricted stock.

(2) Share amount adjusted for three-for-two stock split effective August 21, 1995.

See Notes to Consolidated Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

| | Year Ended March 31, | | |
|---|------------------------|------------|------------|
| | 1996 | 1995 | 1994 |
| | ---- | ---- | ---- |
| | (Dollars in thousands) | | |
| OPERATING ACTIVITIES: | | | |
| Net (loss) income | \$ (56,354) | \$ 431,904 | \$ 401,262 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 404,326 | 257,699 | 206,317 |
| Provision for deferred income taxes (benefit) | (290,070) | 41,669 | 60,469 |
| Charge for purchased research and development | 1,303,280 | 249,300 | |
| Increase in noncurrent installment accounts receivable, net | (590,407) | (357,103) | (226,785) |
| Increase (decrease) in deferred maintenance revenue | 36,990 | (5,352) | (8,064) |
| Foreign currency transaction (gain) loss--before taxes | (1,799) | 1,131 | 10,421 |
| Changes in other operating assets and liabilities, net of effects of acquisitions: | | | |
| Increase in trade and installment receivables | (262,292) | (59,250) | (30,357) |
| Other changes in operating assets and liabilities | 75,684 | (70,628) | 66,950 |
| | ----- | ----- | ----- |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 619,358 | 489,370 | 480,213 |
| INVESTING ACTIVITIES: | | | |
| Acquisitions, primarily purchased software, marketing rights and intangibles | (1,787,308) | (430,675) | (3,923) |
| Purchases of property and equipment | (21,296) | (35,370) | (28,637) |
| Purchases of marketable securities | (54,067) | (145,796) | (169,476) |
| Sales of marketable securities | 136,356 | 193,724 | 96,405 |
| Increase in capitalized development costs and other | (15,768) | (15,552) | (15,471) |
| | ----- | ----- | ----- |
| NET CASH USED IN INVESTING ACTIVITIES | (1,742,083) | (433,669) | (121,102) |
| FINANCING ACTIVITIES: | | | |
| Dividends | (33,017) | (32,202) | (23,202) |
| Purchases of treasury stock | (30,910) | (173,283) | (204,699) |
| Proceeds from borrowings | 1,720,000 | 522,000 | 181,676 |
| Repayments of borrowings | (569,905) | (417,404) | (264,225) |
| Exercise of common stock options and other | 21,110 | 15,891 | 11,611 |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | ----- | ----- | ----- |
| | 1,107,278 | (84,998) | (298,839) |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES ON CASH | (15,447) | (29,297) | 60,272 |
| Effect of exchange rate changes on cash | (4,593) | 12,749 | (6,628) |
| | ----- | ----- | ----- |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (20,040) | (16,548) | 53,644 |
| CASH AND CASH EQUIVALENTS--BEGINNING OF YEAR | 116,579 | 133,127 | 79,483 |
| | ----- | ----- | ----- |
| CASH AND CASH EQUIVALENTS--END OF YEAR | \$ 96,539 | \$ 116,579 | \$ 133,127 |
| | ===== | ===== | ===== |

See Notes to Consolidated Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 -- Significant Accounting Policies

Description of Business: Computer Associates International, Inc. and subsidiaries (the "Company") designs, develops, markets and supports a wide range of integrated computer software products.

Principles of Consolidation: Significant intercompany items and transactions have been eliminated in consolidation. The Company has various investments which it accounts for under the equity method of accounting. These investments are not significant either individually or when considered collectively. The Company's net gain or loss for such investments is reflected in selling, marketing and administrative expense.

Reclassifications: Certain amounts in the 1995 Consolidated Balance Sheet and 1995 and 1994 Consolidated Statements of Cash Flows have been reclassified to conform with the 1996 presentation.

Basis of Revenue Recognition: Product license fee revenue is recognized after both acceptance by the client and delivery of the product. Maintenance revenue, whether bundled with product license or priced separately, is recognized ratably over the maintenance period. Accounts receivable resulting from product sales with extended payment terms are discounted to present value using the rate which approximates the Company's cost of funds. The amounts of the discount credited to operations for the years ended March 31, 1996, 1995 and 1994 were \$215,338,000, \$160,986,000 and \$121,200,000, respectively.

Marketable Securities: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Company has evaluated its investment policies consistent with Financial Accounting Standards Board Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities ("FASB 115"), and determined that all of its investment securities are to be classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in Stockholders' Equity under the caption Equity Adjustment. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

Property and Equipment: Land, buildings, equipment, furniture, and improvements are stated at cost. Depreciation and amortization are provided over the estimated useful lives of the assets by the straight-line method.

Intangibles: Excess of costs over net assets acquired is being amortized by the straight-line method over 20 years. Cost of purchased software and acquired rights to market software products, and software development costs (costs incurred after development of a working model or a detailed program design) are capitalized and amortized by the straight-line method over five years or based on the product's useful economic life, commencing with product release. During fiscal year 1994, approximately \$17 million was charged to depreciation and amortization expense as a result of a reassessment of the current carrying value of certain of the Company's purchased software products. Unamortized capitalized development costs included in other assets at March 31, 1996 and 1995 were \$52,991,000 and \$55,713,000, respectively. Amortization of capitalized development costs was \$18,509,000, \$21,986,000 and \$14,502,000 for the fiscal years ended March 31, 1996, 1995 and 1994, respectively.

Net income per Share: Net income per share of Common Stock is computed by dividing net income by the weighted average number of common shares and any dilutive common share equivalents outstanding. Fully diluted net income per share for fiscal 1996, 1995 and 1994 is not materially different from net income per share. The number of common shares used for computing net loss per common share in fiscal 1996 does not include any common share equivalents because the effect would have been antidilutive. Share and per share amounts have been adjusted to reflect a three-for-two stock split effective August 21, 1995.

COMPUTER ASSOCIATES INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

Note 1--Significant Accounting Policies (continued)

Statement of Cash Flows: Interest payments for the years ended March 31, 1996, 1995 and 1994 were \$75,689,000, \$22,589,000 and \$13,190,000, respectively. Income taxes paid for these fiscal years were \$143,607,000, \$227,184,000 and \$139,260,000, respectively.

Translation of Foreign Currencies: In translating financial statements of foreign subsidiaries, all assets and liabilities are translated using the exchange rate in effect at the balance sheet date. All revenue, costs and expenses are translated using an average exchange rate. Net income (loss) includes exchange gains (losses) of approximately \$1,124,000 in 1996, (\$701,000) in 1995 and (\$6,669,000) in 1994.

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

Stock Plans: The Company accounts for its stock-based compensation arrangements under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued To Employees" ("APB 25"). In 1995, Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" ("FASB 123") was issued whereby companies may elect to account for stock-based compensation using a fair-value-based method or continue measuring compensation expense using the intrinsic value method prescribed in APB 25. FASB 123 requires that companies electing to continue to use the intrinsic value method make pro forma disclosure of net income and net income per share as if the fair-value-based method of accounting has been applied. The Company will adopt FASB 123 during the year ended March 31, 1997. Since the Company anticipates continuing to account for stock-based compensation using the intrinsic value method, FASB 123 will not impact its operating results or financial position.

Note 2 -- Acquisitions

On August 1, 1995, the Company acquired 98% of the issued and outstanding shares of common stock of Legent Corporation ("Legent"), and on November 6, 1995 merged Legent into one of its wholly owned subsidiaries. The aggregate purchase price of approximately \$1.8 billion was funded from drawings under the Company's \$2 billion credit agreement dated as of July 24, 1995. Legent was engaged in the design, development, marketing, and support of a broad range of computer software products for the management of information systems used to manage mainframe, midrange, server, workstation and PC systems deployed throughout a business enterprise. The acquisition was accounted for as a purchase. The results of Legent's operations have been combined with those of the Company since the date of acquisition.

The Company recorded an \$808 million after-tax charge against earnings for the write-off of purchased Legent research and development technology that had not reached the working model stage and has no alternative future use. Had this charge not been taken, net income for the fiscal year ended March 31, 1996 would have been \$752 million, or \$2.98 per share.

On June 22, 1994, the Company acquired 98% of the issued and outstanding Common Stock of The ASK Group, Inc. ("ASK"), and on September 20, 1994, merged ASK into one of its wholly owned subsidiaries. The aggregate cost of acquiring the Common Stock of ASK was approximately \$315 million. The purchase price was provided from existing cash balances and from a revolving credit agreement with a group of banks. ASK was primarily in the business of developing, marketing and selling computer-based relational database management systems, data access and connectivity products, manufacturing and financial software application tools and providing related consulting and support services. The acquisition was accounted for as a purchase. The results of ASK's operations have been combined with those of the Company since the date of acquisition.

In conjunction with the purchase of ASK, the Company recorded an after-tax charge against earnings of \$154 million relating to the write-off of purchased research and development technology that had not reached the working model stage and has no alternative future use. Had this charge not been taken, net income for the fiscal year ended March 31, 1995 would have been \$586 million, or \$2.33 per share.

COMPUTER ASSOCIATES INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

Note 2--Acquisitions (continued)

The following table reflects pro forma combined results of operations of the Company, ASK and Legent on the basis that the acquisition of ASK had taken place at the beginning of fiscal year 1995 and the acquisition of Legent had taken place at the beginning of the fiscal year for each of the periods presented. The after-tax charges in fiscal years 1996 and 1995 of \$808 million and \$154 million, respectively, were recorded at the beginning of the fiscal year for each of the periods presented:

| | Year Ended March 31, | |
|----------------------------|--|--------------|
| | 1996 | 1995 |
| | ---- | ---- |
| | (Amounts in thousands, except per share amounts) | |
| Revenue | \$ 3,623,148 | \$ 3,064,462 |
| Net loss | (259,647) | (571,005) |
| Net loss per Common Share | \$ (1.08) | \$ (2.36) |
| Shares used in computation | 241,512 | 241,440* |

The following table reflects pro forma combined results of operations of the Company, ASK and Legent on the basis that the acquisition of ASK had taken place at the beginning of fiscal year 1995 and the acquisition of Legent had taken place at the beginning of the fiscal year for each of the periods presented and excludes the effect of the after-tax charges of \$154 million for ASK and \$808 million for Legent:

| | Year Ended March 31, | |
|-----------------------------|--|-------------|
| | 1996 | 1995 |
| | ---- | ---- |
| | (Amounts in thousands, except per share amounts) | |
| Revenue | \$3,623,148 | \$3,064,462 |
| Net income | 702,953 | 391,595 |
| Net income per Common Share | \$ 2.79 | \$ 1.55 |
| Shares used in computation | 252,247 | 252,057* |

In management's opinion, the pro forma combined results of operations are not indicative of the actual results that would have occurred had the acquisitions been consummated at the beginning of fiscal year 1995 or of future operations of the combined companies under the ownership and operation of the Company.

*Adjusted for three-for-two stock split effective August 21, 1995.

COMPUTER ASSOCIATES INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

Note 3--Investments

The following is a summary of cash equivalents and marketable securities classified as "available-for-sale" securities as required by FASB 115:

| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|--------------------------------|------------------------|------------------------------|-------------------------------|----------------------------|
| | ----- | ----- | ----- | ----- |
| | (Dollars in thousands) | | | |
| March 31, 1996: | | | | |
| Debt securities | \$ 104,214 | \$489 | \$ 29 | \$104,674 |
| | ===== | ===== | ===== | ===== |
| March 31, 1995: | | | | |
| U.S. corporate debt securities | \$ 1,012 | | \$ 7 | \$1,005 |
| Other debt securities | 185,491 | \$225 | 2,078 | 183,638 |
| | ----- | ----- | ----- | ----- |
| Total debt securities | \$ 186,503 | \$225 | \$2,085 | \$184,643 |
| | ===== | ===== | ===== | ===== |

For years ended March 31, 1996 and 1995, no debt securities were deemed to be Cash and Cash Equivalents.

The gross realized gains on sales of available-for-sale securities totaled \$823,000, \$14,000 and \$67,00 for the periods ended March 31, 1996, 1995 and 1994, respectively. The gross realized losses totaled \$248,000, \$1,601,000 and \$27,000 for the periods ended March 31, 1996, 1995 and 1994, respectively. The net adjustment for unrealized holding gains and losses included in stockholders' equity was a net gain of \$460,000 at March 31, 1996 and a net loss of \$1,860,000 at March 31, 1995.

The amortized cost and estimated fair value of debt securities at March 31, 1996, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

| | March 31, 1996 | |
|-----------------------------|------------------------|----------------------------|
| | Cost | Estimated Fair Value |
| | ----- | ----- |
| Available-for-Sale: | (Dollars in thousands) | |
| Due in one year or less | \$31,021 | \$31,129 |
| Due one through three years | 73,193 | 73,545 |
| | ----- | ----- |
| | \$104,214 | \$104,674 |
| | ===== | ===== |

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

Note 4--Geographic Area Information and Foreign Operations

| | United States ----- | Foreign (a) ----- | Eliminations ----- | Total ----- |
|------------------------------|------------------------|----------------------|-----------------------|----------------|
| | (Dollars in thousands) | | | |
| March 31, 1996: | | | | |
| Revenue: | | | | |
| To unaffiliated customers | \$1,678,075 | \$1,826,554 | | \$3,504,629 |
| Between geographic areas (b) | 403,014 | | \$(403,014) | |
| | ----- | ----- | ----- | ----- |
| Total Revenue | 2,081,089 | 1,826,554 | (403,014) | 3,504,629 |
| Net (loss) income | (281,087) | 224,733 | | (56,354) |
| Identifiable assets | 3,708,855 | 1,897,360 | (590,249) | 5,015,966 |
| | ----- | ----- | ----- | ----- |
| Total liabilities | 2,767,171 | 1,357,382 | (590,249) | 3,534,304 |
| March 31, 1995: | | | | |
| Revenue: | | | | |
| To unaffiliated customers | \$1,262,750 | \$1,360,242 | | \$2,622,992 |
| Between geographic areas (b) | 289,933 | | \$(289,933) | |
| | ----- | ----- | ----- | ----- |
| Total Revenue | 1,552,683 | 1,360,242 | (289,933) | 2,622,992 |
| Net income | 276,653 | 155,251 | | 431,904 |
| Identifiable assets | 2,304,974 | 1,470,069 | (505,615) | 3,269,428 |
| Total liabilities | 1,124,131 | 1,072,787 | (505,615) | 1,691,303 |
| March 31, 1994: | | | | |
| Revenue: | | | | |
| To unaffiliated customers | \$1,089,549 | \$1,058,921 | | \$2,148,470 |
| Between geographic areas (b) | 223,906 | | \$(223,906) | |
| | ----- | ----- | ----- | ----- |
| Total Revenue | 1,313,455 | 1,058,921 | (223,906) | 2,148,470 |
| Net income | 293,261 | 108,001 | | 401,262 |
| Identifiable assets | 1,870,566 | 997,204 | (376,165) | 2,491,605 |
| Total liabilities | 878,749 | 745,888 | (376,165) | 1,248,472 |

(a) The Company operates wholly owned subsidiaries in 37 foreign countries, including Canada, Middle East, Europe(19), South America (6) and the Pacific Rim (10).

(b) Represents royalties from foreign subsidiaries generally determined as a percentage of certain amounts invoiced to customers.

For the years ended March 31, 1996, 1995 and 1994, \$38,506,000, \$43,467,000 and \$42,578,000, respectively, of export sales to unaffiliated customers are included in United States revenue.

COMPUTER ASSOCIATES INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

Note 5 -- Trade and Installment Accounts Receivable

Trade and installment accounts receivable consist of the following:

| | March 31, | |
|---|------------------------|-------------|
| | 1996 | 1995 |
| | ---- | ---- |
| | (Dollars in thousands) | |
| Current receivables | \$1,809,053 | \$1,285,894 |
| Less: Allowance for uncollectible amounts | (159,941) | (160,531) |
| Unamortized discount and maintenance fees | (467,164) | (337,679) |
| | ----- | ----- |
| | \$1,181,948 | \$ 787,684 |
| | ===== | ===== |
| | | |
| Non-current receivables | \$2,705,331 | \$1,666,938 |
| Less: Allowance for uncollectible amounts | (22,050) | (22,050) |
| Unamortized discount and maintenance fees | (982,515) | (599,090) |
| | ----- | ----- |
| | \$1,700,766 | \$1,045,798 |
| | ===== | ===== |

The provisions for uncollectible amounts for the years ended March 31, 1996, 1995 and 1994 were \$70,912,000, \$88,549,000 and \$90,068,000, respectively, and are included in selling, marketing and administrative expenses.

Note 6--Debt

In fiscal year 1996, the Company negotiated a \$2 billion unsecured 5-year reducing revolving credit facility with a group of banks, primarily to finance the purchase of Legent. The credit facility provides for reducing annual commitments of \$250 million on each anniversary, maintenance of certain financial ratios and restrictions on the amount of cash dividends that may be declared. Interest and commitment fees under the facility are generally at the prevailing London interbank rate ("LIBOR") plus a spread dependent on the Company's achievement of certain ratios. At March 31, 1996, the Company was paying interest at 6%. The amount outstanding under this credit facility at March 31, 1996 was \$1,390 million of which \$495 million is characterized as current based on the Company's anticipated repayments for the twelve months ended March 31, 1997. The balance of \$895 million has been classified as long-term debt.

In fiscal year 1995, the Company had a \$500 million unsecured credit facility with a group of banks that was renewable annually. This facility has been superseded by the \$2 billion facility above. At March 31, 1995, \$240 million was outstanding under this facility.

Unsecured and uncommitted multicurrency credit facilities of \$23 million are also available to meet any short-term working capital requirements and can be drawn upon, up to a predefined limit, by most subsidiaries. Under these multicurrency facilities, approximately \$3 million was drawn at March 31, 1996. No amounts were drawn at March 31, 1995.

The Company also has various other debt obligations outstanding at March 31, 1996 and 1995. These fixed rate debt obligations carry annual interest rates ranging from 6% to 7 1/2%.

COMPUTER ASSOCIATES INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

Note 6--Debt (continued)

During April 1996, the Company completed the private placement of \$320 million of unsecured senior debt due 2003. The debt has a fixed rate of interest of 6.77%. Proceeds from this private placement were used to repay outstanding amounts under the \$2 billion credit facility. The private placement enabled the Company to extend the maturity of its debt, commit to a fixed rate of interest and broaden the Company's sources of liquidity.

The Company conducts an ongoing review of its debt balances as part of its risk management strategy. To date, the Company has not entered into any form of derivative transactions related to its debt instruments. The fair market value of long-term debt approximates its carrying value.

The maturities of long-term debt outstanding for the five fiscal years noted after consideration of the April 1996 private placement discussed above are as follows: 1997--\$499,353,000; 1998--\$500,105,000; 1999--\$84,431,000; 2000--\$69,045,000; and 2001--\$69,084,000.

Interest expense for the years ended March 31, 1996, 1995 and 1994 was \$80,593,000, \$23,592,000 and \$13,145,000, respectively, and is netted with interest income.

Note 7-- Commitments and Contingencies

The Company leases real estate and certain data processing and other equipment with lease terms expiring through 2020. The leases are operating leases and generally provide for renewal options and additional rental based on escalation in operating expenses and real estate taxes. The Company has no material capital leases.

Rental expense under operating leases for the years ended March 31, 1996, 1995 and 1994 was \$165,493,000, \$108,406,000 and \$89,829,000, respectively. Future minimum lease payments are: 1997--\$99,263,000; 1998--\$72,712,000; 1999--\$48,390,000; 2000--\$39,463,000; 2001--\$32,488,000; and thereafter-- \$88,071,000.

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of marketable securities and accounts receivable. The Company's marketable securities consist primarily of high quality debt securities with limited exposure to any single instrument. The Company's accounts receivable balances have limited exposure to concentration of credit risk due to the diverse client base and geographic areas covered by operations.

The Company, various subsidiaries and certain current and former officers have been named as defendants in various claims and lawsuits arising in the normal course of business. The Company believes that the facts do not support the plaintiffs' claims and intends to vigorously contest each of them.

Note 8--Income Taxes

The amounts of income (loss) before income taxes attributable to domestic and foreign operations are as follows:

| | Year Ended March 31, | | |
|----------|------------------------|-----------|-----------|
| | 1996 | 1995 | 1994 |
| | ---- | ---- | ---- |
| | (Dollars in thousands) | | |
| Domestic | \$(464,066) | \$429,439 | \$453,647 |
| Foreign | 363,455 | 267,180 | 173,325 |
| | ----- | ----- | ----- |
| | \$(100,611) | \$696,619 | \$626,972 |
| | ===== | ===== | ===== |

COMPUTER ASSOCIATES INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

Note 8--Income Taxes (continued)

The provision for income taxes (benefit) consists of the following:

| | Year Ended March 31, | | |
|-----------|------------------------|-----------|-----------|
| | 1996 | 1995 | 1994 |
| | ---- | ---- | ---- |
| | (Dollars in thousands) | | |
| Current: | | | |
| Federal | \$160,145 | \$166,402 | \$123,897 |
| State | 29,832 | 23,204 | 16,523 |
| Foreign | 55,836 | 33,440 | 24,821 |
| | ----- | ----- | ----- |
| | 245,813 | 223,046 | 165,241 |
| | ===== | ===== | ===== |
| Deferred: | | | |
| Federal | (337,201) | (46,810) | 14,049 |
| State | (35,755) | 9,990 | 5,917 |
| Foreign | 82,886 | 78,489 | 40,503 |
| | ----- | ----- | ----- |
| | (290,070) | 41,669 | 60,469 |
| | ===== | ===== | ===== |
| Total: | | | |
| Federal | (177,056) | 119,592 | 137,946 |
| State | (5,923) | 33,194 | 22,440 |
| Foreign | 138,722 | 111,929 | 65,324 |
| | ----- | ----- | ----- |
| | \$(44,257) | \$264,715 | \$225,710 |
| | ===== | ===== | ===== |

Under Financial Accounting Standards Board Statement No. 109, deferred income taxes have been provided for the differences between financial statement and tax basis of assets and liabilities. The cumulative impact of temporary differences, primarily due to the modified accrual basis (approximately 88% in 1996 and 85% in 1995 of total deferred income taxes), purchase accounting adjustments (approximately 16% in 1996 and 15% in 1995), net capitalized development costs (approximately 2% in 1996 and 3% in 1995) and receivable reserves (a deferred tax asset of approximately 4% in 1996 and 6% in 1995) is shown on the Consolidated Balance Sheets under the captions "Deferred Income Taxes."

The provision for income taxes (benefit) is reconciled to the tax provision computed at the federal statutory rate as follows:

| | Year Ended March 31, | | |
|--|------------------------|-----------|-----------|
| | 1996 | 1995 | 1994 |
| | ---- | ---- | ---- |
| | (Dollars in thousands) | | |
| Statutory rate | \$(35,214) | \$243,817 | \$219,440 |
| State taxes, net of federal tax effect | (3,850) | 21,576 | 14,586 |
| Other, net | (5,193) | (678) | (8,316) |
| | ----- | ----- | ----- |
| | \$(44,257) | \$264,715 | \$225,710 |
| | ===== | ===== | ===== |

COMPUTER ASSOCIATES INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

Note 9--Stock Plans

The Company has a 1981 Incentive Stock Option Plan (the "1981 Plan") pursuant to which options to purchase up to 12,000,000 shares of Common Stock of the Company were available for grant to employees (including officers of the Company). The 1981 Plan expired on October 23, 1991. Therefore, from and after that date no new options can be granted under the 1981 Plan. Pursuant to the 1981 Plan, the exercise price could not be less than the fair market value of each share at the date of grant. The option period could not exceed ten years. Options granted thereunder may be exercised in annual increments commencing one year after the date of grant and become fully exercisable after the expiration of five years. Options for 894,518 of the 1,209,286 options which are outstanding under the 1981 Plan were exercisable at March 31, 1996 at \$2.92-\$9.21 per share.

The Company has a 1987 Non-Statutory Stock Option Plan (the "1987 Plan") pursuant to which options to purchase up to 7,500,000 shares of Common Stock of the Company may be granted to select salaried officers and key employees of the Company. Pursuant to the 1987 Plan the exercise price shall not be less than the fair market value of each share at the date of the grant. The option period shall not exceed twelve years. Each option may be exercised only in accordance with a vesting schedule established by the Company's Stock Option and Compensation Committee. As of March 31, 1996, 13,500 shares of the Company's Common Stock were available for future grants. 4,779,750 of the 5,847,375 options which are outstanding under the 1987 Plan were exercisable as of that date. These options are exercisable at \$5.00 - \$9.59 per share.

The Company's 1991 Stock Incentive Plan (the "1991 Plan") provides that stock appreciation rights and/or options, both qualified and non-statutory, to purchase up to 30,000,000 shares of Common Stock of the Company may be granted to employees (including officers of the Company) under conditions similar to the 1981 Plan. As of March 31, 1996, no stock appreciation rights have been granted under this plan and 13,362,965 options have been granted. 868,169 of the 11,213,928 options which are outstanding under the 1991 Plan were exercisable at that date. These options are exercisable at \$7.50- \$43.50 per share.

The 1993 Stock Option Plan for Non-Employee Directors (the "1993 Plan") provides for non-statutory options to purchase up to a total of 150,000 shares of Common Stock of the Company to be available for grant to each member of the Board of Directors who is not otherwise an employee of the Company. Pursuant to the 1993 Plan, the exercise price shall be the fair market value of the shares covered by the option at the date of grant. The option period shall not exceed ten years and each option may be exercised in whole or in part on the first anniversary date of its grant. As of March 31, 1996, 42,000 options have been granted under this plan. 21,000 of the 36,000 options which are outstanding under the 1993 Plan were exercisable as of that date. These options are exercisable at \$17.08 - \$49.50 per share. The following table summarizes the activity under these plans:

| | Option Prices | Shares Under Option |
|-------------------------------|-------------------|------------------------|
| | ----- | ----- |
| Outstanding at March 31, 1993 | \$.44 - \$ 9.59 | 13,964,968 |
| Granted | \$14.58 - \$17.08 | 3,401,730 |
| Exercised | \$ 1.38 - \$ 9.59 | (1,580,826) |
| Terminated | \$.44 - \$ 9.59 | (259,411) |
| Outstanding at March 31, 1994 | \$ 1.38 - \$17.08 | 15,526,461 |
| Granted | \$20.42 - \$35.42 | 4,065,000 |
| Exercised | \$ 1.38 - \$17.08 | (1,876,440) |
| Terminated | \$ 2.14 - \$17.08 | (458,617) |
| Outstanding at March 31, 1995 | \$ 1.88 - \$35.42 | 17,256,404 |
| Granted | \$43.50 - \$49.50 | 4,140,000 |
| Exercised | \$ 1.88 - \$35.42 | (2,265,198) |
| Terminated | \$ 2.92 - \$35.42 | (824,617) |
| Outstanding at March 31, 1996 | \$ 2.92 - \$49.50 | 18,306,589 |

COMPUTER ASSOCIATES INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

Note 9--Stock Plans (Continued)

Under the 1995 Key Employee Stock Ownership Plan (the "1995 Plan") the Stock Option and Compensation Committee of the Board of Directors (the "Committee") is authorized to grant, subject to the attainment of certain common stock price objectives, up to 9,000,000 shares of the Company's restricted common stock to three key executives. The Committee has initially reserved 3,000,000 shares of common stock (the "Initial Grant") and may grant up to an additional 6,000,000 shares (the "Additional Grants") based on the price per share of the common stock achieving target levels. At March 31, 1996, an additional 2,400,000 shares may be reserved due to the achievement of certain target prices. The Initial Grant and Additional Grants are non-transferable, are subject to risk of forfeiture through March 31, 2000 and are further subject to significant limitations on transfer during the seven years following vesting. In January 1996, 600,000 shares of Common Stock reserved under the Initial Grant vested, subject to the continued employment of the key executives, and accordingly, the Company began accruing compensation expense over the employment period ending March 31, 2000.

All references to the number of shares under option and option prices have been adjusted to reflect a three-for-two stock split effective August 21, 1995.

Note 10--Profit Sharing Plan

The Company maintains a profit sharing plan, the Computer Associates Savings Harvest Plan ("CASH Plan"), for the benefit of employees of the Company. The CASH Plan is intended to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986 (the "Code") and contains a qualified cash or deferred arrangement as described under Section 401(k) of the Code. Pursuant to the CASH Plan, eligible participants may elect to contribute a percentage of their annual gross salary. Matching contributions to the CASH Plan for the years ended March 31, 1996, 1995 and 1994 were \$4,543,000, \$3,873,000 and \$3,738,000, respectively. In addition, the Company may make discretionary contributions to the CASH Plan. Discretionary contributions to the CASH Plan for the years ended March 31, 1996, 1995 and 1994 were \$16,529,000, \$16,107,000 and \$13,953,000, respectively.

Note 11--Rights Plan

Each outstanding share of the Company's Common Stock carries a stock purchase right issued under the Company's Rights Agreement, dated June 18, 1991 and amended May 17, 1995 (the "Rights Agreement"). Under certain circumstances, each right may be exercised to purchase one one-thousandth of a share of Series One Junior Participating Preferred Stock, Class A, for \$300. Under certain circumstances, following (i) the acquisition of 20% or more of the Company's outstanding Common Stock by an Acquiring Person (as defined in the Rights Agreement), (ii) the commencement of a tender offer or exchange offer which would result in a person or group owning 20% or more of the Company's outstanding common stock or (iii) the determination by the Company's Board of Directors and a majority of the Disinterested Directors (as defined in the Rights Agreement) that a 15% stockholder is an Adverse Person (as defined in the Rights Agreement), each right (other than rights held by an Acquiring Person or Adverse Person) may be exercised to purchase common stock of the Company or a successor company with a market value of twice the \$300 exercise price. The rights, which are redeemable by the Company at one cent per right, expire in June 2001.

SCHEDULE II

COMPUTER ASSOCIATES INTERNATIONAL, INC.
AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

| Description | Balance at beginning of period | Additions charged to costs and expenses | Charged to other accounts (a) | Deductions(b) | Balance at end of period |
|---|--------------------------------|---|-------------------------------|---------------|--------------------------|
| (Dollars in thousands) | | | | | |
| Reserves and allowances deducted from assets to which they apply: | | | | | |
| Allowance for uncollectible amounts | | | | | |
| Year ended March 31, 1996 | \$182,581 | \$70,912 | \$4,832 | \$76,334 | \$181,991 |
| Year ended March 31, 1995 | \$146,381 | \$88,549 | \$7,336 | \$59,685 | \$182,581 |
| Year ended March 31, 1994 | \$149,525 | \$90,068 | | \$93,212 | \$146,381 |

(a) Reserves of acquired companies.

(b) Write-offs of amounts against allowance provided.

INDEX TO EXHIBITS

| Regulation S-K Exhibit Number | | Exhibit to this Report |
|----------------------------------|---|---------------------------|
| ----- | | ----- |
| 21 | Subsidiaries of the Registrant | Exhibit A |
| 23 | Consent of Ernst & Young LLP | Exhibit B |
| 10(f) | Amendment No. 3 to the 1991 Stock 1991 Incentive Plan dated August 9, 1995. | Exhibit C |
| 10(m) | Note Purchase Agreement dated of April 1, 1996. | Exhibit D |

Subsidiaries of the Registrant

| Name of Subsidiary | Jurisdiction of Incorporation |
|--|-------------------------------|
| C.A. Computer Associates GmbH | Germany |
| C.A. Computer Associates Israel Ltd. | Israel |
| C.A. Computer Associates S.A. | Spain |
| CA Islandia Realty, Inc. | New York |
| CA Management, Inc. | Delaware |
| CA Services, Inc. | Delaware |
| Computer Associates AG | Switzerland |
| Computer Associates Canada Ltd. | Canada |
| Computer Associates CIS Ltd. | Russia |
| Computer Associates de Argentina S.A. | Argentina |
| Computer Associates do Brasil Ltda. | Brazil |
| Computer Associates de Chile Ltd. | Chile |
| Computer Associates de Columbia S.A. | Colombia |
| Computer Associates de Mexico, S.A. de C.V. | Mexico |
| Computer Associates de Venezuela, C.A. | Venezuela |
| Computer Associates Finland OY | Finland |
| Computer Associates International (China) Ltd. | China |
| Computer Associates International G.m.b.H. | Austria |
| Computer Associates International Limited | Hong Kong |
| Computer Associates Korea Ltd. | Korea |
| Computer Associates Ltd. Sti. | Turkey |
| Computer Associates (M) Sdn. Bhd. | Malaysia |
| Computer Associates Middle East WLL | Bahrain |
| Computer Associates Norway A/S | Norway |
| Computer Associates (N.Z.) Ltd. | New Zealand |
| Computer Associates Plc | United Kingdom |
| Computer Associates Products Nederland B.V. | The Netherlands |
| Computer Associates Pte. Ltd. | Singapore |
| Computer Associates Pty. Ltd. | Australia |
| Computer Associates S.A. | Belgium |
| Computer Associates S.A. | France |
| Computer Associates Scandinavia A/S | Denmark |
| Computer Associates S.p.A. | Italy |
| Computer Associates Sucursal en Portugal | Portugal |
| Computer Associates Sweden AB | Sweden |
| Computer Associates Taiwan Ltd. | Taiwan |
| Computer Associates (Thailand) Co. Ltd. | Thailand |
| Cullinet Software, Inc. | Massachusetts |
| Infresco Corporation | Delaware |
| Ingres Corporation | Delaware |
| Legent Corporation | Delaware |
| Nantucket Corporation | California |
| On-Line Software International, Inc. | Delaware |
| Pansophic Systems, Incorporated | Illinois |
| Philippine Computer Associates International, Inc. | Philippines |
| Shanmore Ltd. | Ireland |
| The ASKGroup, Inc. | Delaware |

All of the subsidiaries are 100%-owned by the Registrant or by a wholly owned subsidiary of the Registrant other than directors' qualifying shares which are held in trust for the Registrant or for such wholly owned subsidiary.

Exhibit B

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-53915 pertaining to the Computer Associates International, Inc. 1993 Non-Employee Director Stock Option Plan; Form S-8 Nos. 33-64377 and 33-53572 pertaining to the Computer Associates International, Inc. 1991 Stock Incentive Plan; Form S-4 No. 33-30347, and Form S-8 Nos. 33-34607, 33-18322, 2-92355, 2-87495 and 2-79751 pertaining to the 1981 Incentive Stock Option Plan, Non-Statutory Stock Option Plan and Affiliated Plans; and Form S-8 No. 33-20797 pertaining to the Computer Associates Savings Harvest Plan) of Computer Associates International, Inc. and related prospectuses of our report dated May 24, 1996 with respect to the consolidated financial statements and the schedule of Computer Associates International, Inc. and subsidiaries included in the Annual Report (Form 10-K) for the year ended March 31, 1996.

ERNST & YOUNG LLP

New York, New York
May 24, 1996

Exhibit C

**AMENDMENT NO. 3
TO THE
COMPUTER ASSOCIATES INTERNATIONAL, INC.
1991 STOCK INCENTIVE PLAN**

The Computer Associates International, Inc. 1991 Stock Incentive Plan is hereby amended by deleting from Section 6.1(a) the words and numbers "Ten Million(10,000,000)" and substituting in lieu thereof the words and numbers "Twenty Million (20,000,000)".

IN WITNESS WHEREOF, Computer Associates International, Inc. has caused this Amendment to be executed by its officer hereunto duly authorized as of the 9th day of August, 1995.

COMPUTER ASSOCIATES INTERNATIONAL, INC.

By: /s/ Peter A. Schwartz

*Peter A. Schwartz
Senior Vice President and
Chief Financial Officer*

Exhibit D

COMPUTER ASSOCIATES INTERNATIONAL, INC.

\$320,000,000

6.77% Senior Notes due April 4, 2003

NOTE PURCHASE AGREEMENT

Dated as of April 1, 1996

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| EXHIBIT 4.4(a) | -- | Form of Opinion of General Counsel of the Company |
| EXHIBIT 4.4(b) | -- | Form of Opinion of Special Counsel to the Purchasers |

COMPUTER ASSOCIATES INTERNATIONAL, INC.

One Computer Associates Plaza
Islandia, New York 11788-7000

6.77% Senior Notes due April 4, 2003

As of April 1, 1996

**TO EACH OF THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE A:**

Ladies and Gentlemen:

COMPUTER ASSOCIATES INTERNATIONAL, INC., a Delaware

corporation (the "Company"), agrees with you as follows:

1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of \$320,000,000 aggregate principal amount of its 6.77% Senior Notes due April 4, 2003 (the "Notes", such term to include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement or the Other Agreements (as hereinafter defined)). The Notes shall be substantially in the form set out in Exhibit 1, with such changes therefrom, if any, as may be approved by you and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof. Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the "Other Agreements") identical with this Agreement with each of the other purchasers named in Schedule A (the "Other Purchasers"), providing for the sale at such Closing to each of the Other Purchasers of Notes in the principal amount specified opposite its name in Schedule A. Your obligation hereunder and the obligations of the Other Purchasers under the Other Agreements are several and not joint obligations and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or non-performance by any Other Purchaser thereunder.

3. CLOSING.

The sale and purchase of the Notes to be purchased by you and the Other Purchasers shall occur at the offices of Milbank, Tweed, Hadley & McCloy, One Chase Manhattan Plaza, New York, New York 10005, at 10:00 A.M., New York City time, at a closing (the "Closing") on April 4, 1996 or on such other Business Day thereafter on or prior to April 31, 1996 as may be agreed upon by the Company and you and the Other Purchasers. At the Closing the Company will deliver to you the Notes to be purchased by you in the form of a single Note (or such greater number of Notes in denominations of at least \$500,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 178-1540 at Mellon Bank, N.A., One Mellon Bank Center, Pittsburgh, Pennsylvania 15258, ABA No. 043000261. If at the Closing the Company shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

4.1. Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

4.2. Performance; No Default.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14) no Default or Event of Default shall have occurred and be continuing.

4.3. Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary's Certificate. The Company shall have delivered to you a certificate certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement.

4.4. Opinions of Counsel.

You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (a) from Steven M. Woghin, General Counsel of the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to you) and (b) from Milbank, Tweed, Hadley & McCloy, your special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as you may reasonably request.

4.5. Purchase Permitted By Applicable Law, etc.

On the date of the Closing your purchase of Notes shall

(i) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation G, T or X of the Board of Governors of the Federal Reserve System) and (iii) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

4.6. Sale of Other Notes.

Contemporaneously with the Closing the Company shall sell to the Other Purchasers and the Other Purchasers shall purchase the Notes to be purchased by them at the Closing as specified in Schedule A.

4.7. Payment of Special Counsel Fees.

Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of your special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

4.8. Private Placement Number.

A Private Placement number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Notes.

4.9. Changes in Corporate Structure.

The Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and

shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

4.10. Proceedings and Documents.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that:

5.1. Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Other Agreements and the Notes and to perform the provisions hereof and thereof.

5.2. Authorization, etc.

This Agreement and the Other Agreements and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3. Disclosure.

The Company, through its agents, CS First Boston Corporation and J.P. Morgan Securities Inc., has delivered to you and each Other Purchaser a copy of a Direct Placement Memorandum, dated March 1996 (the "Memorandum"), relating to the transactions contemplated hereby. Except as disclosed in Schedule 5.3, this Agreement, the Memorandum, the documents, certificates or other writings identified in Schedule 5.3 and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed

in the Memorandum or as expressly described in Schedule 5.3, or in one of the documents, certificates or other writings identified therein, or in the financial statements listed in Schedule 5.5, since December 31, 1995, there has been no change in the financial condition, operations, business or properties of the Company or any of its Subsidiaries except changes that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

5.4. Organization and Ownership of Shares of Subsidiaries.

(a) Schedule 5.4 is (except as noted therein) a complete and correct list of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary. Schedule 5.4 also indicates which Subsidiaries constitute Material Subsidiaries.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

5.5. Financial Statements.

The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

5.6. Compliance with Laws, Other Instruments, etc.

The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any

Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

5.7. Governmental Authorizations, etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

5.8. Litigation; Observance of Statutes and Orders.

(a) There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

5.9. Taxes.

The Company and its Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended March 31, 1991.

5.10. Title to Property; Leases.

The Company and its Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement, except

for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

5.11. Licenses, Permits, etc.

The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

5.12. Compliance with ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than \$10,000,000 in the case of any single Plan and by more than \$20,000,000 in the aggregate for all Plans. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in Section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant

to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of your representation in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Notes to be purchased by you.

5.13. Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than you, the Other Purchasers and not more than 120 other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

5.14. Use of Proceeds; Margin Regulations.

The Company will apply the proceeds of the sale of the Notes as set forth in Schedule 5.14. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 CFR 207), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 10% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 10% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation G.

5.15. Existing Indebtedness.

Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries in a principal amount in excess of \$5,000,000 and the total amount of all other outstanding Indebtedness of the Company and its Subsidiaries, in each case as of February 29, 1996, since which date there has been no Material change in the amounts, interest rates, sinking funds, instalment payments or maturities of the Indebtedness of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary the outstanding principal amount of which exceeds \$5,000,000 that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

5.16. Foreign Assets Control Regulations, etc.

Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

5.17. Status under Certain Statutes.

Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

6. REPRESENTATIONS OF THE PURCHASER.

6.1. Purchase for Investment.

You represent that you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of your or their property shall at all times be within your or their control. You understand that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

6.2. Source of Funds.

You represent that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) the Source is an insurance company general account as such term is used in Prohibited Transaction Exemption ("PTE") 95-60 issued by the Department of Labor and your purchase of the Notes hereunder is entitled to the exemption granted by PTE 95-60; or

(b) the Source is a separate account that is maintained solely in connection with your fixed contractual obligations under which the amounts payable, or credited, to such plan and to any participant or beneficiary of such plan (including any annuitant) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (c), no employee benefit plan or group of plans maintained by the same employer or employee

organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (d); or

(e) the Source is a governmental plan; or

(f) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (f); or

(g) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

7. INFORMATION AS TO COMPANY.

7.1. Financial and Business Information.

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, stockholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of

the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission, and containing the financial statements referred to in clauses (i) and (ii) above, shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements -- within 105 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, stockholders' equity and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, and containing the financial statements referred to in clauses (i) and (ii) above, shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and

(ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in Section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect; and

(f) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

7.2. Officer's Certificate.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Sections 10.3(i), 10.4(d), 10.5(e) and 10.6, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum

amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3. Inspection.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and, with the consent of the Company (which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

Default -- if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

8. PREPAYMENT OF THE NOTES.

8.1. Required Prepayments.

On April 4, 1999 and on each April 4 thereafter to and including April 4, 2003, the Company will prepay \$64,000,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Notes at par and without payment of the Make- Whole Amount or any premium, provided that upon any partial prepayment of the Notes pursuant to Section 8.2 or 8.3 or purchase of the Notes permitted by Section 8.6 the principal amount of each required prepayment of the Notes becoming due under this Section 8.1 on and after the date of such prepayment or purchase shall be reduced in the same proportion as the aggregate unpaid

principal amount of the Notes is reduced as a result of such prepayment or purchase.

8.2. Optional Prepayments with Make-Whole Amount.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 5% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date fixed for such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment, which date shall be a Business Day. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

8.3. Prepayment in Connection with Excess Amounts.

If at any time the Company intends to create, incur or assume a Lien which will result in any Excess Amounts being offered to be applied to the prepayment of Specified Indebtedness pursuant to the last paragraph of Section 10.3, the Company will give written notice thereof to the holders of all outstanding Notes, which notice shall (A) refer specifically to this Section 8.3, (B) specify the Excess Amounts Prepayment Date and the Excess Amounts Response Date (as respectively defined below) in respect thereof, (C) set forth (i) the aggregate amount of Excess Amounts to be offered to be applied to the prepayment of Specified Indebtedness, (ii) the Note Portion thereof and (iii) the amount of such Note Portion allocable to each Note, determined by allocating such Note Portion pro rata among all outstanding Notes according to the respective unpaid principal amounts thereof and (D) offer to prepay a principal amount of each Note equal to such Note Portion so allocable to such Note, together with interest accrued thereon to the date fixed for such prepayment (the "Excess Amounts Prepayment Date"), which shall be not less than 15 nor more than 30 days after the date of the giving of such notice. Each holder of a Note shall notify the Company of such holder's acceptance or rejection of such offer by giving written notice of such acceptance or rejection to the Company on a date (the "Excess Amounts Response Date") at least ten days prior to the Excess Amounts Prepayment Date, and the Company shall prepay on the Excess Amounts Prepayment Date the applicable portion of each Note held by each holder by whom such offer has been accepted in accordance with this Section 8.3 at a price in respect of each Note held by such holder equal to the principal amount of such Note so to be prepaid, together with interest accrued thereon to the Excess Amounts Prepayment Date, without payment of any Make-Whole Amount or any premium; provided, however, that the failure by the holder of any Note to respond to such offer in writing on or before the Excess Amounts Response Date

shall be deemed to be a rejection of such offer in respect of such Excess Amounts.

8.4. Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes pursuant to Section 8.1 or 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

8.5. Maturity; Surrender, etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.6. Purchase of Notes.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 20 Business Days. If the holder or holders of more than 50% of the principal amount of the Notes then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary to give each such remaining holder at least 20 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.7. Make-Whole Amount.

The term "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the

Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, .50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 500" on the Telerate Access Service (or such other display as may replace Page 500 on Telerate Access Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield in the case of clauses

(i) and (ii) above will be determined, if necessary, by

(a) converting U.S. Treasury bill quotations to bond- equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under

the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1. Compliance with Law.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Subsidiaries taken as a whole.

9.2. Insurance.

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3. Maintenance of Properties.

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Subsidiaries taken as a whole.

9.4. Payment of Taxes.

The Company will and will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, provided that neither the Company nor any Subsidiary need pay any such tax or assessment if

(i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Subsidiaries taken as a whole.

9.5. Corporate Existence, etc.

Subject to Section 10.2, the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.2 and 10.5, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Subsidiaries taken as a whole.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1. Transactions with Affiliates.

The Company will not and will not permit any Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

10.2. Merger, Consolidation, etc.

The Company shall not consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation, such corporation shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement, the Other Agreements and the Notes; and

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.2 from its liability under this Agreement or the Notes.

10.3. Liens.

The Company will not, and will not permit any Material Subsidiary to, directly or indirectly create, incur, assume or suffer to exist any Lien upon or with respect to any of its property or assets, whether now owned or hereafter acquired, to secure Indebtedness, without making effective provision whereby the Notes shall be secured equally and ratably with any and all other Indebtedness to be secured by such Lien, for so long as any such other Indebtedness shall be so secured, such security to be pursuant to an agreement reasonably satisfactory to the Required Holders, excluding from the operation of this Section:

(a) Liens existing on the date hereof securing Indebtedness of the Company or any Material Subsidiary outstanding on the date hereof, as specified in Part II of Schedule 5.15;

(b) any Lien on property of the Company or any Material Subsidiary securing Indebtedness incurred in connection with the financing of all or a part of the purchase price thereof, provided that (i) each such Lien shall extend solely to the item or items of property so acquired and any other property which is an improvement to such acquired property and (ii) each such Lien shall be created contemporaneously with, or within six months after, such acquisition;

(c) any Lien existing on property acquired by the Company or any Material Subsidiary at the time such property is so acquired, provided that (i) no such Lien shall have been created or assumed in contemplation of such acquisition of property and (ii) each such Lien shall extend solely to the item or items of property so acquired and any other property which is an improvement to such acquired property;

(d) any Lien existing on property of a Person existing at the time such Person shall have become a Material Subsidiary (whether by merger, consolidation or otherwise) which secures Indebtedness existing at such time, provided that (i) no such Lien shall have been created or assumed in contemplation of such Person's becoming a Material Subsidiary

and (ii) each such Lien shall extend solely to the item or items of property covered by such Lien at such time and any other property which is an improvement to such property;

(e) any Lien in favor of the United States of America arising as a result of amounts paid to the Company or any Material Subsidiary as progress payments under contracts between the United States of America or any agency thereof and the Company or such Material Subsidiary;

(f) any Lien on accounts receivable of the Company or any Material Subsidiary securing Indebtedness incurred in connection with the financing of such accounts receivable, provided that (subject to the last paragraph of this Section 10.3), immediately after giving effect thereto, the aggregate amount of outstanding Indebtedness incurred in connection with all such secured financings shall not exceed the greater of (i) \$250,000,000 and (ii) 10% of the aggregate amount of accounts receivable of the Company and the Material Subsidiaries as at the time of the creation of such Lien;

(g) any Lien renewing, extending or replacing any Lien permitted under clauses (a) through (e) above, provided that (i) the principal amount of Indebtedness secured by such Lien immediately prior to such renewal, extension or replacement is not increased and (ii) such Lien shall extend solely to the item or items of property covered by such Lien at the time of such renewal, extension or replacement and any other property which is an improvement to such property;

(h) Liens on property or assets of any Material Subsidiary securing Indebtedness owing by such Material Subsidiary to the Company or any Wholly-Owned Subsidiary; and

(i) Liens, in addition to those permitted by clauses (a) through (h) above, securing Indebtedness of the Company or any Material Subsidiary, provided that, immediately after giving effect thereto, the aggregate amount (without duplication) of all outstanding Indebtedness secured by Liens permitted under this clause (i), plus the aggregate amount of all outstanding Indebtedness permitted under clause (d) of Section 10.4, does not exceed 10% of Consolidated Total Assets.

There shall be excluded from any computation pursuant to the proviso to the foregoing clause (f) any Indebtedness to the extent that such Indebtedness would result in the aggregate amount of outstanding Indebtedness incurred in connection with all financings described in said clause exceeding the greater of (i) \$250,000,000 and (ii) 10% of the aggregate amount of accounts receivable of the Company and the Material Subsidiaries as at the date of computation if and to the extent that the Company shall have offered to prepay Specified Indebtedness in an aggregate amount (the "Excess Amount") equal to such excess amount, the portion of the Excess Amount to be so offered to be prepaid with respect to each item of Specified Indebtedness to be equal to an amount which bears the same relationship to the Excess Amount as the aggregate outstanding principal amount of such item of Specified Indebtedness bears to the then aggregate outstanding principal amount of all Specified Indebtedness. In connection with any such prepayment, the Company shall offer to prepay Notes in

accordance with Section 8.3 in an amount (the "Note Portion") equal to the portion of such Excess Amount allocable to the Notes in accordance with the immediately preceding sentence.

10.4. Subsidiary Indebtedness.

The Company will not permit any Material Subsidiary to create, incur, assume or suffer to exist any Indebtedness except:

(a) Indebtedness incurred in connection with any Lien permitted under clauses (a) through (c) and (e) through (h) of Section 10.3;

(b) Indebtedness owing to the Company or any Wholly- Owned Subsidiary;

(c) Indebtedness outstanding at the time any Person shall have become a Material Subsidiary (whether by merger, consolidation or otherwise), provided that (i) no such Indebtedness shall have been incurred in contemplation of such Person's becoming a Material Subsidiary and (ii) immediately after such Person shall have become a Material Subsidiary, no Default or Event of Default shall have occurred and be continuing; and

(d) additional Indebtedness not otherwise permitted by the foregoing clauses (a) through (c), provided that, immediately after giving effect thereto, the aggregate amount (without duplication) of all outstanding Indebtedness permitted under this clause (d), plus the aggregate amount of all outstanding Indebtedness secured by Liens permitted under clause (i) of Section 10.3, does not exceed 10% of Consolidated Total Assets.

10.5. Disposition of Assets.

The Company will not, and will not permit any Material Subsidiary to (whether by a single transaction or a number of related or unrelated transactions and whether at one time or over a period of time), sell, transfer, lease out or otherwise dispose of (whether outright, by a sale-and-repurchase or sale-and- leaseback arrangement, or otherwise and whether to the Company, any of its Subsidiaries or any other Person) (a "Disposal") all of its assets or any part of its assets, except:

(a) Disposals of assets in the ordinary course of business;

(b) Disposals of assets acquired in connection with an acquisition of a business if (x) such Disposals occur within twelve months after the date of such acquisition or (y) the Company or such Material Subsidiary enters into a binding agreement with any Person within twelve months after the date of such acquisition pursuant to which the Company or such Material Subsidiary is obligated to dispose of such assets to such Person and such Disposals occur within twelve months after the date such agreement is entered into; provided, however, that, in each case, if such Disposals cannot reasonably be consummated within such twelve-month period as a result of (i) the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act or any similar statute or regulation not having expired or (ii) the Company's actively contesting in good faith by appropriate means any judicial or administrative action, suit, proceeding, judgment, injunction,

order or decree seeking to prohibit such Disposals, such twelve-month period shall be extended for a period equal to an additional two years;

(c) Disposals of assets by the Company or any Material Subsidiary to the Company or any Wholly-Owned Subsidiary;

(d) Disposals on normal commercial terms of assets that are obsolete or no longer useful in the business of the Company or such Material Subsidiary, as the case may be; and

(e) any Disposal of assets not otherwise permitted by clauses (a) through (d) above if, after giving effect thereto, no Default or Event of Default has occurred and is continuing and both

(i) the aggregate Contribution to Consolidated Cash Flow of all assets disposed of by the Company or any Material Subsidiary under this clause (e) after the date hereof and during the period of twelve consecutive months ending on the date of such Disposal shall not exceed 20% of Consolidated Cash Flow for the period of four fiscal quarters ending on, or most recently ended prior to, the date of such Disposal; provided that Disposals of assets, the aggregate Contribution to Consolidated Cash Flow of which so exceeds 20% of Consolidated Cash Flow, may be made if the net proceeds in excess of such 20% are either

(x) reinvested in non-current assets of the Company and the Material Subsidiaries within twelve months after the date of such Disposals or, in the case of non-cash net proceeds, retained in the business of the Company and the Material Subsidiaries, provided that upon any Disposal of such non-cash net proceeds for cash, such cash proceeds are reinvested in non-current assets of the Company and the Material Subsidiaries within twelve months after the date of such Disposal or (y) applied to the prepayment of Specified Indebtedness, the selection of which Specified Indebtedness is to be prepaid to be in the sole discretion of the Company, and

(ii) the aggregate Contribution to Consolidated Cash Flow of all assets disposed of by the Company or any Material Subsidiary under this clause (e) after the date hereof and during the period of thirty-six consecutive months ending on the date of such Disposal shall not exceed 40% of Consolidated Cash Flow for the period of the four fiscal quarters ending on, or most recently ended prior to, the date of such Disposal; provided that Disposals of assets, the aggregate Contribution to Consolidated Cash Flow of which so exceeds 40% of Consolidated Cash Flow, may be made if the net proceeds in excess of such 40% are either (x) reinvested in non-current assets of the Company and the Material Subsidiaries within twelve months after the date of such Disposals or, in the case of non-cash net proceeds, retained in the business of the Company and the Material Subsidiaries, provided that upon any Disposal of such non-cash net proceeds for cash, such cash proceeds are reinvested in non-current assets of the Company and the Material Subsidiaries within twelve months after the date of such Disposal or (y) applied to the prepayment of Specified Indebtedness, the selection of which Specified Indebtedness is to be prepaid to be in the sole discretion of the Company.

10.6. Maintenance of Financial Conditions.

The Company will not on any date permit:

(a) Consolidated Cash Flow for the period of the four fiscal quarters ending on, or most recently ended prior to, such date to be less than 300% of Pro Forma Annual Consolidated Interest Expense as of such date;

(b) Consolidated Total Indebtedness as of such date to exceed 400% of Consolidated Cash Flow for the four fiscal quarters ending on, or most recently ended prior to, such date.

11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Sections 10.2 through 10.6; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder or holders of at least 10% in aggregate principal amount of the Notes at the time outstanding (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Material Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least \$50,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Material Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least \$50,000,000 or of any mortgage, indenture or other

agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) the Company or any Material Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes a general assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Material Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Material Subsidiaries, or any such petition shall be filed against the Company or any of its Material Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of \$25,000,000 are rendered against one or more of the Company and its Material Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under Section 4042 of ERISA to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$25,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Material Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the

Company or any Material Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Material Adverse Effect.

As used in Section 11(j), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1. Acceleration.

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Required Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this

Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and

(y) in the case of any Event of Default described in clause (b) or

(c) of this Section 12.1, the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. Rescission.

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holder or holders of not less than 66 2/3% in aggregate principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if

(a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make- Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non- payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to

Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. No Waivers or Election of Remedies, Expenses, etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1. Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2. Transfer and Exchange of Notes.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly

executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$500,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

13.3. Replacement of Notes.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least \$10,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1. Place of Payment.

Subject to Section 14.2, payments of principal, Make- Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of Mellon Bank, N.A. in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2. Home Office Payment.

So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section

14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section

13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

15. EXPENSES, ETC.

15.1. Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you).

15.2. Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1. Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Section 8, 11(a), 11(b), 12, 17 or 20.

17.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes or any waiver or amendment of any of the terms and provisions hereof

unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

17.3. Binding Effect, etc.

Any amendment or waiver consented to as provided in this

Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

17.4. Notes held by Company, etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid); provided, however, that all notices to be given by the Company under Section 8.3 shall be in writing and sent in the manner specified in clause (a) above. Any such notice must be sent:

- (i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,
- (ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or
- (iii) if to the Company, to the Company at its address set forth at the beginning hereof to the separate attention of the Treasurer and General Counsel, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, officers, employees, agents, attorneys and affiliates, (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is

continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

22. MISCELLANEOUS.

22.1. Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

22.2. Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

22.3. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions

hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

22.4. Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

22.5. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

22.6. Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

PFL LIFE INSURANCE COMPANY

*By /s/Gregory W. Theobald
Title: Vice President and Assitant Secretary*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

LIFE INVESTORS INSURANCE COMPANY OF AMERICA

*By /s/Gregory W. Theobald
Title: Vice President and Assitant Secretary*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

FIRST AUSA LIFE INSURANCE COMPANY

*By /s/Gregory W. Theobald
Title: Vice President and Assitant Secretary*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

AUSA LIFE INSURANCE COMPANY, INC.

*By /s/Gregory W. Theobald
Title: Vice President and Assitant Secretary*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

METROPOLITAN LIFE INSURANCE COMPANY

*By /s/Joseph A. Augustini
Title: Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

THE TRAVELERS INSURANCE COMPANY

*By /s/Teresa M. Torrey
Title: Second Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

PRIMERICA LIFE INSURANCE COMPANY

*By /s/Paul D. Burner
Title: Senior Vice President & Treasurer*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

**By: LINCOLN INVESTMENT MANAGEMENT, INC.
Its Attorney-in-Fact**

*By /s/Dennis A. Blume
Title: Senior Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

ALLIED LIFE INSURANCE COMPANY

**By: LINCOLN INVESTMENT MANAGEMENT, INC.
Its Attorney-in-Fact**

*By /s/Dennis A. Blume
Title: Senior Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

SECURITY-CONNECTICUT LIFE INSURANCE COMPANY

**By: LINCOLN INVESTMENT MANAGEMENT, INC.
Its Attorney-in-Fact**

*By /s/Dennis A. Blume
Title: Senior Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

LINCOLN-SECURITY LIFE INSURANCE COMPANY

**By: LINCOLN INVESTMENT MANAGEMENT, INC.
Its Attorney-in-Fact**

*By /s/Dennis A. Blume
Title: Senior Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

AMERICAN STATES LIFE INSURANCE COMPANY

**By: LINCOLN INVESTMENT MANAGEMENT, INC.
Its Attorney-in-Fact**

*By /s/Dennis A. Blume
Title: Senior Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

**MASSACHUSETTS MUTUAL LIFE
INSURANCE COMPANY**

*By /s/John B. Joyce
Title: Managing Director*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

CM LIFE INSURANCE COMPANY

*By /s/Lawerence Stillman
Title: Senior Investment Officer*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

*By /s/Daniel C. Budde
Title: Investment Officer*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

**JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY,
ON BEHALF OF THE JOHN HANCOCK SEPARATE ACCOUNT
TRUST NO. 76**

*By /s/Daniel C. Budde
Title: Investment Officer*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

**JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY,
ON BEHALF OF THE JOHN HANCOCK SEPARATE ACCOUNT
TRUST NO. 86**

*By /s/Daniel C. Budde
Title: Investment Officer*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

*By /s/Willma H. Davis
Title: Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

**THE EQUITABLE LIFE ASSURANCE SOCIETY
OF THE UNITED STATES**

*By /s/Ina Lane
Title: Investment Officer*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

ALLSTATE LIFE INSURANCE COMPANY

By /s/Charles D. Mires

*By /s/David A. Chalupnik
Authorized Signatories*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

*By /s/Julia S. Tucker
Title: Investment Officer*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

AMERICAN GENERAL LIFE INSURANCE COMPANY

*By /s/Julia S. Tucker
Title: Investment Officer*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

*By /s/Julie Bock
Title: Manager - Private Placement Investments*

*By /s/Wayne T. Hoffman
Title: Vice President - Private Placement Investments*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

**NEW YORK LIFE INSURANCE AND
ANNUITY CORPORATION**

*By /s/Lydia S. Sangree
Title: Assistant Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

NEW YORK LIFE INSURANCE COMPANY

*By /s/Lydia S. Sangree
Title: Assistant Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

SUN LIFE ASSURANCE COMPANY OF CANADA

*By /s/John N. Whelihan
Title: Vice President, U.S. Private Placements - for President*

*By /s/Jeffrey J. Skerry
Title: Associate Counsel - for Secretary*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

**SUN LIFE ASSURANCE COMPANY OF
CANADA (U.S.)**

*By /s/L. Brock Thomson
Title: Treasurer*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

AMERICAN UNITED LIFE INSURANCE COMPANY

*By /s/Kent R. Adams
Title: Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

*The foregoing is hereby
agreed to as of the
date thereof.*

THE STATE LIFE INSURANCE COMPANY

*By /s/Kent R. Adams
Title: Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

NATIONWIDE LIFE INSURANCE COMPANY

*By /s/Michael D. Groseclose
Title: Associate Vice President Corporate Fixed-Income Securities*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

**NATIONWIDE LIFE AND ANNUITY INSURANCE
COMPANY**

*By /s/Michael D. Groseclose
Title: Associate Vice President Corporate Fixed-Income Securities*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

**TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA**

*By /s/Loren S. Archibald
Title: Managing Director-Private Placements*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

LUTHERAN BROTHERHOOD

*By /s/Charles Heeren
Title: Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

SECURITY FIRST LIFE INSURANCE COMPANY

*By /s/Ruth Ann McConkey
Title: Manager, U.S. Fixed Income*

*By /s/R.J. Ritchie
Title: Director, U.S. Fixed Income*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

INDIANAPOLIS LIFE INSURANCE COMPANY

*By /s/Margaret M. McKinney
Title: Vice President, Associate General Counsel and Secretary*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

AMERITAS LIFE INSURANCE CORP.

*By /s/Patrick J. Henry
Title: Vice President - Fixed Income Securities*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

NATIONAL TRAVELERS LIFE COMPANY

By MIMLIC ASSET MANAGEMENT COMPANY

*By /s/Loren Haugland
Title: Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

THE NORTH WEST LIFE ASSURANCE COMPANY OF CANADA

By MIMLIC ASSET MANAGEMENT COMPANY

*By /s/Marilyn Froelich
Title: Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

PROTECTED HOME MUTUAL LIFE INSURANCE COMPANY

By MIMLIC ASSET MANAGEMENT COMPANY

*By /s/Frederick Feuerherm
Title: Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

NATIONAL FARM LIFE INSURANCE COMPANY

By MIMLIC ASSET MANAGEMENT COMPANY

*By /s/Lynne M. Mills
Title: Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

THE PENN INSURANCE AND ANNUITY COMPANY

*By /s/Barbara B. Henderson
Title: Assistant Vice President*

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

*By /s/Ira Zar
Title: Senior Vice President*

The foregoing is hereby
agreed to as of the
date thereof.

**NATIONAL GUARDIAN LIFE INSURANCE
COMPANY**

*By /s/John D. Larson
Title: President and CEO*

Schedule A

INFORMATION RELATING TO PURCHASERS

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| PFL LIFE INSURANCE COMPANY | \$16,000,000 |

- (1) All payments by wire transfer of immediately available funds to:

Firststar Bank of Iowa
222 Second Street S.E.
Cedar Rapids, IA 52401
ABA No. 073000545
For credit to: PFL Life Insurance Company
Account No. 121-27196-9

with sufficient information to identify the source and application of such funds.

- (2) All notices of and confirmations of PAYMENT information should be directed to:

AEGON USA Investment Management, Inc.
Attention: Michael Meese
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5112

- (3) All other COMMUNICATIONS should be directed to:

AEGON USA Investment Management, Inc.
Attention: Director of Private Placements
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5335
Fax No. (319) 369-2009

Tax Identification No. 39-0989781

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| LIFE INVESTORS INSURANCE COMPANY OF AMERICA | \$10,000,000 |

- (1) All payments by wire transfer of immediately available funds to:

Firststar Bank of Iowa
222 Second Street S.E.
Cedar Rapids, IA 52401
ABA No. 073000545
For credit to: Life Investors Insurance
Company of America
Account No. 119-09310-2

with sufficient information to identify the source and application of such funds.

- (2) All notices of and written confirmations of PAYMENT information should be directed to:

AEGON USA Investment Management, Inc.
Attention: Michael Meese
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5112

- (3) All other COMMUNICATIONS should be directed to:

AEGON USA Investment Management, Inc.
Attention: Director of Private Placements
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5335
Fax No. (319) 369-2009

Tax Identification No. 42-0191090

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| FIRST AUSA LIFE INSURANCE COMPANY | \$5,000,000 |

- (1) All payments by wire transfer of immediately available funds to:

Citibank, N.A.
111 Wall Street
New York, NY 10043
ABA No. 021000089
DDA No. 36112805
For credit to: First AUSA Life
Insurance Company
Custody Account No. 847537

with sufficient information to identify the source and application of such funds.

- (2) All notices of and written confirmations of PAYMENT information should be directed to:

AEGON USA Investment Management, Inc.
Attention: Michael Meese
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5112

- (3) All other COMMUNICATIONS should be directed to:

AEGON USA Investment Management, Inc.
Attention: Director of Private Placements
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5335
Fax No. (319) 369-2009

Tax Identification No. 42-6063494

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| AUSA LIFE INSURANCE COMPANY, INC. | \$4,000,000 |

- (1) All payments by wire transfer of immediately available funds to:

Morgan Guaranty Trust Company
ABA No. 021000238
For credit to: AUSA Life Insurance
Company, Inc.
Account No. 001-60-362

with sufficient information to identify the source and application of such funds.

- (2) All notices of and written confirmations of PAYMENT information should be directed to:

AEGON USA Investment Management, Inc.
Attention: Michael Meese
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5112

- (3) All other COMMUNICATIONS should be directed to:

AEGON USA Investment Management, Inc.
Attention: Director of Private Placements
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5335
Fax No. (319) 369-2009

Tax Identification No. 36-6071399

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

METROPOLITAN LIFE INSURANCE COMPANY

\$30,000,000

- (1) All payments by wire transfer of immediately available funds to:

The Chase Manhattan Bank, N.A.
33 East 23rd Street
ABA No. 021000021
Account No. 002-2-410591

with sufficient information to identify the source and application of such funds (including the PPN (204912 A* 0) of the Notes).

- (2) All notices of payments and written confirmations of such wire transfers:

Metropolitan Life Insurance Company
One Madison Avenue
New York, NY 10010
Attention: Treasurer

with a copy to:

Metropolitan Life Insurance Company
334 Madison Avenue
P.O. Box 633
Convent Station, NJ 07961-0633
Attention: Vice President
Tel: 201-254-3222

(3) All other communications:

Metropolitan Life Insurance Company
334 Madison Avenue
P.O. Box 633
Convent Station, NJ 07961-0633
Attention: Vice President
Tel: 201-254-3222

Tax Identification Number: 13-5581829

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| THE TRAVELERS INSURANCE COMPANY | \$25,000,000 |

Register Notes in the name of: TRAL & CO.

- (1) All payments by wire transfer of immediately available funds to:

Chase Manhattan Bank, N.A.
One Chase Manhattan Plaza
New York, NY 10081
Account No. 910-2-587434

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

One Tower Square
Hartford, CT 06183-2030
Attention: Cashiers Department

- (3) All other communications:

One Tower Square
Hartford, CT 06183-2030
Attention: Securities Department - Private Placements

Tax Identification No. 06-0566090

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| PRIMERICA LIFE INSURANCE COMPANY | \$5,000,000 |

- (1) All payments by wire transfer of immediately available funds to:

Citibank, N.A.
153 East 53rd Street
New York, NY 10022
ABA No. 021000089
Account No. 847016

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

Primerica Life Insurance Company
c/o The Travelers Insurance Company
One Tower Square
Hartford, CT 06183-2030
Attention: Securities Department --
Private Placements

- (3) All other communications:

Primerica Life Insurance Company
c/o The Travelers Insurance Company
One Tower Square
Hartford, CT 06183-2030
Attention: Securities Department --
Private Placements

Tax Identification No. 04-1590590

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | \$9,500,000 |

(1) All payments by wire transfer of immediately available funds to:

Bankers Trust Company
New York, New York
ABA No. 021001033
Private Placement Processing
A/C #: 99-911-145
For further credit to: Lincoln National

Life Insurance Company (Ind Ann's - IFA) Custodial Account No.: 98194
Ref: Security/Rate/Maturity/PPN(204912 A* 0)/P=\$/I=\$

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Bankers Trust Company
Attention: Private Placement Unit P.O. Box 998; Bowling Green Station New York, NY 10274

with a copy to:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

(3) All other communications:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

Tax Identification No. 35-0472300

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | \$4,000,000 |

(1) All payments by wire transfer of immediately available funds to:

Bankers Trust Company
New York, New York
ABA No. 021001033
Private Placement Processing
A/C #: 99-911-145
For further credit to: Lincoln National

Life Insurance Company (LNL/FPP Business) Custodial Account No.: 98185
Ref: Security/Rate/Maturity/PPN(204912 A* 0)/P=\$/I=\$

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Bankers Trust Company
Attention: Private Placement Unit P.O. Box 998; Bowling Green Station New York, NY 10274

with a copy to:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

(3) All other communications:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

Tax Identification No. 35-0472300

| Name and Address of Purchaser | Principal Amount of Notes to be Purchased |
|-------------------------------|--|
| ----- | ----- |
| ALLIED LIFE INSURANCE COMPANY | \$2,500,000 |

Register Note in the name of: Harny & Co

- (1) All payments by wire transfer of immediately available funds to:

Harris Trust & Savings
Chicago, Illinois
ABA No. 071-000-288
DDA Account No. 109-211-3

For further credit to: Allied Life Insurance Company "B" Account No. 23-97589
Ref: Sec/Desc/PPN(204912 A* 0)/P=\$; I=\$

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

Harris Trust & Savings
111 W. Monroe Street
Chicago, IL 60690
Attention: Private Placements
For Account: Allied Life Insurance Company "B"

- (3) All other communications:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

For Account: Allied Life Insurance Company "B"

Tax Identification No. 42-0921353

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | \$2,500,000 |

(1) All payments by wire transfer of immediately available funds to:

Bankers Trust Company
New York, New York
ABA No. 021001033
Private Placement Processing
A/C #: 99-911-145
For further credit to: Lincoln National

Life Insurance Company (Ind Products-Univ Life) Custodial Account No.: 98127
Ref: Security/Rate/Maturity/PPN(204912 A* 0)/P=\$/I=\$

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Bankers Trust Company
Attention: Private Placement Unit P.O. Box 998; Bowling Green Station New York, NY 10274

with a copy to:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

(3) All other communications:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

Tax Identification No. 35-0472300

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | \$1,750,000 |

(1) All payments by wire transfer of immediately available funds to:

Bankers Trust Company
New York, New York
ABA No. 021001033
Private Placement Processing
A/C #: 99-911-145
For further credit to: Lincoln National

Life Insurance Company (Ind Ann's - Legacy) Custodial Account No.: 98184
Ref: Security/Rate/Maturity/PPN(204912 A* 0)/P=\$/I=\$

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Bankers Trust Company
Attention: Private Placement Unit P.O. Box 998; Bowling Green Station New York, NY 10274

with a copy to:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

(3) All other communications:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

Tax Identification No. 35-0472300

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| THE LINCOLN NATIONAL LIFE INSURANCE COMPANY | \$1,750,000 |

(1) All payments by wire transfer of immediately available funds to:

Bankers Trust Company
New York, New York
ABA No. 021001033
Private Placement Processing
A/C #: 99-911-145
For further credit to: Lincoln National

Life Insurance Company (Corp Ret Pension Plans) Custodial Account: 98231
Ref: Security/Rate/Maturity/PPN(204912 A* 0)/P=\$/I=\$

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Bankers Trust Company
Attention: Private Placement Unit P.O. Box 998; Bowling Green Station New York, NY 10274

with a copy to:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

(3) All other communications:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

Tax Identification No. 35-0472300

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| SECURITY-CONNECTICUT LIFE INSURANCE COMPANY | \$1,000,000 |

- (1) All payments by wire transfer of immediately available funds to:

Shawmut Bank Connecticut, N.A.
777 Main Street
Hartford, CT 06115
ABA No. 011900445
For Account of: Security-Connecticut
Life Insurance Company (SPDA)
Account No. 0156196

Ref: Security/Rate/Maturity/PPN(204912 A* 0)/P=\$/I=\$

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

Security-Connecticut Life Insurance Company 20 Security Drive
Avon, CT 06001
Attention: Jodi Dean

- (3) All other communications:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

Tax Identification No. 35-1468921

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| LINCOLN-SECURITY LIFE INSURANCE COMPANY | \$1,000,000 |

(1) All payments by wire transfer of immediately available funds to:

Chase Manhattan Bank, N.A.
 New York, New York
 ABA No. 021000021
 For A/C: 900-9-000200
 For further Credit: LINC-SEC LIFE (NY)
 Account No. G04847

Ref: Sec. Name/Rate/Maturity/PPN(204912 A* 0)/P=\$/I=\$)

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Lincoln-Security Life Insurance Company (New York) c/o Security-Connecticut Life Insurance Company 20 Security Drive
 Avon, CT 06001
 Attention: Jodi Dean

(3) All other communications:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
 Attention: Investment/Private Placements

Tax Identification No. 22-2491079

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| AMERICAN STATES LIFE INSURANCE COMPANY | \$1,000,000 |

Register Note in the name of: Salkeld & Co

- (1) All payments by wire transfer of immediately available funds to:

Bankers Trust Company
New York, New York
ABA No. 021001033
Private Placement Processing
A/C #: 99-911-145
Further credit to: American States Life
Insurance Company (General)
Custodial Account: 97136

Ref: Security/Rate/Maturity/PPN(204912 A* 0)/P=\$/I=\$

with sufficient information
to identify the source and
application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

American States Life Insurance Company 500 North Meridian Street
Indianapolis, IN 46204
Attention: Jodi Pitcock/Corporate Accounting

- (3) All other communications:

Lincoln Investment Management, Inc. 200 East Berry Street; Renaissance Square Fort Wayne, IN 46802
Attention: Investment/Private Placements

Tax Identification No. 35-1007048

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY | \$13,750,000 |

(1) All payments by wire transfer of immediately available funds to:

Citibank, N.A.
111 Wall Street
New York, NY 10043
ABA No. 021000089
For MassMutual Long Term Pool
Account No. 4067-3488
Re: Description of security, principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Massachusetts Mutual Life Insurance Company at (413) 744-3878.

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111
Attention: Tom Li, Managing Director
Securities Investment Division, F455

(3) All other communications:

Massachusetts Mutual Life Insurance Company 1295 State Street
Springfield, MA 01111
Attention: Securities Investment Division

Tax Identification No. 04-1590850

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY | \$6,250,000 |

(1) All payments by wire transfer of immediately available funds to:

Chase Manhattan Bank, N.A.
4 Chase MetroTech Center
New York, NY 10081
ABA No. 021000021
For MassMutual Pension Management
Account No. 910-2594018
Re: Description of security, principal
and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Massachusetts Mutual Life Insurance Company at (413) 744-3878.

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111
Attention: Tom Li, Managing Director
Securities Investment Division, F455

(3) All other communications:

Massachusetts Mutual Life Insurance Company 1295 State Street
Springfield, MA 01111
Attention: Securities Investment Division

Tax Identification No. 04-1590850

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY | \$3,750,000 |

(1) All payments by wire transfer of immediately available funds to:

Chase Manhattan Bank, N.A.
4 Chase MetroTech Center
New York, NY 10081
ABA No. 021000021
For MassMutual IFM Non-Traditional
Account No. 910-2509073
Re: Description of security, principal
and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Massachusetts Mutual Life Insurance Company at (413) 744-3878.

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
1295 State Street
Springfield, MA 01111
Attention: Tom Li, Managing Director
Securities Investment Division, F455

(3) All other communications:

Massachusetts Mutual Life Insurance Company 1295 State Street
Springfield, MA 01111
Attention: Securities Investment Division

Tax Identification No. 04-1590850

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

CM LIFE INSURANCE COMPANY

\$1,250,000

(1) All payments by wire transfer of immediately available funds to:

Citibank, N.A.
111 Wall Street
New York, NY 10043
ABA No. 021000089
For Segment 43 - Universal Life
Account No. 4068-6561
Re: Description of security, principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Massachusetts Mutual Life Insurance Company at (413) 744-3878

with sufficient information
to identify the source and
application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

CM Life Insurance Company
c/o Massachusetts Mutual Life
Insurance Company
1295 State Street
Springfield, MA 01111
Attention: Tom Li, Managing Director Securities Investment Division, F455

(3) All other communications:

CM Life Insurance Company
c/o Massachusetts Mutual Life
Insurance Company
1295 State Street
Springfield, MA 01111
Attention: Securities Investment Division

Tax Identification No. 06-1041383

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY | \$9,500,000 \$7,000,000 |

(1) All payments on account of the Notes in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time to:

The First National Bank of
Boston
ABA No. 011000390
Boston, MA 02110

Account of: John Hancock
Mutual Life Insurance Company
 Private Placement
 Collection Account
Account No.: 541-55417
On order of: Computer
Associates International, Inc.
 (PPN 204912 A*0)

with sufficient information to identify the source and application of such funds.

Contemporaneous with the above wire transfer, advice setting forth: (1) the full name, interest rate and maturity date of the Notes or other obligations; (2) allocation of payment between principal and interest and any special payment; and (3) the name and address of Bank (or Trustee) from which wire transfer was sent, shall be delivered or mailed to:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117
Attention: Securities Accounting Division T-10

(2) All notices of payments and written confirmations of such wire transfers:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117
Attention: Security Accounting Division T-10

(3) All other communications shall be delivered or mailed to:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117

Attention: Bond and Corporate
Finance Department
T-57

Tax Identification No: 04-1414660

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY | \$2,500,000 |

(1) All payments on account of the Notes in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time to:

The First National Bank of
Boston
ABA No. 011000390
Boston, MA 02110

Account of: John Hancock Mutual
 Life Insurance Company
 Private Placement
 Collection Account
Account No.: 541-55417
On order of: Computer Associates
 International, Inc.
 (PPN 204912 A*0)

with sufficient information to identify the source and application of such funds.

Contemporaneous with the above wire transfer, advice setting forth: (1) the full name, interest rate and maturity date of the Notes or other obligations; (2) allocation of payment between principal and interest and any special payment; and (3) the name and address of Bank (or Trustee) from which wire transfer was sent, shall be delivered or mailed to:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117
Attention: Securities Accounting Division T-10

(2) All notices of payments and written confirmations of such wire transfers:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117
Attention: Security Accounting Division T-10

(3) All other communications shall be delivered or mailed to:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117

Attention: Bond and Corporate
Finance Department
T-57

Tax Identification No: 04-2664016

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
SEPARATE ACCOUNT 76

\$1,000,000

(1) All payments on account of the Notes in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time to:

Investors Bank & Trust Company
Boston, MA 02117
ABA No. 011001438
Account No.: 79650-9107
For further credit to: General Motors 76-1

Account No.: 99099
On order of: Computer Associates
International, Inc.
(PNN 204912 A*0)

with sufficient information to
identify the source and
application of such funds.

Contemporaneous with the above
wire transfer, advice setting
forth: (1) the full name,
interest rate and maturity
date of the Notes or other
obligations; (2) allocation of
payment between principal and
interest and any special
payment; and (3) the name and
address of Bank (or Trustee)
from which wire transfer was
sent, shall be delivered or
mailed to:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117

Attention: Portfolio Management & Investment Services, T-56

(2) All notices of payments and written confirmations of such wire transfers:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117
Attention: Portfolio Management & Investment Services,

T-56

(3) All other communications shall be delivered or mailed to:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117

Attention: Bond and Corporate
Finance Department
T-57

Tax Identification No: 04-1414660

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY
SEPARATE ACCOUNT 86

\$1,000,000

(1) All payments on account of the Notes in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time to:

Investors Bank & Trust Company
Boston, MA 02117
ABA No. 011001438
Account No.: 79650-9107
For further credit to: General Motors 86-1

Account No.: 99237
On order of: Computer Associates
International, Inc.
(PNN 204912 A*0)

with sufficient information to
identify the source and
application of such funds.

Contemporaneous with the above
wire transfer, advice setting
forth: (1) the full name,
interest rate and maturity
date of the Notes or other
obligations; (2) allocation of
payment between principal and
interest and any special
payment; and (3) the name and
address of Bank (or Trustee)
from which wire transfer was
sent, shall be delivered or
mailed to:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117
Attention: Portfolio Management & Investment Services, T-56

(2) All notices of payments and written confirmations of such wire transfers:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117
Attention: Portfolio Management & Investment Services,

T-56

(3) All other communications shall be delivered or mailed to:

John Hancock Mutual Life
Insurance Company
John Hancock Place
200 Clarendon Street
Boston, MA 02117

Attention: Bond and Corporate
Finance Department
T-57

Tax Identification No: 04-1414660

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES | \$20,000,000 |

- (1) All payments by wire transfer of immediately available funds to:

The Chase Manhattan Bank, N.A.
110 West 52nd Street
New York, NY 10019
ABA No. 021-00-0021
Account of: The Equitable Life Assurance
Society of the United States
Account No.: 037-2-409417

with sufficient information to identify the source and application of such funds (including the PPN (204912 A* 0) of the Notes).

- (2) All notices of payments and written confirmations of such wire transfers:

The Equitable Life Assurance Society
of the United States
c/o Alliance Capital Management L.P.
135 West 50th Street, 5th Floor
New York, NY 10020
Attention: Treasury Services

(3) All other communications:

The Equitable Life Assurance Society
of the United States
c/o Alliance Capital Management, L.P.
1345 Avenue of the Americas
New York, NY 10105
Attention: Fixed Income Credit
Research Division
Tel: (212) 969-1362
Fax: (212) 969-1466

Tax Identification No. 13-5570651

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| ALLSTATE LIFE INSURANCE COMPANY | \$11,000,000 |
| (1) All payments by wire transfer of immediately available funds to: | \$ 2,000,000 |
| | \$ 2,000,000 |
| BBK = Harris Trust and Savings Bank ABA #071000288 | |
| BNF = Allstate Life Insurance Company Collection Account #168-117-0 | |

ORG = Computer Associates International, Inc.

OBI = DPP - 204912 A* 0

L_____ (Lease Number, if any)

Payment Due date (MM/DD/YY)_____ P_____ (Enter "P" and amount of principal being remitted)
I_____ (Enter "I" and amount of interest being remitted)

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

Allstate Insurance Company
Investment Operations - Private Placements 3075 Sanders Road, STE G4A
Northbrook, IL 60062-7127
Tel: (847) 402-8709
Fax: (847) 402-7331

(3) All other communications:

Allstate Life Insurance Company
Private Placements Department
3075 Sanders Road, STE G3A
Northbrook, IL 60062-7127
Tel: (847) 402-4394
Fax: (847) 402-3092

Tax Identification No. 36-2554642

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| AMERICAN GENERAL LIFE INSURANCE COMPANY | \$10,000,000 |

(1) All payments by wire transfer of immediately available funds to:

State Street Bank and Trust Company Boston, MA 02101
ABA No. 011000028
Re: American General Life Insurance Company
AC - 0125-880-5
OBI= PPN #204912 A* 0 and description of payment Fund Number PA 40

with sufficient information

(including PPN (204912 A*0)

interest rate, maturity date,
interest amount, principal
amount and premium, if any)
to identify the source and
application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

American General Life Insurance Company and PA 40
% State Street Bank and Trust Company Insurance Services Custody (AH2)
1776 Heritage Drive
North Quincy, MA 02171
Fax: (617) 985-4923

(3) Duplicate payment notices and all other communications:

American General Life Insurance Company % American General Corporation
Attention: Investment Research Department, A37-01 P.O. Box 3247
Houston, TX 77253-3247
Fax: (713) 831-1366

Overnight Mail Address:

2929 Allen Parkway
Houston, TX 77019-2155

Tax Identification No. 25-0598210

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

\$5,000,000

(1) All payments by wire transfer of immediately available funds to:

State Street Bank and Trust Company Boston, MA 02101
ABA No. 011000028
Re: The Variable Annuity Life Insurance Company
AC - 0125-821-9
OBI= PPN #204912 A* 0 and description of payment Fund Number PA 54

with sufficient information
(including PPN (204912 A*0),
interest rate, maturity date,
interest amount, principal amount
and premium, if any)
to identify the source and
application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

The Variable Annuity Life Insurance Company and PA 54
% State Street Bank and Trust Company Insurance Services Custody (AH2)
1776 Heritage Drive
North Quincy, MA 02171
Fax: (617) 985-4923

(3) Duplicate payment notices and all other communications:

The Variable Annuity Life Insurance Company % American General Corporation
Attention: Investment Research Department, A37-01 P.O. Box 3247
Houston, TX 77253-3247
Fax: (713) 831-1366

Overnight Mail Address:

2929 Allen Parkway
Houston, TX 77019-2155

Tax Identification No. 74-1625348

| Name and Address of Purchaser | Principal Amount of Notes to be Purchased |
|-------------------------------|--|
|-------------------------------|--|

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

\$15,000,000

- (1) All payments by wire transfer of immediately available funds to:

ABA#091-000-019 NW MPLS/TRUST CLEARING
ACCT#08-40-245 ATTN: Acct #12468800
PPN#204912 A* 0

with sufficient information to identify the source and application of such funds (including the PPN (204912 A* 0) of the Notes).

- (2) All notices of payments and written confirmations of such wire transfers:

Norwest Bank Minnesota, N.A.
733 Marquette Avenue
Investors Building, 5th Floor
Minneapolis, MN 55479-0047
Attention: Income Collections

- (3) All other communications:

Great-West Life & Annuity Insurance Company 8515 East Orchard Road
3rd Floor, Tower 2
Englewood, CO 80111
Attention: U.S. Private Placements Fax: (303) 689-6193

Tax Identification No. 84-0467907

with a copy to:

New York Life Insurance and Annuity Corporation c/o New York Life Insurance Company 51 Madison Avenue
New York, NY 10010-1603

Attention: Office of General Counsel
Investment Section, Room 10SB
Fax No. (212) 576-8340

Tax Identification No. 13-3044743

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

NEW YORK LIFE INSURANCE COMPANY

\$5,000,000

- (1) All payments by wire transfer of immediately available funds to:

Morgan Guaranty Trust Company
of New York
New York, NY 10015
ABA No. 021-000-238
For credit to: New York Life Insurance
Company
General Account No. 810-00-000

with sufficient information to identify the source and application of such funds (including the PPN (204912 A* 0) of the Notes).

- (2) All notices of payments and written confirmations of such wire transfers:

New York Life Insurance Company
51 Madison Avenue
New York, NY 10010-1603
Attention: Treasury Department
Securities Income Section
Room 209
Fax No. (212) 447-4160

- (3) All other communications:

New York Life Insurance Company
51 Madison Avenue
New York, NY 10010-1603
Attention: Investment Department
Private Finance Group
Room 206
Fax No. (212) 447-4122

with a copy to:

New York Life Insurance Company
51 Madison Avenue
New York, NY 10010-1603
Attention: Office of General Counsel
Investment Section, Room 10SB
Fax No. (212) 576-8340

Tax Identification No. 13-5582869

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| SUN LIFE ASSURANCE COMPANY OF CANADA | \$7,000,000 |
| | \$2,000,000 |
| | \$1,000,000 |

(1) All payments by wire transfer of immediately available funds to:

The Chase Manhattan Bank
One New York Plaza
New York, NY 10015
ABA No. 021-000-021

For the account of: Sun Life Assurance Company of Canada Account No. 949-1-087822

with sufficient information to identify the source and application of such funds (including the PPN (204192 A* 0) of the Notes).

(2) All notices of mandatory payments and written confirmations of such wire transfers:

Sun Life Assurance Company of Canada Three Sun Life Executive Park
Wellesley Hills, MA 02181
Attention: Manager, Securities Accounting, SC #3327

(3) All other communications and optional prepayments:

Sun Life Assurance Company of Canada One Sun Life Executive Park
Wellesley Hills, MA 02181
Attention: Investment Department/Private Placements, SC #1303

Tax Identification No. 38-1082080

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.) | \$2,000,000 |
| | \$2,000,000 |
| | \$1,000,000 |

(1) All payments by wire transfer of immediately available funds to:

Chemical Bank
55 Water Street
New York, NY 10041
ABA No. 021-000-128
For the account of:

Sun Life Assurance Company of Canada (U.S.)

Account No. 323-023177

with sufficient information
to identify the source and
application of such funds (including the PPN (204912 A* 0) of the Notes).

(2) All notices of mandatory payments and written confirmations of such wire transfers:

Sun Life Assurance Company of Canada (U.S.) Three Sun Life Executive Park
Wellesley Hills, MA 02181
Attention: Manager, Securities Accounting, SC #3327

(3) All other communications and optional prepayments:

Sun Life Assurance Company of Canada (U.S.) One Sun Life Executive Park
Wellesley Hills, MA 02181
Attention: Investment Department/Private Placements, SC #1303

Tax Identification No. 04-246-1439

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| AMERICAN UNITED LIFE INSURANCE COMPANY | \$5,000,000 |
| (1) All payments by wire transfer of immediately available funds to: | \$5,000,000 |
| <p>Bank of New York One Wall Street, 3rd Floor New York, NY 10286 Window A ABA No. 021000018 Account No. 186683/AUL</p> <p>with sufficient information to identify the source and application of such funds.</p> | |
| (2) All notices of payments and written confirmations of such wire transfers: | |
| <p>Attention: Rebecca Davis Law Department American United Life Insurance Company Post Office Box 368 Indianapolis, IN 46206</p> | |
| (3) All other communications: | |
| <p>Attention: Rebecca Davis Law Department American United Life Insurance Company Post Office Box 368 Indianapolis, IN 46206</p> | |
| Tax Identification No. 35-0145825 | |

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

THE STATE LIFE INSURANCE COMPANY

\$1,000,000

- (1) All payments by wire transfer of immediately available funds to:

Bank of New York
One Wall Street, 3rd Floor
New York, NY 10286
Window A
ABA No. 021000018
Account No. 343761/State Life c/o AUL

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

Attention: Rebecca Davis
Law Department
American United Life Insurance Company
Post Office Box 368
Indianapolis, IN 46206

- (3) All other communications:

Attention: Rebecca Davis
Law Department
American United Life Insurance Company
Post Office Box 368
Indianapolis, IN 46206

Tax Identification No. 35-0684263

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

NATIONWIDE LIFE INSURANCE COMPANY

\$8,000,000

- (1) All payments by wire transfer of immediately available funds to:

Morgan Guaranty Trust Company
of New York
ABA No. 021-000-238
Journal # 999-99-024
F/A/O Nationwide Life Insurance Company
Custody A/C #71615
Attention: Custody Service Department
PPN#204912 A* 0

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

Nationwide Life Insurance Company
One Nationwide Plaza (1-32-09)
Columbus, OH 43215-2220
Attention: Corporate Money Management

- (3) All other communications:

Nationwide Life Insurance Company
One Nationwide Plaza (1-33-07)
Columbus, OH 43215-2220

Attention: Corporate Fixed-Income Securities

Tax Identification No. 31-4156830

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

\$2,000,000

- (1) All payments by wire transfer of immediately available funds to:

Morgan Guaranty Trust Company
of New York
ABA No. 021-000-238
Journal # 999-99-024
F/A/O Nationwide Life Insurance Company
Custody A/C #71620
Attention: Custody Service Department
PPN#204912 A* 0

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

Nationwide Life and Annuity Insurance Company
One Nationwide Plaza (1-32-09)
Columbus, OH 43215-2220
Attention: Corporate Money Management

- (3) All other communications:

Nationwide Life Insurance Company
One Nationwide Plaza (1-33-07)
Columbus, OH 43215-2220
Attention: Corporate Fixed-Income Securities

Tax Identification No. 31-1000740

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

\$10,000,000

- (1) All payments by wire transfer of immediately available funds to:

Citibank, N.A.
ABA No. 021000089
For the account of:
Teachers Insurance and Annuity Association
of America
Account No. 4057-8501

with sufficient information to identify the source and application of such funds (including the PPN (204912 A* 0) of the Notes).

- (2) All notices of payments and written confirmations of such wire transfers:

Teachers Insurance and Annuity Association
of America
730 Third Avenue
New York, NY 10017
Attention: Securities Accounting Division
Tel: (212) 916-4188
Fax: (212) 916-6955

- (3) All other communications:

Teachers Insurance and Annuity Association
of America
730 Third Avenue
New York, NY 10017
Attention: Securities Division
Private Placements
Tel: (212) 916-4346
Fax: (212) 916-6584

Tax Identification No. 13-1624203N

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

LUTHERAN BROTHERHOOD

\$8,000,000

- (1) All payments by wire transfer of immediately available funds to:

Norwest Bank Minnesota, N.A.
ABA No. 091000019
For Credit to Trust Clearing
Account No. 08-40-245
Attention: Income Collection
For Credit to: Lutheran Brotherhood
Account No. 12651300

with sufficient information to identify the source and application of such funds (including the PPN (204192 A* 0) of the Notes).

- (2) All notices of payments and written confirmations of such wire transfers:

Lutheran Brotherhood
Attention: Investment Division
625 Fourth Avenue South
10th Floor
Minneapolis, MN 55415
Fax: (612) 340-5776

- (3) All other communications:

Lutheran Brotherhood
Attention: Investment Division
625 Fourth Avenue South
10th Floor
Minneapolis, MN 55415
Fax: (612) 340-5776

Tax Identification No. 41-0385700

| Name and Address of Purchaser | Principal Amount of Notes to be Purchased |
|---------------------------------------|--|
| ----- | ----- |
| SECURITY FIRST LIFE INSURANCE COMPANY | \$5,000,000 |

- (1) All payments by wire transfer of immediately available funds to:

Bank of New York
1 Wall Street
New York, NY 10286
ABA No. 021000018
Account Name: Security First Group
Corporate Bond Account
Account No. 328175

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

Security First Life Insurance Company
c/o London Life Insurance Company
255 Dufferin Avenue
London, Ontario
N6A 4K1

Attention: Manager, U.S. Fixed Income (Private Placement) Securities Department

(3) All other communications:

Security First Life Insurance Company c/o London Life Insurance Company
255 Dufferin Avenue
London, Ontario
N6A 4K1

Attention: Manager, U.S. Fixed Income (Private Placement) Securities Department

Tax Identification No. 54-0696644

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|---|---|
| INDIANAPOLIS LIFE INSURANCE COMPANY | \$4,000,000 |
| (1) All payments by wire transfer of immediately available funds to: | |
| NBD Bank, NA One Indiana Square Indianapolis, IN 46266 ABA No. 074000052 | |

For credit to: Indianapolis Life Insurance Company Account No. 700035001852

with sufficient information to identify the source and application of such funds (including the PPN (204912 A* 0) of the Notes).

(2) All notices of payments and written confirmations of such wire transfers:

By courier:

Indianapolis Life Insurance Company 2960 North Meridian Street
Indianapolis, IN 46208
Attention: Securities Department

By mail:

Indianapolis Life Insurance Company P.O. Box 1230
Indianapolis, IN 46206
Attention: Securities Department

(3) All other communications:

By courier:

Indianapolis Life Insurance Company 2960 North Meridian Street
Indianapolis, IN 46208
Attention: Securities Department

By mail:

Indianapolis Life Insurance Company P.O. Box 1230
Indianapolis, IN 46206
Attention: Securities Department

Tax Identification No. 35-0413330

| Name and Address of Purchaser | Principal Amount of Notes to be Purchased |
|-------------------------------|--|
| - - - - - | ----- |
| AMERITAS LIFE INSURANCE CORP. | \$3,000,000 |

- (1) All payments by wire transfer of immediately available funds to:

First Bank Nebraska, NA
 ABA No. 104-000-029
 Ameritas Life Insurance Corp
 Account No. 1-494-0070-0188
 Re: Description of Note;
 Principal & Interest Breakdown

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

Ameritas Life Insurance Corp
 5900 "O" Street
 Lincoln, NE 68510-2234
 Attention: James Mikus

- (3) All other communications:

Ameritas Life Insurance Corp
 5900 "O" Street
 Lincoln, NE 68510-2234
 Attention: James Mikus

Tax Identification No. 47-0098400

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

NATIONAL TRAVELERS LIFE COMPANY

\$1,000,000

Register Note in the name of: Var & Co.

- (1) All payments by wire transfer of immediately available funds to:

First Bank, N.A.
Minneapolis, MN
ABA No. 091-000-022
For credit to: First Trust, N.A.
Account No. 180121167365, TSU: 050
For further credit to: National Travelers Life
Company
Account No. 12609110
Attention: Peggy Sime (612) 244-0647

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

National Travelers Life Company
c/o MIMLIC Asset Management Company
400 Robert Street North
St. Paul, MN 55101
Attention: Client Administrator

- (3) All other communications:

National Travelers Life Company
c/o MIMLIC Asset Management Company
400 Robert Street North
St. Paul, MN 55101
Attention: Client Administrator

Tax Identification No. 42-0432940

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| THE NORTH WEST LIFE ASSURANCE COMPANY OF CANADA | \$1,000,000 |

(1) All payments by wire transfer of immediately available funds to:

Bk of NYC/ABA #021-000-018
For credit to: BBK - IOC 363

For further credit to: North West Life Assurance Company of Canada Account No. 270384

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

The North West Life Assurance Company of Canada c/o MIMLIC Asset Management Company 400 Robert Street North
St. Paul, MN 55101
Attention: Client Administrator

(3) All other communications:

The North West Life Assurance Company of Canada c/o MIMLIC Asset Management Company 400 Robert Street North
St. Paul, MN 55101
Attention: Client Administrator

Tax Identification No. 98-0018913

| Name and Address of Purchaser ----- | Principal Amount of Notes to be Purchased ----- |
|--|---|
| PROTECTED HOME MUTUAL LIFE INSURANCE COMPANY | \$500,000 |

- (1) All payments by wire transfer of immediately available funds to:

Integra National Bank of Pittsburgh, PA
Pittsburgh, PA 15278
ABA No. 043-000-122
For credit to: Protected Home Mutual Life
Insurance Company
Account No. 08-579-3

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

Protected Home Mutual Life Insurance Company
c/o MIMLIC Asset Management Company
400 Robert Street North
St. Paul, MN 55101
Attention: Client Administrator

- (3) All other communications:

Protected Home Mutual Life Insurance Company c/o MIMLIC Asset Management Company 400 Robert Street North
St. Paul, MN 55101
Attention: Client Administrator

Tax Identification No. 25-0740310

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

NATIONAL FARM LIFE INSURANCE COMPANY

\$500,000

- (1) All payments by wire transfer of immediately available funds to:

NationsBank of Texas
Fort Worth, TX 76113-2260
ABA No. 111-000-025
For credit to: National Farm Life Insurance
Company
Account No. 5050446062

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

National Farm Life Insurance Company
c/o MIMLIC Asset Management Company
400 Robert Street North
St. Paul, MN 55101
Attention: Client Administrator

- (3) All other communications:

National Farm Life Insurance Company
c/o MIMLIC Asset Management Company
400 Robert Street North
St. Paul, MN 55101
Attention: Client Administrator

Tax Identification No. 75-0708826

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

THE PENN INSURANCE AND ANNUITY COMPANY

\$3,000,000

- (1) All payments by wire transfer of immediately available funds to:

Bankers Trust Company
ABA No. 02100-1033
16 Wall Street
New York, NY 10005
Attention: Insurance Unit, Private
Placements 01419540
For credit to: The Penn Insurance
and Annuity Company A/C #092506

with sufficient information to identify the source and application of such funds.

- (2) All notices of payments and written confirmations of such wire transfers:

By mail:
The Penn Insurance and Annuity Company
Independence Square
530 Walnut Street
Philadelphia, PA 19172
Attention: Barbara B. Henderson (Mail Stop C1B)
Securities Investment Department

By courier:
The Penn Insurance and Annuity Company
600 Dresher Road
Horsham, PA 19044
Attention: Barbara B. Henderson (Mail Stop C1B)
Securities Investment Department
Tel: (215) 956-8514
Fax: (215) 672-2760

(3) All other communications:

By mail:
The Penn Insurance and Annuity Company
Independence Square
530 Walnut Street
Philadelphia, PA 19172
Attention: Barbara B. Henderson (Mail Stop C1B)
Securities Investment Department

By courier:
The Penn Insurance and Annuity Company
600 Dresher Road
Horsham, PA 19044
Attention: Barbara B. Henderson (Mail Stop C1B)
Securities Investment Department
Tel: (215) 956-8514
Fax: (215) 672-2760

Tax Identification No. 23-2142731

Name and Address of Purchaser

Principal Amount of
Notes to be Purchased

NATIONAL GUARDIAN LIFE INSURANCE COMPANY

\$2,000,000

- (1) All payments by wire transfer of immediately available funds to:

Firststar Bank Madison
P.O. Box 7900
Madison, WI 53707
ABA No. 075900465
For credit to: National Guardian Life
Insurance Company
Account No. 311-700-397

with sufficient information to identify the source and application of such funds (including the PPN (204912 A* 0) of the Notes).

- (2) All notices of payments and written confirmations of such wire transfers:

National Guardian Life Insurance Company
Two East Gilman Street
P.O. Box 1191
Madison, WI 53701-1191
Attention: Investment Department

- (3) All other communications:

National Guardian Life Insurance Company
Two East Gilman Street
P.O. Box 1191
Madison, WI 53701-1191
Attention: Investment Department

Tax Identification No. 39-0493780

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Cash Flow" with respect to any Person means, for any period, the net income from continuing operations of such Person for such period, determined in accordance with GAAP, plus all amounts deducted in the computation thereof on account of taxes, interest, depreciation, amortization and other non-cash expenses.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means Computer Associates International, Inc., a Delaware corporation.

"Confidential Information" is defined in Section 20.

"Consolidated Cash Flow" means, for any period (a) the Cash Flow of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP ("Company Cash Flow"), plus (b) in the case of any business of any Person acquired by the Company or any of its Subsidiaries during such period, the portion of Cash Flow of such Person and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, for the period commencing on the first day of such other period and ending on the date of acquisition of such business accounted for by such business, minus (c) in the case of any business of the Company or any of its Subsidiaries disposed of by the Company or such Subsidiary during such period, the portion of Company Cash Flow for the period commencing on the

first day of such other period and ending on the date of disposition of such business accounted for by such business.

"Consolidated Total Assets" means, as at any date, the total assets of the Company and its Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Subsidiaries as of such date prepared in accordance with GAAP.

"Consolidated Total Indebtedness" means, as at any date, the aggregate principal amount of all Indebtedness of the Company and its Subsidiaries outstanding on such date, determined on a consolidated basis in accordance with GAAP.

"Contribution to Consolidated Cash Flow" means, with respect to any asset, as of the date of disposition of such asset, the portion of Consolidated Cash Flow for the period of the four fiscal quarters ending on, or most recently ended prior to, the date of such disposition accounted for by such asset.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means that rate of interest that is the greater of (i) 1% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 1% over the rate of interest publicly announced by Mellon Bank, N.A. in Pittsburgh, Pennsylvania as its "base" or "prime" rate.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"Event of Default" is defined in Section 11.

"Excess Amount" is defined in Section 10.3.

"Excess Amounts Prepayment Date" is defined in Section 8.3.

"Excess Amounts Response Date" is defined in Section 8.3.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"Indebtedness" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities); and

(e) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (d) hereof.

"Institutional Investor" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 5% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Interest Charges" means all amounts which would be deducted in determining consolidated net income of the Company and its Subsidiaries, determined in accordance with GAAP, on account of interest on Indebtedness of the Company and its Subsidiaries.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Make-Whole Amount" is defined in Section 8.7.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, or properties of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

"Material Subsidiary" means, on any date, each Subsidiary of the Company (a) which holds any capital stock of the Company, (b) which, together with its Subsidiaries, has consolidated revenues for the period of the four fiscal quarters of the Company ending on, or most recently ended prior to, such date in excess of 3% of the consolidated revenues of the Company and its Subsidiaries for such period or (c) which, together with its Subsidiaries, has consolidated assets as at such date in excess of 3% of Consolidated Total Assets as at such date.

"Memorandum" is defined in Section 5.3.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"Note Portion" is defined in Section 10.3.

"Notes" is defined in Section 1.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"Other Agreements" is defined in Section 2.

"Other Purchasers" is defined in Section 2.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"property" or "properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Pro Forma Annual Consolidated Interest Expense" means, as at any date, the net amount of scheduled Interest Charges in respect of Consolidated Total Indebtedness outstanding as of such date for the period of the four fiscal quarters beginning on, or next succeeding, such date. For purposes of this definition, Indebtedness that bears interest at a variable rate shall be deemed to bear interest during the period in question at a rate equal to such rate at such date.

"QPAM Exemption" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"Required Holders" means, at any time, the holder or holders of at least 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this agreement.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Specified Indebtedness" means, as at any time, Indebtedness for borrowed money of the Company or any Material Subsidiary (other than any such Indebtedness owed to the Company or any Subsidiary) which is not subordinated in right of payment to the Notes.

"Subsidiary" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

SCHEDULE 5.3

DISCLOSURE MATERIALS

None

SCHEDULE 5.5

FINANCIAL STATEMENTS

1995 Annual Report:

Consolidated Balance Sheets as of March 31, 1994 and 1995 Consolidated Statements of Income for Fiscal Years ended March 31, 1993 through 1995

Consolidated Statements of Stockholders' Equity for Fiscal Years ended March 31, 1992 through 1995 Consolidated Statements of Cash Flows for Fiscal Years ended March 31, 1993 through 1995

Form 10-Q - December 31, 1995:

Consolidated Condensed Balance Sheets as of March 31, 1995 and December 31, 1995

Consolidated Statements of Income for Three Months ended December 31, 1994 and 1995

Consolidated Statements of Income for Nine Months ended December 31, 1994 and 1995

Consolidated Condensed Statements of Cash Flows for Nine Months ended December 31, 1994 and 1995

SCHEDULE 5.14

USE OF PROCEEDS

The proceeds of the sale of the Notes will be used to repay existing bank Indebtedness of the Company specified in Schedule 5.15 and for general corporate purposes.

EXHIBIT 1

[FORM OF NOTE]

COMPUTER ASSOCIATES INTERNATIONAL, INC.

6.77% SENIOR NOTE DUE APRIL 4, 2003

No. [_____]
[Date]
\$[_____]

PPN 204912 A* 0

FOR VALUE RECEIVED, the undersigned, COMPUTER

ASSOCIATES INTERNATIONAL, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS on April 4, 2003, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.77% per annum from the date hereof, payable semiannually, on the 4th day of April and October in each year, commencing with the April or October next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 7.77% or (ii) 1% over the rate of interest publicly announced by Mellon Bank, N.A. from time to time in Pittsburgh, Pennsylvania as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the office of Mellon Bank, N.A. located at 65 East 55th Street, New York, New York 10022 or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to separate Note Purchase Agreements, dated as of April 1, 1996 (as from time to time amended, the "Note Purchase Agreements"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner

hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreements. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

**COMPUTER ASSOCIATES INTERNATIONAL,
INC.**

By _____
Title:

April 4, 1996

To the several Purchasers
listed on the attached schedule

Dear Sirs:

I am Senior Vice President and General Counsel of Computer Associates International, Inc., a Delaware corporation (the "Company"), and am familiar with the proceedings taken by the Company in connection with the issuance and sale to each of you (the "Purchasers") today by the Company of \$320,000,000 aggregate principal amount of the Company's 6.77% Senior Notes due April 4, 2003 (the "Notes"), pursuant to the Note Purchase Agreements, dated as of April 1, 1996 (the "Note Purchase Agreements"), between the Company and each of the Purchasers. This opinion is delivered to each of you pursuant to Section 4.4(a) of the Note Purchase Agreements. Capitalized terms used herein and not defined herein have the respective meanings specified in the Note Purchase Agreements.

I have reviewed the Note Purchase Agreements and the Notes, and such corporate records, certificates and other documents, and such questions of law, as I have deemed necessary or appropriate for the purposes of this opinion.

I have assumed that all signatures are genuine, that all documents submitted to me as originals are authentic and that all copies of documents submitted to me conform to the originals. I have assumed further the accuracy of each of the representations and warranties of the parties (other than the Company) to the Note Purchase Agreements and the statements set forth in the letter, dated March 29, 1996, delivered by CS First Boston Corporation and J.P. Morgan Securities Inc. to the Company. I have assumed further that each of the parties (other than the Company) to the Note Purchase Agreements has duly executed and delivered each of the foregoing documents to which it is a party.

Based upon the foregoing, and subject to the qualifications set forth below, I am of the opinion that:

(1) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. Each domestic Material Subsidiary is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization.

- (2) Each of the Company and its domestic Material Subsidiaries is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (3) The Company has the corporate power and authority to execute and deliver the Note Purchase Agreements, to issue and sell the Notes and to perform its obligations under the Note Purchase Agreements and the Notes.
- (4) Each of the Note Purchase Agreements and the Notes has been duly authorized by all necessary corporate action on the part of the Company, has been executed and delivered by a duly authorized officer of the Company, and constitutes the legal valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.
- (5) The execution, delivery and performance by the Company of the Note Purchase Agreements and the Notes will not (a) contravene, result in any breach of, or constitute a default under or result in the creation of any Lien in respect of any property of the Company under, (i) the Certificate of Incorporation or by-laws of the Company or (ii) to the best of my knowledge, any indenture, mortgage deed of trust, loan, purchase or credit agreement or lease, or any other Material agreement or instrument to which the Company is bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to the Company or (c) violate any provision of any statute, rule or regulation of any Governmental Authority applicable to the Company.
- (6) No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority of the United States of America, or the State of New York, or under the General Corporation Law of the State of Delaware, is required in connection with the execution, delivery or performance by the Company of the Note Purchase Agreements or the Notes.
- (7) There are no actions, suits or proceedings pending or, to the best of my knowledge, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority
- (i) questioning the validity of the Note Purchase Agreements or the Notes or (ii) that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.
- (8) Registration of the Notes under the Securities Act of 1933, as amended (the "1933 Act"), and qualification of an indenture with respect to the Notes under the Trust Indenture Act of 1939, as amended, is not required for the offer and sale of the Notes in the manner contemplated by the Note Purchase Agreements.

(9) The Company is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(10) Neither the issuance of the Notes nor the intended use of the proceeds of the Notes (as set forth in Schedule 5.14 to the Note Purchase Agreements) will violate Regulations G, T, or X of the Board of Governors of the Federal Reserve System.

The foregoing opinion is subject to the following qualifications:

(a) The enforceability of the Note Purchase Agreements and the Note is subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws of general applicability relating to or affecting creditors' rights and remedies and to general equity principles.

(b) The enforceability of rights and remedies in the Note Purchase Agreements and the Notes is subject to the exercise by the Purchasers of commercial reasonableness, acting in good faith.

(c) For purposes of the opinion set forth in paragraph (8), I express no opinion as to when or under what circumstances the Notes may be reoffered or resold in the United States, its territories and possessions or to U.S. Persons (as defined in Rule 902 under the 1933 Act).

Also, I have relied as to certain factual matters on information obtained from public officials and other sources believed by me to be responsible.

I am a member of the bar of the State of New York. I do not purport to be expert in, and do not express any opinion on, any laws other than the laws of the State of New York, the General Corporation Law of the State of Delaware and the Federal laws of the United States of America.

Sincerely yours,

*/s/Steven M. Woghin
Steven M. Woghin
Senior Vice President and
General Counsel*

SMW/gg

EXHIBIT 4.4(b)

**FORM OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS**

April 4, 1996

Re: Computer Associates International, Inc. 6.77% Senior Notes due April 4, 2003

To the several Purchasers
listed in Schedule A
to the within-mentioned Note
Purchase Agreements

Ladies and Gentlemen:

We have acted as your special counsel in connection with the issuance by Computer Associates International, Inc. (the "Company") of its 6.77% Senior Notes due April 4, 2003 in an aggregate principal amount of \$320,000,000 (the "Notes"), and the purchases by you pursuant to the several Note Purchase Agreements dated as of April 1, 1996 (the "Note Purchase Agreements") made by you with the Company of Notes in the respective aggregate principal amounts set forth in Schedule A to the Note Purchase Agreements. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Note Purchase Agreements.

We have examined originals or copies authenticated to our satisfaction of all such corporate records of the Company, agreements and other instruments, certificates of public officials and of officers and representatives of the Company, and such other documents, as we have deemed necessary in connection with the opinions hereinafter expressed. In such examination, we have assumed the genuineness of all signatures, the authenticity of documents submitted to us as originals and the conformity with the authentic originals of all documents submitted to us as copies. As to questions of fact material to such opinions we

have, when relevant facts were not independently established, relied upon the representations set forth in the Note Purchase Agreements and upon certifications by officers or other representatives of the Company.

In addition, we attended the closing held today at our office at which you purchased and made payment for Notes in the respective aggregate principal amounts to be purchased by you, all in accordance with the Note Purchase Agreements.

Based upon the foregoing and having regard for legal considerations that we deem relevant, we render you our opinion pursuant to Section 4.4 (b) of the Note Purchase Agreements as follows:

1. The Company is a corporation validly existing and in good standing under the laws of the State of Delaware and has the corporate power to execute and deliver the Note Purchase Agreements and the Notes and to perform its obligations thereunder.
2. The Note Purchase Agreements have been duly authorized, executed and delivered by the Company and constitute legal, valid and binding agreements of the Company, enforceable against the Company in accordance with their terms.
3. The Notes being purchased by you today have been duly authorized, executed and delivered by the Company and constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.
4. No consent, approval or authorization of, or registration, filing or declaration with, any New York State or United States Federal Governmental Authority is required for the validity of the execution and delivery or for the performance by the Company of the Note Purchase Agreements or said Notes.
5. It was not necessary in connection with the offering, sale and delivery of said Notes, under the circumstances contemplated by the Note Purchase Agreements, to register said Notes under the Securities Act or to qualify an indenture in respect of the Notes under the Trust Indenture Act of 1939, as amended.
6. The opinion of Steven M. Woghin, General Counsel of the Company, dated the date hereof and delivered to you pursuant to Section 4.4(a) of the Note Purchase Agreements, is satisfactory to us in form and scope with respect to the matters specified therein and we believe that you are justified in relying thereon.

The opinions expressed in paragraphs 2 and 3 above as to the enforceability of any agreement or instrument in accordance with its terms are subject to the exception that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We wish to point out that provisions of the Note Purchase Agreements that permit you or any other holder of a Note to take action or make determinations or to benefit from indemnities or similar undertakings of the Company may be subject to a requirement that such action be taken or such determinations be made, and that any action or inaction by any of you or any other holder of a Note that may give rise to a request for payment under such an undertaking be taken or not taken, on a reasonable basis and in good faith.

We do not herein express any opinion as to any matters governed by any laws other than the Federal laws of the United States of America, the laws of the State of New York and the General Corporation Law of the State of Delaware.

Very truly yours,

/s/Milbank, Tweed, Hadley, and McLoy

MMI/DAS

ARTICLE 5

MULTIPLIER: 1000

| | |
|----------------------------|-------------|
| PERIOD TYPE | 12 MOS |
| FISCAL YEAR END | MAR 31 1996 |
| PERIOD START | APR 30 1995 |
| PERIOD END | MAR 31 1996 |
| CASH | 96539 |
| SECURITIES | 104674 |
| RECEIVABLES | 1181948 |
| ALLOWANCES | 0 |
| INVENTORY | 64559 |
| CURRENT ASSETS | 1447720 |
| PP&E | 720412 |
| DEPRECIATION | 300072 |
| TOTAL ASSETS | 5015966 |
| CURRENT LIABILITIES | 1501477 |
| BONDS | 944506 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 28041 |
| OTHER SE | 1453621 |
| TOTAL LIABILITY AND EQUITY | 5015966 |
| SALES | 2775261 |
| TOTAL REVENUES | 3504629 |
| CGS | 0 |
| TOTAL COSTS | 3605240 |
| OTHER EXPENSES | 0 |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 70813 |
| INCOME PRETAX | (100611) |
| INCOME TAX | (44257) |
| INCOME CONTINUING | (56354) |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | (56354) |
| EPS PRIMARY | (.23) |
| EPS DILUTED | (.23) |

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