

COMPUTER ASSOCIATES INTERNATIONAL INC  
Form 424B3  
December 24, 2002

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-99565

PROSPECTUS

[LOGO]

\$660,000,000

COMPUTER ASSOCIATES INTERNATIONAL, INC.

5% CONVERTIBLE SENIOR NOTES DUE MARCH 15, 2007  
AND SHARES OF COMMON STOCK ISSUABLE UPON  
CONVERSION OF THE SENIOR NOTES

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This prospectus covers resales by selling security holders of our 5% convertible senior notes due March 15, 2007 and shares of our common stock into which the notes are convertible.

Our 5% convertible senior notes have the following provisions:

Interest Payments:	March 15 and September 15 of each year
Conversion Rate:	41.0846 shares per \$1,000 principal amount of notes (subject to adjustment), equal to a conversion price of \$24.34 per share
Repurchase Options:	- by noteholders upon a Fundamental Change as defined in this prospectus
	- by us on or after March 21, 2005 at the redemption price set forth in this prospectus

The notes are senior, unsecured obligations that rank equally with our existing and future unsecured and unsubordinated indebtedness. See "Description of Notes--Ranking."

Prior to this offering, the notes have been eligible for trading on the PORTAL Market of the Nasdaq Stock Market. Notes sold by means of this prospectus are not expected to remain eligible for trading on the PORTAL Market. We do not intend to list the notes for trading on any national securities exchange or on the Nasdaq Stock Market.

Our common stock trades on The New York Stock Exchange under the symbol "CA." The last reported sales price on December 23, 2002 was \$13.47 per share.

SEE "RISK FACTORS" ON PAGE 4 OF THIS PROSPECTUS TO READ ABOUT FACTORS YOU SHOULD CONSIDER BEFORE PURCHASING THE NOTES OR OUR COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The date of this prospectus is December 24, 2002.

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## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a "shelf" registration or continuous offering process. Under this shelf registration process, selling holders may from time to time sell the securities described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the securities that the selling holders may offer. A selling holder may be required to provide you with a prospectus supplement containing specific information about the selling holder and the terms of the securities being offered. That prospectus supplement may include additional risk factors or other special considerations applicable to those securities. A prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Find More Information About Us and this Offering."

Unless we have indicated otherwise, "Computer Associates International, Inc.," "Computer Associates," "CA," "the Company," "we," "us" and

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"our" refer to Computer Associates International, Inc. and its subsidiaries, unless the context requires or this prospectus states otherwise. Unless we have indicated otherwise, references hereafter in this prospectus to "\$" or "dollar" are to the lawful currency of the United States.

### SUMMARY

THIS SUMMARY HIGHLIGHTS INFORMATION CONTAINED ELSEWHERE OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. THIS SUMMARY IS NOT COMPLETE AND DOES NOT CONTAIN ALL OF THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE INVESTING IN OUR SECURITIES. YOU SHOULD CAREFULLY READ THE ENTIRE PROSPECTUS, INCLUDING THE RISK FACTORS, THE FINANCIAL STATEMENTS AND THE DOCUMENTS INCORPORATED BY REFERENCE.

### THE COMPANY

The Company is a leading eBusiness software company. The Company's solutions address a wide range of eBusiness Process Management, eBusiness Information Management and eBusiness Infrastructure Management in six focus areas: Enterprise Management, Storage, Security, Application Life Cycle Management, Data Management and Application Development, and Portal and Business Intelligence. The Company's portfolio of software products and its professional services organization dedicated to understanding the needs of its customers reflect a commitment to meeting the technology requirements of eBusinesses in every sector of the economy.

### GENERAL

Built upon a common services infrastructure, the Company's array of eBusiness Process Management, eBusiness Information Management and eBusiness Infrastructure Management solutions are available for use on a variety of mainframe and distributed systems. Because of its independence from hardware manufacturers, the Company provides customers with integrated solutions that are platform neutral.

The Company's products can be used with all major hardware platforms, operating systems and application development environments. The operating environments include, among others, z/OS (mainframe) from IBM, Windows NT/2000/XP from Microsoft, UNIX, as provided by various hardware vendors such as Sun Microsystems, Hewlett-Packard, IBM and Compaq, and Linux from companies such as Red Hat, Caldera and SuSe.

The Company maintains a philosophy of internally developing products, exemplified by its flagship product family Unicenter, which management believes is the industry's de facto standard for enterprise systems management software (as evidenced by the Company's position as market leader in IDC's Enterprise System Management Software Market Forecast and Analysis, 2000-2004), coupled with the acquisition of key technology, the integration of the two, and the establishment of strategic alliances with key business partners. The Company's service philosophy is similarly marked by a commitment to the development of an internal service staff, the acquisition of third-party service organizations, the integration of the two, and long-standing alliances with leading service providers.

### RECENT DEVELOPMENT

On November 18, 2002, the Company issued a press release announcing the retirement of Charles B. Wang as Chairman and as a member of the Company's Board of Directors, effective immediately. The press release also announced that the Company's Board had elected President and Chief Executive Officer Sanjay Kumar to succeed Mr. Wang as Chairman. The Board has also named Mr. Wang to the honorary position of Chairman Emeritus.

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## OUR PRINCIPAL EXECUTIVE OFFICES

We are a corporation organized and existing under the laws of the State of Delaware. Our principal executive office is located at One Computer Associates Plaza, Islandia, New York 11749, and our telephone number is (631) 342-5224.

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## THE NOTES

Interest.....	We will pay interest on the principal amount of the notes on March 15 and September 15 of each year, commencing on September 15, 2002.
Conversion.....	You may convert all or some of the notes at any time prior to the close of business on the business day immediately preceding March 15, 2007 at a conversion price of \$24.34 per share. The initial conversion price is equivalent to a conversion rate of 41.0846 shares per \$1,000 principal amount of notes. The conversion price is subject to adjustment. Upon conversion, you will not receive any cash representing accrued interest. For more information, see "Description of the Notes--Conversion of Notes." Conversion in full of the notes will not materially dilute existing shareholders. See "Description of the Notes--Potential Dilution Upon Conversion of the Notes."
Ranking.....	The notes are senior unsecured indebtedness and rank equally with all of our existing and future senior unsecured indebtedness. The notes are effectively subordinated to all of our existing and future secured indebtedness to the extent of the assets securing that indebtedness and to any indebtedness of our subsidiaries to the extent of the assets of those subsidiaries. As of September 30, 2002, we had approximately \$3.1 billion of total consolidated indebtedness, including \$660 million outstanding under the notes and approximately \$2.5 billion of other senior indebtedness. As of September 30, 2002, the aggregate principal amount of our secured indebtedness was approximately \$6.4 million. For more information, see "Description of the Notes--Ranking."
Global Notes; Book-Entry System.....	We issued the notes in registered form without interest coupons and in minimum denominations of \$1,000. We have deposited global notes with, or on behalf of, The Depository Trust Company, which we refer to as DTC. DTC and its participants maintain records that show beneficial ownership in the notes, and those interests can be transferred only through those records. See "Description of Notes--Book-Entry System."
Optional Redemption at Our Option.....	We may redeem some or all of the notes on or after March 21, 2005 at the redemption prices set forth in this prospectus plus accrued and unpaid interest to, excluding, the redemption date. For more information, see "Description of the Notes--Optional Redemption by the Company."
Repurchase of Notes at Your Option Upon a Fundamental Change.....	If we undergo a Fundamental Change, as described in this prospectus, you will have the option to require us to repurchase for cash all or any portion of your notes previously called for redemption. We will pay a

repurchase price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest to, but excluding, the repurchase date. For more information, see "Description of the Notes--Repurchase at Option of the Holder Upon a Fundamental Change."

Governing Law..... The laws of the State of New York govern the indenture and the notes.

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#### RISK FACTORS

Investing in the notes involves risk. Please refer to the risk factors below and those described in our Annual Report on Form 10-K for the year ended March 31, 2002 and in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2002 and September 30, 2002 which are incorporated by reference into this prospectus. Any of those risk factors, or others, many of which are beyond our control, could adversely affect our revenue, profitability and/or cash flow in the future. In such case, our ability to make payments on the notes could be impaired, the trading price of the notes and our common stock could decline, and you could lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below, elsewhere in this prospectus and in the documents incorporated by reference in this prospectus. Our business, results of operations and financial condition are subject to a number of risk factors, including the following:

#### RISKS RELATING TO COMPUTER ASSOCIATES

Please see the risk factors described in our Annual Report on Form 10-K for the year ended March 31, 2002 and in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2002 and September 30, 2002 for a description of the risks relating to Computer Associates.

#### RISKS RELATED TO THE NOTES

WE EXPECT THAT THE TRADING VALUE OF THE NOTES WILL BE SIGNIFICANTLY AFFECTED BY THE PRICE OF OUR COMMON STOCK AND OTHER FACTORS.

The market price of the notes is expected to be significantly affected by the market price of our common stock. This may result in greater volatility in the trading value of the notes than would be expected for nonconvertible debt securities we issue.

CHANGES IN OUR CREDIT RATING OR THE CAPITAL MARKETS COULD ADVERSELY AFFECT THE PRICE OF THE NOTES.

The selling price or any premium offered for the notes will be based on a number of factors, including:

- our ratings with major credit rating agencies;
- the prevailing interest rates being paid by other companies similar to us for similar securities; and
- the overall condition of the financial markets.

The condition of the capital markets and prevailing interest rates have

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fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the price of the notes.

In addition, credit rating agencies continually revise their ratings for the companies that they follow, including us. On March 1, 2002, Moody's announced that it downgraded our senior unsecured rating from Baa1 to Baa2. The credit rating agencies also evaluate our industry as a whole and may change their credit ratings for us based on their overall view of our industry. We cannot be sure that credit rating agencies will maintain their ratings on the notes. A negative change in our ratings could have an adverse effect on the price of the notes.

WE MAY NOT HAVE THE ABILITY TO RAISE THE FUNDS NECESSARY TO FINANCE THE FUNDAMENTAL CHANGE PURCHASE.

Upon the occurrence of a Fundamental Change involving our company, holders of the notes may require us to purchase their notes. However, it is possible that we would not have sufficient funds at that time to make the required purchase of the notes. Any future credit agreements or other

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agreements relating to other indebtedness to which we become a party may contain restrictions and provisions prohibiting us from repurchasing any notes. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, may not constitute a Fundamental Change under the indenture. See "Description of the Notes--Repurchase at Option of Holders Upon a Fundamental Change."

OUR STOCK PRICE MAY CONTINUE TO BE VOLATILE.

Our stock price is subject to significant fluctuations in response to, among other things, variations in quarterly operating results, the gain or loss of significant contracts, changes in earnings estimates by analysts or in rating outlooks by ratings agencies, announcements of technological innovations or new products by us or our competitors, changes in domestic and international economic and business conditions, general conditions in the software and computer industries and other events or factors. Moreover, the stock market in general has experienced extreme price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to the operating performance of these companies. These market fluctuations in the past have adversely affected and may continue to adversely affect the market price of our common stock.

CALL SPREAD REPURCHASE OPTIONS AND OTHER TRANSACTIONS MAY AFFECT THE VALUE OF THE NOTES.

We have entered into an arrangement with affiliates of Banc of America Securities LLC and Salomon Smith Barney Inc. to limit the market risks associated with our obligations under the notes by purchasing call spread repurchase options from them. For a summary of these arrangements, see "Description of the Notes--Call Spread Repurchase Options." In connection with these hedging arrangements, Banc of America Securities LLC and Salomon Smith Barney Inc. have taken positions in our common stock in secondary market transactions and have entered into various derivative transactions after the pricing of the notes. Banc of America Securities LLC and Salomon Smith Barney Inc. are likely to modify their hedge positions from time to time prior to conversion, redemption or maturity of the notes by purchasing and selling shares of our common stock, other securities of the Company or other instruments they may wish to use in connection with such hedging. We cannot assure you that such activity will not affect the market price of our common stock.

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Furthermore, as in the past, we intend to continue our practice of acquiring our common stock to satisfy our obligations under various employee benefit plans and for other corporate purposes. Therefore, we expect to acquire shares of our common stock and enter into other transactions related to our common stock during the term of the notes. Depending on, among other things, future market conditions, the aggregate amount and the composition of such positions, the aggregate amount of any such acquisitions are likely to vary over time.

The effect, if any, of any of these transactions and activities on the market price of our common stock or the notes will depend in part upon market conditions and cannot be ascertained at this time, but any of these activities could materially and adversely affect the value of our common stock and the value of the notes.

### POTENTIAL CONFLICT OF INTEREST BETWEEN AN INITIAL PURCHASER AND ITS AFFILIATE AS COUNTERPARTY TO THE CALL SPREAD REPURCHASE OPTIONS

Banc of America Securities LLC, one of the initial purchasers in the initial distribution of the notes, is a selling holder hereunder. See "Selling Holders." Its affiliate, Bank of America N.A., is one of the parties to the call spread repurchase options entered into concurrently with the offering of the notes. See "Description of Notes--Call Spread Repurchase Options." We understand that Bank of America N.A., in its status as a party to the call spread repurchase options, has purchased shares of our common stock in secondary market transactions and will enter into various derivative transactions to hedge their exposure under the call spread repurchase options. We further understand that Bank of

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America N.A. is likely to modify its hedge positions throughout the duration of the call spread repurchase options by purchasing and selling shares of our common stock, other securities of ours or other instruments that they may wish to use in connection with such hedging. See "Description of Notes--Call Spread Repurchase Options--Hedging and Related Activities by the Option Sellers."

It is possible that the interests of Banc of America Securities LLC as selling holder hereunder and Bank of America N.A. as party to the call spread repurchase options could conflict. For example, Banc of America Securities LLC, as selling holder, will likely seek to maximize the price it can obtain for its notes upon resale. On the other hand, it is possible that in entering into or terminating any hedging transactions with respect to the call spread repurchase options, Bank of America N.A. may seek to obtain a lower price for the securities or other instruments they wish to use, including the notes or our common stock, to the extent Bank of America N.A. may choose to transact in these securities as part of their hedging activities. However, we are not aware of the transactions, if any, that Bank of America N.A. may enter into from time to time to hedge its exposure with respect to the call spread repurchase options or to modify existing hedges, nor do we have any ability to in any way affect whether, and if so how, Bank of America N.A. may undertake to hedge their exposure to us under the call spread repurchase options. We understand that Bank of America N.A. will conduct its hedging activities in accordance with applicable law.

We understand that Banc of America Securities LLC and Bank of America N.A. operate independently. We further understand that Banc of America Securities LLC is proposing to sell its notes registered hereunder in the ordinary course of business and not to assist Bank of America N.A. in hedging its obligations with respect to the call spread repurchase options.

### WHERE YOU CAN FIND MORE INFORMATION ABOUT US AND THIS OFFERING

We have filed with the SEC a registration statement on Form S-3 under the Securities Act, to register the notes and common stock offered by this

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prospectus. This prospectus does not contain all of the information included in the registration statement and the exhibits and the schedules to the registration statement. We strongly encourage you to read carefully the registration statement and the exhibits and the schedules to the registration statement.

Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual contract, agreement or other document. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may obtain any document we file with the SEC at the SEC's public reference rooms in Washington, D.C., Chicago, Illinois and New York, New York. You may obtain information on the operation of the SEC's public reference facilities by calling the SEC at 1-800-SEC-0330. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC at its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549-1004, or at its regional office at 233 Broadway, New York, NY 10279. Our SEC filings are also accessible through the Internet at the SEC's website at <http://www.sec.gov>.

The SEC permits us to "incorporate by reference" into this prospectus the information contained in documents that we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus. Information in this prospectus supersedes information incorporated by reference that we filed with the SEC prior to the date of this prospectus, while information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the

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documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act until the offering is completed:

- (1) our Annual Report on Form 10-K for the year ended March 31, 2002;
- (2) our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2002 and September 30, 2002;
- (3) our Current Reports on Form 8-K filed November 18, 2002 and December 13, 2002;
- (4) our Form 8-A filed February 17, 1982, which in turn incorporates by reference the description of Computer Associates Common Stock, par value \$.10 per share, in Computer Associates' registration statement on Form S-1 (Registration No. 2-74618) filed under the Securities Act; and
- (5) our Current Report on Form 8-K filed June 18, 1991 and the portion of our Annual Report on Form 10-K for the fiscal year ended March 31, 1995 amending the rights agreement incorporated by reference in that Form 8-K, which includes a description of our preferred stock purchase rights associated with our common stock.

You may request a copy of these filings, at no cost to you, by writing or telephoning us at: One Computer Associates Plaza, Islandia, New York 11749, Attention: Investor Relations; telephone: (631) 342-5224. If you request a copy



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of any or all of the documents incorporated by reference, we will send you the copies you request. However, we will not send exhibits to the documents, unless the exhibits are specifically incorporated by reference in the documents.

YOU SHOULD RELY ONLY ON THE INFORMATION PROVIDED IN THIS PROSPECTUS OR INCORPORATED BY REFERENCE INTO THIS PROSPECTUS AND ANY PROSPECTUS SUPPLEMENT. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER OR SOLICITING A PURCHASE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH THE OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING THE OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION. YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROSPECTUS OR THE PROSPECTUS SUPPLEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THE DOCUMENT.

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### FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates by reference certain forward-looking statements and information relating us that are based on our beliefs and assumptions as well as information currently available to management. When used or incorporated by reference in this document, the words "anticipate," "believe," "estimate," "expect" and similar expressions are intended to identify forward-looking statements. These statements are included or incorporated by reference in this prospectus, including in the sections entitled "Summary," "The Company," and "Business". Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, some of which are included or incorporated by reference in this prospectus under "Risk Factors." Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described as anticipated, believed, estimated, or expected. We do not intend to update these forward-looking statements after the registration statement of which this prospectus forms a part becomes effective.

### USE OF PROCEEDS

The selling holders will receive all of the net proceeds of the resale of the notes and our common stock issuable upon conversion of the notes. We will not receive any of the proceeds from the resale of any of these securities.

### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratios of earnings to fixed charges of the Company for the periods indicated:

	FISCAL YEAR ENDED MARCH 31,				
	1998	1999	2000	2001	2002
Ratio of Earnings to Fixed Charges.....	10.66x	6.08x	4.79x	n/a	n/a
	(IN MILLIONS)				
Deficiency of Earnings to Fixed Charges.....	n/a	n/a	n/a	\$663	\$1,381

For purposes of this computation, earnings are defined as pre-tax earnings

or loss from continuing operations of the Company plus fixed charges. Fixed charges are the sum of (i) interest expensed, (ii) amortization of deferred financing costs and debt discounts and (iii) the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third). The ratio of earnings to fixed charges of the Company was less than 1.00 for the years ended March 31, 2001 and 2002 and the six months ended September 30, 2002; thus, earnings available for fixed charges were inadequate to cover fixed charges for such periods. The deficiency in earnings to fixed charges for the years ended March 31, 2001 and 2002 and the six months ended September 30, 2002 was \$663 million, \$1,381 million and \$178 million, respectively. Earnings were impacted for the years ended March 31, 2001 and 2002 and the six months ended September 30, 2002 by a change to our business model in October 2000, which resulted in deferred revenues (on subscription-based fee contracts) of \$1,875 million as at March 31, 2001, \$3,226 million as at March 31, 2002 and \$3,287 million as at September 30, 2002. While the new business model causes the Company to change the way it recognizes revenue, it does not necessarily change the Company's overall expected cash generated from operations, since customers are expected to continue to pay fees over the contract period. In addition, costs continue to be recorded in the same fashion as under the Company's old business model. The ratio of earnings to fixed charges should be read in conjunction with the financial statements and other financial data included or incorporated by reference in this prospectus.

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#### SELLING HOLDERS

We originally issued the notes to Banc of America Securities LLC, Salomon Smith Barney Inc., ABN AMRO Rothschild LLC, Mizuho International plc, Robertson Stephens, Inc., RBC Capital Markets Inc. and Tokyo-Mitsubishi International plc as initial purchasers in a transaction exempt from the registration requirements of the Securities Act. The initial purchasers resold the notes in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed by them to be qualified institutional buyers as defined in Rule 144A under the Securities Act.

The selling holders, including their transferees, pledgees, donees or other successors, may from time to time offer and sell pursuant to this prospectus any or all of the notes and the common stock issuable upon conversion of the notes. Any selling holder may also elect not to sell any notes or common stock issuable upon conversion of the notes held by it. Only those notes and shares of common stock issuable upon conversion of the notes listed below or in any supplement hereto may be offered for resale by the selling holders pursuant to this prospectus.

The following table sets forth recent information with respect to the selling holders of the notes and the respective number of notes beneficially owned by each selling holder that may be offered for each selling holder's account pursuant to this prospectus. We prepared this table based on information supplied to us by or on behalf of the selling holders. The selling holders may offer and sell all, some or none of the notes and the common stock issuable upon conversion of the notes listed below by using this prospectus. Because the selling holders may offer all or only some portion of the notes or the common stock listed in the table, no estimate can be given as to the amount of those securities that will be held by the selling holders upon termination of any sales. In addition, the selling holders identified in the table below may have sold, transferred or disposed of all or a portion of their notes or shares of common stock issuable upon conversion of the notes since the date on which they provided the information regarding their ownership of those securities included in this prospectus.

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SELLING HOLDERS	AGGREGATE PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED	SHARES OF COMMON STOCK OFFERED	SHA COMM BENEFIC AFTER OF THE
Acacia Life Insurance Company...	430,000	17,666	17,666	0
ACIG Insurance Company.....	520,000	21,363	21,363	0
Aid Association for Lutherans, as successor to Lutheran Brotherhood.....	2,000,000	82,169	82,169	0
AIG DKR Soundshore Opportunity Holding Fund Ltd.....	1,140,000	46,836	46,836	0
AIG DKR Soundshore Strategic Holding Fund Ltd.....	860,000	35,332	35,332	0
Allstate Life Insurance Company.....	1,000,000	76,084	41,084	*
Aloha Airlines Non-Pilots Pension Trust.....	25,000	1,027	1,027	0
Aloha Pilots Retirement Trust...	15,000	616	616	0
Alta Partners Holdings, LDC....	35,498,000	1,458,421	1,458,421	0
Amaranth LLC.....	2,125,000	122,404	87,304	*
American Country Insurance Company.....	550,000	22,596	22,596	0
American Fidelity Assurance Company.....	130,000	5,340	5,340	0
American Founders Life Insurance Company.....	370,000	15,201	15,201	0

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SELLING HOLDERS	AGGREGATE PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED	SHARES OF COMMON STOCK OFFERED	SHA COMM BENEFIC AFTER OF THE
American Pioneer Life Insurance Company of New York.....	50,000	2,054	2,054	0
American Progressive Life and Health Insurance Co. of New York.....	60,000	2,465	2,465	0
American Public Entity Excess Pool.....	80,000	3,286	3,286	0
American Samoa Government.....	50,000	2,054	2,054	0
Amerisure Mutual Insurance Company.....	210,000	8,627	8,627	0
Ameritas Life Insurance Company.....	870,000	35,743	35,743	0
Arbitex Master Fund, L.P.....	5,400,000	221,856	221,856	0
Associated Electric & Gas Insurance Services Limited....	800,000	32,867	32,867	0
Aventis Pension Master Trust....	230,000	9,449	9,449	0
Baltimore Life Insurance Company.....	300,000	12,325	12,325	0

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Banc of America Securities LLC.....	9,184,000	377,320	377,320	0
Bank of America N.A.....	18,400,000	755,956	755,956	0
Bank Austria Cayman Islands, LTD.....	6,500,000	267,049	267,049	0
BCS Life Insurance Company.....	600,000	24,650	24,650	0
Bear Stearns International Limited (BSIL).....	5,000,000	205,423	205,423	0
BN Convertible Securities Top Fund.....	350,000	14,379	14,379	0
Boilermakers Blacksmith Pension Trust.....	1,375,000	56,491	56,491	0
BP Amoco PLC Master Trust.....	1,217,000	49,999	49,999	0
Buckeye State Mutual Insurance Company.....	20,000	821	821	0
CALAMOS Convertible Fund--CALAMOS Investment Trust.....	6,250,000	256,778	256,778	0
CALAMOS Convertible Portfolio --CALAMOS Advisors Trust.....	140,000	5,751	5,751	0
The California Wellness Foundation.....	370,000	15,201	15,201	0
Canyon Capital Arbitrage Master Fund, Ltd.....	8,250,000	338,947	338,947	0
Canyon Value Realization Fund (Cayman), Ltd.....	11,275,000	463,228	463,228	0
Canyon Value Realization Mac 18, Ltd. (RMF).....	1,925,000	79,087	79,087	0
Canyon Value Realization Fund, L.P.....	6,050,000	248,561	248,561	0
Catholic Family Life Insurance Company.....	400,000	16,433	16,433	0
Catholic Mutual Relief Society of America.....	700,000	28,759	28,759	0
Catholic Mutual Relief Society of America Retirement Plan and Trust.....	370,000	15,201	15,201	0

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SELLING HOLDERS	AGGREGATE PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED	SHARES OF COMMON STOCK OFFERED	SHARES OF COMMON STOCK AFTER OF THE
Catholic Relief Insurance Company of America.....	550,000	22,596	22,596	0
Celina Mutual Insurance Company.....	25,000	1,027	1,027	0
Central States Health and Life Company of Omaha.....	450,000	18,488	18,488	0
CFFX, LLC.....	8,500,000	349,219	349,219	0
Chicago Mutual Insurance Company.....	60,000	2,465	2,465	0
Chrysler Insurance Company.....	2,800,000	115,036	115,036	0
City of Albany Pension Plan.....	110,000	4,519	4,519	0
City of Knoxville Pension	300,000	12,325	12,325	0

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System.....				
Colonial Life Insurance Company of Texas.....	50,000	2,054	2,054	0
Colonial Lloyds Insurance Company.....	5,000	205	205	0
Commonwealth Dealers--CDLIC.....	180,000	7,395	7,395	0
Concord Life Insurance Company..	200,000	8,216	8,216	0
CSA Fraternal Life Insurance Company.....	130,000	5,340	5,340	0
Cumberland Insurance Company....	220,000	9,038	9,038	0
Cumberland Mutual Fire Insurance Company.....	900,000	36,976	36,976	0
Daimler Chrysler Corp Emp#1 Pension Plan, DTD 4/1/89.....	4,400,000	180,772	180,772	0
Dakota Truck Underwriters.....	15,000	616	616	0
Delta Airlines Master Trust.....	1,910,000	78,471	78,471	0
Delta Pilots Disability and Survivorship Trust.....	425,000	17,460	17,460	0
Deutsche Bank AG--London.....	4,500,000	184,880	184,880	0
Deutsche Bank Securities Inc....	14,000,000	575,184	575,184	0
Dorinco Reinsurance Company.....	710,000	29,170	29,170	0
The Dow Chemical Company Employees' Retirement Plan....	2,500,000	102,711	102,711	0
Drury University.....	35,000	1,437	1,437	0
Drury University.....	10,000	410	410	0
Eagle Pacific Insurance Company.....	230,000	9,449	9,449	0
Educators Mutual Life Insurance Company.....	210,000	8,627	8,627	0
Employee's Retirement of N.O. Sewer/Water Board.....	550,000	22,596	22,596	0
The Estate of James Campbell....	278,000	11,421	11,421	0
Farmers Home Mutual Insurance Company.....	440,000	18,077	18,077	0
Farmers Mutual Protective Association of Texas.....	110,000	4,519	4,519	0
Federated Rural Electric Insurance Exchange.....	600,000	24,650	24,650	0
Fidelity Puritan Trust: Fidelity Low-Priced Stock Fund.....	20,470,000	841,001	841,001	0
Field Holdings, Inc.....	60,000	2,465	2,465	0

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SELLING HOLDERS	AGGREGATE PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED	SHARES OF COMMON STOCK OFFERED	SHA COMM BENEFIC AFTER OF THE
Financial American Life Insurance Company.....	20,000	821	821	0
First American Properties and Casualty.....	40,000	1,643	1,643	0
First American Specialty.....	40,000	1,643	1,643	0
First Dakota Indemnity Company..	15,000	616	616	0
First Mercury Insurance	450,000	18,488	18,488	0

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Company.....				
First Mercury--Claredon National.....	180,000	7,395	7,395	0
The Fondren Foundation.....	75,000	3,081	3,081	0
Founders Insurance Company.....	30,000	1,232	1,232	0
Franklin and Marshall College...	240,000	9,860	9,860	0
Global Bermuda Limited Partnership.....	4,900,000	201,314	201,314	0
Goldman Sachs and Company.....	15,263,000	627,074	627,074	0
Goldman Sachs & Co. Profit Sharing Master Trust.....	90,000	3,697	3,697	0
Goodville Mutual Casualty Company.....	90,000	3,697	3,697	0
Grain Dealers Mutual Insurance.....	160,000	6,573	6,573	0
Greek Catholic Union of the USA.....	50,000	2,054	2,054	0
Guaranty Income Life Insurance Company.....	400,000	16,433	16,433	0
Guarantee Trust Life Insurance Company.....	1,100,000	45,193	45,193	0
Guggenheim Portfolio Co. XV, LLC.....	500,000	20,542	20,542	0
Gulf Investment Corporation....	340,000	13,968	13,968	0
Hannover Life Reassurance Company of America.....	700,000	28,759	28,759	0
Hawaiian Airlines Employees Pension Plan--IAM.....	10,000	410	410	0
Hawaiian Airlines Pension Plan for Salaried Employees.....	5,000	205	205	0
Hawaiian Airlines Pilots Retirement Plan.....	25,000	1,027	1,027	0
HBK Master Fund L.P.....	39,450,000	1,620,787	1,620,787	0
Highbridge International LLC....	44,500,000	1,828,264	1,828,264	0
Hillblom Foundation.....	80,000	3,286	3,286	0
H.K. Porter Company, Inc.....	30,000	1,232	1,232	0
Holy Family Society.....	90,000	3,697	3,697	0
Hotel Union & Hotel Industry of Hawaii Pension Plan.....	380,000	15,612	15,612	0
HSBC Trustee, Zola Managed Trust.....	700,000	28,759	28,759	0
Indiana Lumbers Mutual Insurance.....	450,000	18,488	18,488	0
Innovest Finanzdienstleistungs AG.....	500,000	20,542	20,542	0
Integrity Mutual Insurance Company.....	310,000	12,736	12,736	0
ISBA Mutual Insurance Company...	220,000	9,038	9,038	0

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SELLING HOLDERS	AGGREGATE PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED	SHARES OF COMMON STOCK OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED AFTER OFFERED
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The James Campbell Corporation..	230,000	9,449	9,449	0
Jefferies & Company Inc.....	8,000	328	328	0
JMG Capital Partners LP.....	9,500,000	390,303	390,303	0
JMG Triton Offshore Fund, Ltd.....	9,500,000	390,303	390,303	0
JP Morgan Securities Inc.....	33,500,000	1,376,334	1,376,334	0
Kanawha Insurance Company.....	1,000,000	41,084	41,084	0
KBC Financial Products USA Inc.....	2,600,000	106,819	106,819	0
KBC Financial Products (Cayman Islands) Ltd.....	13,800,000	566,967	566,967	0
Kettering Medical Center Funded Depreciation Account.....	70,000	2,875	2,875	0
Koch Industries Inc. Master Pension Trust.....	350,000	14,379	14,379	0
Lakeshore International, LTD....	20,100,000	825,800	825,800	0
Landmark Life Insurance Company.....	80,000	3,286	3,286	0
Lebanon Mutual Insurance Company.....	90,000	3,697	3,697	0
Lincoln Heritage Life Insurance Company.....	110,000	4,519	4,519	0
Lincoln Individual/Memorial Life Insurance Company.....	200,000	8,216	8,216	0
Louisiana Workers' Compensation Corporation.....	320,000	13,147	13,147	0
Lyxor Master Fund c/o Zola Capital Management, LLC.....	1,400,000	57,518	57,518	0
Lyxor Master Fund (ref Arbitex).....	2,100,000	86,277	86,277	0
Macomb County Employees' Retirement System.....	315,000	12,941	12,941	0
Man Convertible Bond Master Fund, Ltd.....	4,044,000	166,146	166,146	0
Marquette Indemnity and Life Insurance Company.....	80,000	3,286	3,286	0
Medico Life Insurance Company...	800,000	32,867	32,867	0
MedMarc Insurance Company.....	600,000	24,650	24,650	0
Michigan Mutual Insurance Company.....	1,300,000	53,409	53,409	0
Michigan Professional Insurance Exchange.....	100,000	4,108	4,108	0
MidAmerica Life Insurance Company.....	70,000	2,875	2,875	0
Middle Cities Risk Management Trust.....	160,000	6,573	6,573	0
MidWest Family Mutual Insurance Company.....	130,000	5,340	5,340	0
MidWest Security Life.....	260,000	10,681	10,681	0
MILIC/Woodsmill Limited #1.....	15,000	616	616	0
MILIC/Woodsmill Limited #2.....	10,000	410	410	0
Mutual Protective Insurance Company.....	1,000,000	41,084	41,084	0

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SELLING HOLDERS	AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED	COMMON STOCK OFFERED	BENEFICIO AFTER OF THE
National Grange Mutual Insurance Company.....	900,000	36,976	36,976	0
National Mutual Insurance Company.....	50,000	2,054	2,054	0
New Era Life Insurance Company..	270,000	11,092	11,092	0
Oak Casualty Insurance Company..	40,000	1,643	1,643	0
Oklahoma Attorneys Mutual Insurance Company.....	40,000	1,643	1,643	0
Oppenheimer Convertible Securities Fund.....	4,000,000	164,338	164,338	0
OZ Convertible Master Fund, Ltd.....	378,000	15,529	15,529	0
OZ MAC 13 Ltd.....	92,000	3,779	3,779	0
OZ Master Fund, Ltd.....	4,130,000	169,679	169,679	0
Pacific Eagle Insurance Company.....	130,000	5,340	5,340	0
Phico Insurance Company.....	350,000	14,379	14,379	0
The Philanthropic Mutual Life Insurance Company.....	70,000	2,875	2,875	0
The Philanthropic Pension.....	160,000	6,573	6,573	0
Physicians Life Insurance Company.....	600,000	24,650	24,650	0
Physicians Mutual Insurance Company.....	600,000	24,650	24,650	0
Pioneer Insurance Company.....	90,000	3,697	3,697	0
Port Authority of Allegheny County Retirement and Disability Allowance Plan for the Employees Represented by Local 85 of the Amalgamated Transit Union.....	640,000	26,294	26,294	0
Premera Blue Cross.....	2,200,000	90,386	90,386	0
Ram Trading Inc.....	29,500,000	1,211,995	1,211,995	0
Ramius Capital Group.....	750,000	30,813	30,813	0
Ramius LP.....	133,000	5,464	5,464	0
RCG Baldwin LP.....	267,000	10,969	10,969	0
RCG Halifax Master Fund, LTD....	2,250,000	92,440	92,440	0
RCG Latitude Master Fund, LTD...	3,350,000	137,633	137,633	0
RCG Multi Strategy, LP.....	4,750,000	195,151	195,151	0
Republic Mutual Insurance Company.....	25,000	1,027	1,027	0
S.A.C. Capital Associates, LLC.....	1,500,000	61,626	61,626	0
Salomon Smith Barney, Inc.	138,000	5,669	5,669	0
SCI Endowment Care Common Trust Fund--First Union.....	40,000	1,643	1,643	0
SCI Endowment Care Common Trust Fund--National Fiduciary Services.....	145,000	5,957	5,957	0
SCI Endowment Care Common Trust Fund--Suntrust.....	65,000	2,670	2,670	0
Scor Life Re Convertible Program.....	380,000	15,612	15,612	0
Southdown Pension Plan.....	130,000	5,340	5,340	0
Sphinx Convertible Arb Fund SPC.....	263,000	10,805	10,805	0



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SELLING HOLDERS	AGGREGATE PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED	SHARES OF COMMON STOCK OFFERED	SHA COMM BENEFIC AFTER OF THE
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SPT.....	1,530,000	62,859	62,859	0
Standard Mutual Insurance Company.....	250,000	10,271	10,271	0
State National Insurance Company.....	100,000	4,108	4,108	0
State of Florida Division of Treasury.....	4,435,000	182,210	182,210	0
State of Florida, Office of the Treasurer.....	1,300,000	53,409	53,409	0
State of Oregon/SAIF Corporation.....	800,000	32,867	32,867	0
State Street Bank Custodian for GE Pension Trust.....	2,010,000	82,580	82,580	0
St. Thomas Trading, Ltd.....	6,563,000	269,638	269,638	0
Sunrise Partners Limited Partnership.....	4,875,000	200,287	200,287	0
Texas Builders Insurance Company.....	120,000	4,930	4,930	0
Texas Hospital Insurance Exchange.....	25,000	1,027	1,027	0
TQA Master Fund, Ltd.....	1,500,000	61,626	61,626	0
TQA Master Plus Fund, Ltd.....	3,000,000	123,253	123,253	0
TransGuard Insurance Company of America, Inc.....	900,000	36,976	36,976	0
Tribeca Investments, LLC.....	10,000,000	410,846	410,846	0
Tuscarora Wayne Mutual Insurance Company.....	70,000	2,875	2,875	0
UBS O'Connor LLC f/b/o O'Connor Global Convertible Arbitrage Master LTD.....	4,000,000	164,338	164,338	0
UFJ Investments Asia Ltd.....	16,500,000	677,895	677,895	0
Union Carbide Retirement Account.....	1,300,000	53,409	53,409	0
United Food and Commercial Workers Local 1262 and Employers Pension Fund.....	565,000	23,212	23,212	0
United National Insurance Company.....	800,000	32,867	32,867	0
Univar USA Inc. Retirement Plan.....	300,000	12,325	12,325	0
Van Kampen Equity Income Fund...	27,500,000	1,129,826	1,129,826	0
Vesta Capital Insurance Syndicate.....	250,000	10,271	10,271	0
Viacom Inc. Pension Plan Master Trust.....	37,000	1,520	1,520	0
Western Home Insurance Company..	200,000	8,216	8,216	0
West Virginia Fire Insurance Company.....	20,000	821	821	0
Westward Life Insurance	170,000	6,984	6,984	0

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Company.....				
Wilmington Trust Company as Owner Trustee for the Forrestal Funding Master Trust.....	8,700,000	357,436	357,436	0
Wisconsin Lawyers Mutual Insurance Company.....	210,000	8,627	8,627	0
Wisconsin Mutual Insurance Company.....	150,000	6,162	6,162	0

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SELLING HOLDERS	AGGREGATE PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED	SHARES OF COMMON STOCK BENEFICIALLY OWNED	SHARES OF COMMON STOCK OFFERED	SHA COMM BENEFIC AFTER OF THE
World Insurance Company.....	500,000	20,542	20,542	0
WPG Convertible Arbitrage Overseas Master Fund, L.P.....	3,000,000	123,253	123,253	0
Xavex Convertible Arbitrage #5.....	400,000	16,433	16,433	0
Zazove Convertible Arbitrage Fund LP.....	2,000,000	82,169	82,169	0
Zazove Convertible Securities Fund, Inc.....	1,300,000	53,409	53,409	0
Zola Partners, L.P.....	1,400,000	57,518	57,518	0
Zurich Institutional Benchmarks Master Fund Ltd.....	2,000,000	82,169	82,169	0

\* Less than one percent of the issued and outstanding shares of our common stock.

To our knowledge, other than their ownership of the securities described in the above table, none of the selling holders has, or has had within the past three years, any position, office or other material relationship with us or any of our predecessors or affiliates, except that Salomon Smith Barney acted as the initial purchaser of the notes and acts as an adviser to us from time to time with respect to other matters.

Prior to any use of this prospectus in connection with any offer or sale of the notes or the underlying common stock by any holder identified above that does not file periodic reports with the Securities and Exchange Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 or is not a wholly-owned subsidiary of such a reporting company must provide us with information identifying any natural persons who exercise voting and investment control over any shares of Common Stock issuable upon conversion of the Notes. We expect to supplement this prospectus from time to time to provide information regarding such natural persons as such information is provided to us.

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PLAN OF DISTRIBUTION

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The notes and the common stock issuable upon conversion of the notes may be offered and sold from time to time to purchasers directly by the selling holders. Alternatively, the selling holders may from time to time offer those securities to or through underwriters, broker-dealers or agents, who may receive compensation in the form of underwriting discounts, concessions or commissions from the selling holders or the purchasers of the securities for whom they act as agents. The selling holders and any underwriters, broker-dealers or agents that participate in the distribution of the securities may be deemed to be "underwriters" within the meaning of the Securities Act, and any profit on the sale of securities and any discounts, commissions, concessions or other compensation received by any underwriter, broker-dealer or agent may be deemed to be underwriting discounts and commissions under the Securities Act.

The securities may be sold from time to time in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. The sale of the securities may be effected in transactions, which may involve crosses or block transactions:

- on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;
- in the over-the-counter market;
- in transactions otherwise than on exchanges or in the over-the-counter market;
- through the writing and exercise of options; or
- through the settlement of short sales.

At the time a particular offering of the securities is made, if required, a prospectus supplement will be distributed, which will set forth the names of the selling holders, the aggregate amount and type of securities being offered and the terms of the offering, including the name or names of any underwriters, broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling holders and any discounts, commissions or concessions allowed or reallocated to paid broker-dealers.

To comply with the securities laws of some jurisdictions, if applicable, the securities will be offered or sold in some jurisdictions only through registered or licensed brokers or dealers. In addition, in some jurisdictions the securities may not be offered or sold unless they have been registered or qualified for sale in those jurisdictions or any exemption from registration or qualification is available and is complied with.

The selling holders and any other person participating in the distribution of securities will be subject to applicable provisions of the Securities Exchange Act and the rules and regulations under the Securities Exchange Act, including, without limitation, Regulation M of the Securities Exchange Act, which may limit the timing of purchases and sales of any of the offered securities by the selling holders and any other person. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution of the offered securities to engage in market-making activities with respect to the particular offered securities being distributed. Compliance with the Securities Exchange Act, as described in this paragraph, may affect the marketability of the offered securities and the ability of any person or entity to engage with respect to the offered securities.

Any selling holder which is a broker-dealer will be deemed to be an "underwriter" within the meaning of Section 2(11) of the Securities Act. The

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following selling holders are underwriters within the meaning of the Securities Act: Banc of America Securities, LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., Jefferies & Company Inc., JP Morgan Securities, Inc., Salomon Smith Barney,

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Inc., Van Kampen Equity Income Fund and Weiss, Peck & Greer, LLC. None of the selling holders who are affiliates of broker-dealers, other than the initial purchasers, purchased the securities outside of the ordinary course of business or, at the time of the purchase of the securities, had any agreements, plans or understandings, directly or indirectly, with any person to distribute the securities.

Pursuant to a registration rights agreement, we have borne all fees and expenses incurred in connection with the registration of the notes and the common stock issuable upon conversion of the notes, except that selling holders will pay all broker's commissions and underwriting discounts and commissions, if any, in connection with any sales effected pursuant to this prospectus. We will indemnify the selling holders against some civil liabilities, including some liabilities under the Securities Act or the Securities Exchange Act or otherwise, or alternatively the selling holders will be entitled to contribution in connection with those liabilities.

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### DESCRIPTION OF THE NOTES

We issued the notes under a document called the "indenture". The indenture is a contract between us and State Street Bank and Trust Company, who is serving as trustee. The law of the State of New York governs both the indenture and the notes. In this section, references to "we", "our", "us" or "the Company" refer solely to Computer Associates International, Inc. and not its subsidiaries.

#### GENERAL

The notes are our senior unsecured obligations and rank equally with all our other senior unsecured indebtedness. However, the notes are structurally subordinated to indebtedness of our subsidiaries and effectively subordinated to our secured debt to the extent of the value of the assets securing such debt. The notes are convertible into common stock as described under the caption "--Conversion of Notes." Upon registration of the resale of the notes and the common stock issuable upon conversion of the notes, the indenture will be subject to and governed by the Trust Indenture Act of 1939, as amended.

We issued the notes at a price to investors of \$1,000 per note. The notes were issued only in denominations of \$1,000 and multiples of \$1,000. The notes will mature on March 15, 2007 unless earlier converted, redeemed at our option or repurchased by us at your option upon a Fundamental Change.

We are not subject to any financial covenants under the indenture. In addition, we are not restricted under the indenture from paying dividends, incurring debt or issuing or repurchasing our securities.

You are not afforded protection in the event of a highly leveraged transaction, or a change in control of us under the indenture except to the extent described below under the caption "--Repurchase at Option of the Holder Upon a Fundamental Change."

The notes bear interest at the annual rate of 5%. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. We will pay interest on March 15 and September 15 of each year, beginning September 15, 2002

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to record holders at the close of business on the preceding March 1 and September 1, as the case may be, except:

- interest payable upon redemption will be paid to the person to whom principal is payable, unless the redemption date is an interest payment date in which case interest shall be paid to the record holder; and
- as set forth in the next sentence.

In case you convert your note into common stock during the period after any record date but prior to the next interest payment date, either:

- we will not be required to pay interest on the interest payment date if the note has been called for redemption on a redemption date that occurs during this period, but accrued and unpaid interest on such note will be paid on the redemption date; or
- we will not be required to pay interest on the interest payment date if the note is to be repurchased in connection with a Fundamental Change on a repurchase date that occurs during this period, but accrued and unpaid interest on such note will be paid on such repurchase date; or
- if otherwise, any note not called for redemption that is submitted for conversion during this period must also be accompanied by an amount equal to the interest due on the interest payment date on the converted principal amount, unless at the time of the conversion there is a default in the payment of interest on the notes. See "--Conversion of Notes."

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We will maintain an office in Boston, Massachusetts, for the payment of interest, which shall initially be an office or agency of the trustee.

We will pay interest by check mailed to your address as it appears in the note register, provided that if you are a holder with an aggregate principal amount in excess of \$5.0 million, you will be paid, at your written election, by wire transfer in immediately available funds.

However, payments to The Depository Trust Company, New York, New York, which we refer to as DTC, or its nominee will be made by wire transfer of immediately available funds to the account of DTC or its nominee.

Holders are not required to pay a service charge for registration or transfer of their notes. We may, however, require holders to pay any tax or other governmental charge in connection with the transfer. We are not required to exchange or register the transfer of:

- any notes or portion selected for redemption;
- any notes or portion surrendered for conversion; or
- any notes or portion surrendered for repurchase but not withdrawn in connection with a Fundamental Change.

### CONVERSION OF NOTES

You may convert your note, in whole or in part, into shares of our common stock at any time prior to the close of business on the business day immediately preceding the maturity date, subject to prior redemption of the notes. If we call the notes for redemption, you may convert the notes only until the close of business five days prior to the redemption date unless we fail to pay the redemption price. If you have submitted your notes to exercise your redemption

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right for repurchase upon a Fundamental Change, you may convert notes only if you withdraw your election. You may convert your notes in part so long as that part is \$1,000 principal amount or an integral multiple of \$1,000. If any notes not called for redemption are converted after a record date for any interest payment date and prior to the next interest payment date, the notes must be accompanied by an amount equal to the interest payable on the next interest payment date on the converted principal amount unless a default exists at the time of conversion.

The initial conversion price for the notes is \$24.34 per share of common stock, subject to adjustment as described below. We will not issue fractional shares of common stock upon conversion of notes. Instead, we will pay cash based on the average of the closing sales prices of our common stock for the five NYSE trading days ending on the day prior to the conversion date for all fractional shares of common stock. Unless you convert your notes on an interest payment date and except as described below, you will not receive any accrued interest or dividends upon conversion.

To convert your note (other than a note held in book entry form through DTC) into common stock you must:

- complete and manually sign the conversion notice on the back of the note or facsimile of the conversion notice and deliver this notice to the conversion agent;
- surrender the note to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents;
- if required, pay all transfer or similar taxes; and
- if required, pay funds equal to interest payable on the next interest payment date.

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Holders of notes held in book-entry form through DTC must follow DTC's customary practices. The date you comply with these requirements is the conversion date under the indenture. As promptly as practicable on or after the conversion date, but no later than three business days after the conversion date, we will issue and deliver to the conversion agent certificates for the number of full shares of common stock issuable upon conversion, together with any cash payment for fractional shares.

If you deliver a note for conversion, you will not be required to pay any taxes or duties for the issue or delivery of common stock on conversion. However, we will not pay any transfer tax or duty payable as result of the issuance or delivery of the common stock in a name other than that of the holder of the note. We will not issue or deliver common stock certificates unless we have been paid the amount of any transfer tax or duty or we have been provided satisfactory evidence that the transfer tax or duty has been paid.

We will adjust the conversion price if the following events occur:

- (1) we issue common stock as a dividend or distribution on our common stock;
- (2) we issue to all holders of common stock specified rights or warrants to purchase our common stock at a price per share less than the then current market price per share, unless we elect to distribute or reserve for distribution these rights or warrants for distribution to the holders of the notes upon the conversion of the notes, provided that the conversion price will be readjusted to the extent that such rights or warrants are

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not exercised prior to their expiration, provided, however, that if such rights or warrants are exercisable only upon the occurrence of certain triggering events then the conversion price will not be adjusted until such triggering event occurs;

- (3) we subdivide or combine our common stock;
- (4) we distribute to all common stockholders capital stock, evidences of indebtedness or assets, including securities but excluding: rights or warrants listed in (2) above; dividends or distributions listed in (1) above; and cash distributions listed in (5) below;
- (5) we make a dividend or distribution consisting of cash to all holders of common stock if the aggregate amount of these distributions combined together with (A) all other all-cash distributions made within the preceding 12 months in respect of which we made no adjustment plus (B) any cash and the fair market value of other consideration payable in any tender offers by us or any of our subsidiaries for common stock within the preceding 12 months in respect for which we made no adjustment, exceeds 12.5% of our market capitalization, being the product of the then-current market price of the common stock multiplied by the number of shares of our common stock then outstanding; or
- (6) the purchase of our common stock pursuant to a tender offer made by us or any of our subsidiaries involving an aggregate consideration that, together with (A) any cash and the fair market value of any other consideration payable in any other tender offer by us or any of our subsidiaries for common stock expiring within the 12 months preceding the expiration of the tender offer plus (B) the aggregate amount of any such all-cash distributions referred to in (5) above to all holders of common stock within the 12 months preceding the expiration of the tender offer, in each case, for which we have made no adjustment, exceeds 12.5% of our market capitalization on the expiration of such tender offer.

If our shareholders rights plan, described under "Description of Our Capital Stock--Anti-Takeover Effects of Provisions of Rights Plan and Delaware Law" is triggered, holders of the notes will be entitled to receive these rights provided that the notes are converted into shares of common stock prior

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to the distribution of the separate certificate representing those rights. There shall not be any adjustment to the conversion rate as a result of:

- the issuance of the rights;
- the distribution of separate certificates representing the rights;
- the exercise or redemption of the rights in accordance with any rights agreement; or
- the termination of invalidation of the rights.

If we reclassify our common stock, consolidate, merge or combine with another person or sell or convey our property and assets as an entirety or substantially as an entirety, each note then outstanding will, without the consent of the holder of any note, become convertible only into the kind and amount of securities, cash and other property receivable upon such reclassification, consolidation, merger, combination, sale or conveyance by a holder of the number of shares of common stock into which the note was convertible immediately prior to the reclassification, consolidation, merger, combination, sale or conveyance. This calculation will be made based on the

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assumption that the holder of common stock failed to exercise any rights of election that the holder may have to select a particular type of consideration. The adjustment will not be made for a consolidation, merger or combination that does not result in any reclassification, conversion, exchange or cancellation of our common stock.

We may, from time to time, reduce the conversion price for a period of at least 20 days if our Board of Directors has made a determination that this reduction would be in our best interests. Any such determination by our Board of Directors will be conclusive. We would give holders at least 15 days' notice of any reduction in the conversion price. In addition, we may reduce the conversion price if our Board of Directors deems it advisable to avoid or diminish any income tax to holders of common stock resulting from any stock or rights distribution or due to the non-occurrence of such a distribution. See "Certain United States Federal Income Tax Consequences."

You may in some situations be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of any taxable distribution to holders of common stock, in certain other situations requiring a conversion price adjustment or due to the non-occurrence of an adjustment. See "Certain United States Federal Income Tax Consequences."

We will not be required to make an adjustment in the conversion price unless the adjustment would require a change of at least 1% in the conversion price. However, we will carry forward any adjustments that are less than 1% of the conversion price. Except as described above in this section, we will not adjust the conversion price for any issuance of our common stock or convertible or exchangeable securities or rights to purchase our common stock or convertible or exchangeable securities.

**OPTIONAL REDEMPTION BY THE COMPANY**

We may not redeem the notes at our option prior to March 21, 2005. Thereafter, we may redeem the notes at our option in whole or in part, upon not less than 15, nor more than 60, days' notice by mail to holders of the notes.

The redemption prices (expressed as a percentage of principal amount) are as follows for notes redeemed during the periods set forth below:

PERIOD -----	REDEMPTION PRICE -----
Beginning on March 21, 2005 through March 20, 2006.....	102%
Beginning on March 21, 2006.....	101%

in each case together with accrued interest to, but excluding, the redemption date. Subject to the next sentence, we will pay accrued and unpaid interest to the same holder that receives the redemption. However, if the redemption date is an interest payment date, interest shall be paid to the record holder on the relevant record date.

If less than all of the outstanding notes are to be redeemed, the trustee shall select the notes to be redeemed in principal amounts of \$1,000 or multiples of \$1,000 by lot, pro rata or by another method the trustee considers fair and appropriate. If a portion of your notes is selected for partial redemption and you convert a portion of your notes, the converted portion shall



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be deemed to be of the portion selected for redemption.

No sinking fund is provided for the notes.

### REPURCHASE AT OPTION OF THE HOLDER UPON A FUNDAMENTAL CHANGE

If a Fundamental Change occurs prior to March 15, 2007, you will have the right to require us to repurchase all or any portion of your notes that is equal to \$1,000 or a whole multiple of \$1,000, on a repurchase date set by us that is no earlier than 25 days and no later than 35 days after the date of our notice of the Fundamental Change.

We shall repurchase the notes at a price equal to 100% of the principal amount to be repurchased, plus accrued and unpaid interest to, but excluding, the repurchase date. If the repurchase date is an interest payment date, we will pay interest on the interest payment date to the record holder on the relevant record date. Otherwise, we will pay accrued and unpaid interest to the same holder that receives the principal amount to be repurchased.

We will mail to all record holders a notice of the Fundamental Change within 25 days after the occurrence of the Fundamental Change. The notice must describe the Fundamental Change, your right to elect repurchase of the notes and the repurchase date. We are also required to deliver to the trustee a copy of the Fundamental Change notice. If you elect to exercise your repurchase right, you must deliver to us or our designated agent at any time from the date of our notice of Fundamental Change until the close of business on the date that is five business days prior to the repurchase date, written notice of your exercise of your repurchase right, together with any notes to be repurchased, duly endorsed for transfer. Following the repurchase date we will pay promptly the repurchase price for notes surrendered for redemption.

A Fundamental Change will be considered to have occurred if:

- our common stock or other common stock into which the notes are convertible is neither listed for trading on a United States national securities exchange nor approved for trading on the Nasdaq National Market or another established automated over-the-counter trading market in the United States; or
- one of the following "change in control" events occurs: any person or group is a beneficial owner of more than 50% of the voting power of our outstanding securities entitled to generally vote for directors; our stockholders approve any plan or proposal for our liquidation, dissolution or winding up; we consolidate with or merge into any other corporation or any other corporation merges into us and, as a result, our outstanding common stock is changed or exchanged for other assets or securities, unless our stockholders immediately before the transaction own, directly or indirectly, immediately following the transaction more than 50% of the combined voting power of the corporation resulting from the transaction in substantially the same proportion as their ownership of our voting stock immediately before the transaction; we convey, transfer or lease all or substantially all of our assets to any person; or continuing directors do not constitute a majority of our Board of Directors at any time.

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However, a change in control will not be deemed to have occurred if:

- the last sale price of our common stock for any five trading days during the 10 NYSE trading days immediately before the change in control is equal to at least 105% of the conversion price; or

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- all of the consideration, excluding cash payments for fractional shares in the transaction constituting the change in control, consists of common stock traded on a United States national securities exchange or quoted on the Nasdaq National Market, and as a result of the transaction the notes become convertible solely into that common stock (subject to payment in cash in lieu of fractional shares).

The term "continuing director" means at any date a member of our Board of Directors:

- who was a member of our Board of Directors on January 1, 2002; or
- who was nominated or elected by at least a majority of the directors who were continuing directors at the time of the nomination or election or whose election to our Board of Directors was recommended by at least a majority of the directors who were continuing directors at the time of the nomination or election or by the nominating committee comprised of our independent directors.

Under the above definition of continuing directors, if the current Board of Directors resigns after approving new directors, no change in control would occur, even though our current directors would then cease to be directors.

The interpretation of the phrase "all or substantially all" used in the definition of change in control would likely depend on the facts and circumstances existing at the time. As a result, there may be uncertainty as to whether or not a sale or transfer of "all or substantially all" of our assets has occurred.

We will comply with any applicable provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act in the event of a Fundamental Change.

These repurchase rights could discourage a potential acquiror of the Company. However, this repurchase feature is not the result of management's knowledge of any specific effort to obtain control of the Company by means of a merger, tender offer or solicitation, or part of a plan by management to adopt a series of anti-takeover provisions. The term "Fundamental Change" is limited to certain specified transactions and may not include other events that might adversely affect our financial condition. Our obligation to offer to repurchase the notes upon a Fundamental Change would not necessarily afford you protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving the Company.

We may be unable to repurchase the notes in the event of a Fundamental Change. See "Risk Factors--Risks Related to the Notes--We may not have the ability to raise the funds necessary to finance the Fundamental Change purchase." If a Fundamental Change were to occur, we may not have enough funds to pay the repurchase price for all tendered notes. In addition, a Fundamental Change could result in an event of default under loan agreements we may enter into in the future. Our loan agreements could also prohibit, in certain situations, repurchases of the notes. Any future credit facilities or other agreements relating to our indebtedness may contain similar provisions, or expressly prohibit the repurchase of the notes.

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### RANKING

The notes are unsecured and are effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness and to the indebtedness of our subsidiaries to the extent of the assets of those subsidiaries.

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As of September 30, 2002, we had approximately \$3.1 billion of total consolidated indebtedness, including \$660.0 million outstanding under the notes and approximately \$2.5 billion of other senior indebtedness. As of September 30, 2002, the aggregate principal amount of our secured indebtedness was approximately \$6.4 million.

We are obligated to pay reasonable compensation to the trustee and to indemnify the trustee against certain losses, liabilities or expenses incurred by the trustee in connection with its duties relating to the notes. The trustee's claims for these payments will generally be senior to those of holders of notes in respect of all funds collected or held by the trustee.

The notes are obligations exclusively of the Company. As a result, our cash flow and our ability to service our indebtedness, including the notes, is partially dependent upon the earnings of our subsidiaries. In addition, we are partially dependent on the distribution of earnings, loans or other payments by our subsidiaries to us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any subsidiary upon its liquidation or reorganization, and, therefore, our right to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of our subsidiaries, our right as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

### EVENTS OF DEFAULT

Each of the following constitutes an event of default under the indenture:

- (1) default in paying interest on the notes when it becomes due and the default continues for a period of 30 days or more;
- (2) default in paying principal, or premium, if any, or the repurchase price in connection with a Fundamental Change or upon an optional redemption on the notes when due;
- (3) default in the performance, or breach, of any covenant in the indenture (other than defaults specified in clause (1) or (2) above) and the default or breach continues for a period of 90 days or more after written notice has been given to us by the trustee, or to us and the trustee by the holders of at least 25% in aggregate principal amount of the outstanding notes;
- (4) failure to give notice to holders of an optional repurchase upon a Fundamental Change;
- (5) the occurrence of events of bankruptcy, insolvency or similar proceedings with respect to us or any of our significant subsidiaries;
- (6) we fail to make any payment at maturity on any indebtedness, including any applicable grace periods, in an amount in excess of \$25.0 million in the aggregate for all such indebtedness and such amount has not been paid or discharged within 30 days after notice is given in accordance with the indenture; or

- (7) a default by us on any indebtedness that results in the acceleration of indebtedness in an amount in excess of \$25.0 million in the aggregate for all such indebtedness, without this indebtedness being discharged or the acceleration being rescinded or annulled for 30 days after notice is given in accordance with the indenture.

If an event of default, other than an event of default described in clause (5) above with respect to us, occurs and is continuing, then the trustee or the holders of at least 25% in principal amount of the outstanding notes may, and the trustee at the request of the holders of not less than 25% in principal amount of the outstanding notes will, by written notice require immediate repayment of the entire principal amount of the outstanding notes, together with all accrued and unpaid interest and premium, if any. If any event of default described in clause (5) above with respect to us occurs, the principal amount of all the notes will automatically become immediately due and payable.

After a declaration of acceleration described above, the holders of a majority in principal amount of outstanding notes may, under conditions set forth in the indenture, rescind this accelerated payment requirement if we have deposited with the trustee a sum sufficient to pay all amounts due on the notes and all amounts due to the trustee under the indenture and all existing Events of Default, except for nonpayment of the principal and interest on the notes that has become due solely as a result of the accelerated payment requirement, have been cured or waived and if the rescission of acceleration would not conflict with any judgment or decree. The holders of a majority in principal amount of the outstanding notes also have the right to waive past defaults, except a default in paying the principal, redemption price, repurchase price upon a Fundamental Change or interest on any outstanding note, or in respect of a covenant or a provision that cannot be modified or amended without the consent of all holders of the notes.

Holders of at least 25% in principal amount of the outstanding notes may seek to institute a proceeding only after they have made written request and offered indemnity reasonably satisfactory to the trustee to institute a proceeding and the trustee has failed to do so within 60 days after it received this notice. In addition, within this 60-day period the trustee must not have received directions inconsistent with this written request by holders of a majority in principal amount of the outstanding notes. These limitations do not apply, however, to a suit instituted by a holder of a note for the enforcement of the payment of principal, redemption price, repurchase price upon a Fundamental Change or interest on or after the due dates for payment.

During the existence of an event of default, the trustee is required to exercise the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent person would under the circumstances in the conduct of that person's own affairs. If an event of default has occurred and is continuing, the trustee is not under any obligation to exercise any of its rights or powers at the request or direction of any of the holders unless the holders have offered to the trustee indemnity reasonably satisfactory to the trustee. Subject to limited exceptions, the holders of a majority in principal amount of the outstanding notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee.

The trustee will, within 60 days after any default occurs, give notice of the default to the holders of the notes, unless the default was already cured or waived. However, unless there is a default in paying principal or interest when due, the trustee can withhold giving notice to the holders if it determines in good faith that the withholding of notice is in the interest of the holders.

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We are required to furnish the trustee an annual statement as to compliance with all conditions and covenants under the indenture.

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### SUPPLEMENTAL INDENTURES

The trustee and we may enter into a supplemental indenture without the consent of any holder in certain circumstances, including:

- to cure ambiguities, defects or inconsistencies;
- to provide for the assumption of our obligations in the case of a merger or consolidation of us;
- to make any change that would provide any additional rights or benefits to the holders;
- to secure the notes;
- to comply with any requirements of the Securities and Exchange Commission in connection with the qualification of the indenture under the Trust Indenture Act of 1939; or
- to make any change that does not adversely affect the rights of any holder in any material respect.

The trustee and we may enter into a supplemental indenture with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding notes. However, no modification or amendment may, without the consent of the holder of each outstanding note affected:

- change the record or payment dates for interest payments or reduce the rate of interest on any note;
- extend the stated maturity of any note;
- reduce the principal amount, redemption price or repurchase price in connection with a Fundamental Change with respect to any note;
- make any note payable in money or securities other than that stated in the note;
- make any change that adversely affects the right to require us to purchase a note;
- impair or adversely affect the right to convert, or receive payment with respect to, a note, or right to institute suit for the enforcement of any payment with respect to, or conversion of, the notes;
- change the provisions in the indenture that relate to modifying or amending the indenture; or
- extend time for payment or otherwise waive a payment default with respect to the notes.

### CONSOLIDATION, MERGER OR SALE OF ASSETS

We will not consolidate or combine with or merge with or into or, directly or indirectly, sell, assign, convey, lease, transfer or otherwise dispose of all or substantially all of our properties and assets to any person or persons in a single transaction or series of transactions, unless:

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- we shall be the continuing person or the resulting, surviving or transferee person (the "surviving entity") is a corporation or limited liability company organized and existing under the laws of the United States or any State or the District of Columbia;
- the surviving entity will expressly assume all of our obligations under the notes and the indenture, and will execute a supplemental indenture which will be delivered to the trustee and will be in form and substance reasonably satisfactory to the trustee;
- immediately after giving effect to the transaction, no default shall have occurred and be continuing; and

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- we or the surviving entity will have delivered to the trustee an opinion of counsel stating that the transaction or series of transactions and the supplemental indenture, if any, complies with the applicable provisions of the indenture.

If any consolidation or merger or any sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all of our properties and assets occurs in accordance with the indenture, the successor corporation will succeed to, and be substituted for, and may exercise every right and power we have under the indenture with the same effect as if such successor corporation had been named as the Company. Except for any lease, we will be discharged from all obligations and covenants under the indenture and the notes.

### DISCHARGE

The indenture provides that we may terminate our obligations under the indenture at any time by delivering all outstanding notes to the trustee for cancellation if we have paid all sums payable by us under the indenture. At any time after all of the notes have become due and payable we may terminate our substantive obligations under the indenture, other than our obligations to pay the principal of, and interest on, the notes, by depositing with the trustee money or U.S. Government obligations sufficient to pay all remaining indebtedness on the notes when due.

### GOVERNING LAW

The laws of the State of New York will govern the indenture and the notes.

### INFORMATION CONCERNING THE TRUSTEE

We have appointed the State Street Bank and Trust Company, as trustee under the indenture, as paying agent, conversion agent, registrar and custodian with regard to the notes. The trustee or its affiliates may from time to time in the future provide banking and other services to us in the ordinary course of their business.

### BOOK-ENTRY SYSTEM

All book-entry certificates are represented by one or more fully registered global certificates, without coupons. Each global certificate is deposited with, or on behalf of, the depositary, a securities depositary, and is registered in the name of the depositary or a nominee of the depositary. The depositary is thus the only registered holder of the notes.

Notes that are issued as described below under "--Certificated Notes" will be issued in definitive form. Upon the transfer of notes in definitive form,

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such notes will, unless the global securities have previously been exchanged for notes in definitive form, be exchanged for an interest in the global securities representing the principal amount of notes being transferred.

Purchasers of notes may hold interests in the global certificates through the depository if they are participants in the depository system. Purchasers may also hold interests through a securities intermediary-banks, brokerage houses and other institutions that maintain securities accounts for customers—that has an account with the depository. The depository will maintain accounts showing the security holdings of its participants, and these participants will in turn maintain accounts showing the security holdings of their customers. Some of these customers may themselves be securities intermediaries holding securities for their customers. Thus, each beneficial owner of a book-entry certificate will hold that certificate indirectly through a hierarchy of intermediaries, with the depository at the "top" and the beneficial owner's own securities intermediary at the "bottom."

The notes of each beneficial owner of a book-entry certificate will be evidenced solely by entries on the books of the beneficial owner's securities intermediary. The actual purchaser of notes will

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generally not be considered the owner under the indenture. The book-entry system for holding securities eliminates the need for physical movement of certificates and is the system through which most publicly traded securities is held in the United States. However, the laws of some jurisdictions require some purchasers of securities to take physical delivery of their securities in definitive form. These laws may impair the ability of a beneficial owner to transfer book-entry notes.

A beneficial owner of book-entry notes represented by a global certificate may exchange the notes for definitive, certificated notes only if the conditions for such an exchange, as described under "--Certificated Notes" are met.

In this prospectus, references to actions taken by a holder of notes will mean actions taken by the depository upon instructions from its participants, and references to payments and notices of redemption to holders of notes will mean payments and notices of redemption to the depository as the registered holder of the notes for distribution to participants in accordance with the depository's procedures.

In order to ensure that the depository's nominee will timely exercise a right conferred by the notes, the beneficial owner of that note must instruct the broker or other direct or indirect participant through which it holds an interest in that note to notify the depository of its desire to exercise that right. Different firms have different deadlines for accepting instructions from their customers. Each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in the notes in order to ascertain the deadline for ensuring that timely notice will be delivered to the depository.

The depository is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered under Section 17A of the Exchange Act. The rules applicable to the depository and its participants are on file with the SEC.

We will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the book-entry securities or for maintaining, supervising or reviewing any records relating to beneficial ownership interests.

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The depositary may discontinue providing its services as securities depositary at any time by giving reasonable notice. Under those circumstances, in the event that a successor securities depositary is not appointed, definitive certificates are required to be printed and delivered.

The information in this section concerning the depositary and the depositary's book-entry system has been obtained from sources that we believe to be reliable, but we do not take responsibility for the accuracy of that information.

### CERTIFICATED NOTES

The notes represented by the global securities are exchangeable for certificated notes in definitive form of like tenor as such notes if:

- the depositary notifies us that it is unwilling or unable to continue as depositary for the global securities or if at any time the depositary ceases to be a clearing agency registered under the Exchange Act and, in either case, a successor depositary is not appointed by us within 90 days after the date of such notice; or
- an event of default has occurred and is continuing with respect to the global securities and the notes have become due and payable and the trustee requests certificated notes.

Any notes that are exchangeable pursuant to the preceding sentence are exchangeable for certificated notes issuable in authorized denominations and registered in such names as the depositary

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shall direct. Subject to the foregoing, the global securities are not exchangeable, except for global securities of the same aggregate principal amount to be registered in the name of the depositary or its nominee. In addition, such certificates will bear the legend referred to under "Transfer Restrictions" (unless we determine otherwise in accordance with applicable law) subject, with respect to such notes, to the provisions of such legend.

### REGISTRATION RIGHTS

We entered into a registration rights agreement with Banc of America Securities LLC, Salomon Smith Barney Inc., ABN AMRO Rothschild LLC, Mizuho International plc, Robertson Stephens, Inc., RBC Capital Markets Inc. and Tokyo-Mitsubishi International plc. The following summary of the registration rights provided in the registration rights agreement is not complete. You should refer to the registration rights agreement for a full description of the registration rights that apply to the notes and common stock into which the notes are convertible.

We agreed, pursuant to the registration rights agreement to file a shelf registration statement under the Securities Act of 1933 within 180 days after the closing date, to register resales of the notes and the shares of common stock into which the notes are convertible (referred to as registrable securities). We will use our reasonable efforts to have such shelf registration statement declared effective as soon as practicable after it is filed and, in any event, within 270 days after the closing date, and to keep it effective until the earliest of (1) the date when all registrable securities shall have been sold pursuant to a registration statement under the Securities Act of 1933, (2) the date on which all registrable securities are sold to the public pursuant to Rule 144 under the Securities Act of 1933, (3) the date on which all registrable securities cease to be outstanding and (4) the date which is two



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years from the date of the registration rights agreement, such shortest time period referred to as the effectiveness period. A holder of registrable securities that sells registrable securities pursuant to the shelf registration statement generally will be required to provide information about itself and the specifics of the sale, named as a selling security holder in the related prospectus and deliver a prospectus to purchasers, subject to relevant civil liability provisions under the Securities Act of 1933 in connection with such sales and bound by the provisions of the registration rights agreement which are applicable to such holder, including certain indemnification obligations.

The registration statement of which this prospectus is a part was filed by us in satisfaction of our obligation to do so pursuant to the registration rights agreement.

If we fail to comply with the above provisions of the registration rights agreement, liquidated damages will become payable in respect of the registrable securities as follows:

- (1) if the shelf registration statement is not filed within 180 days after the closing date, then commencing on the day after such date, liquidated damages shall accrue on the registrable securities at a rate of 0.25% per annum on the amount of registrable securities (as defined below);
- (2) if the shelf registration statement is not declared effective by the SEC on or prior to the 270th day following the closing date, then commencing on the day after such date, liquidated damages shall accrue on the registrable securities at a rate of 0.5% per annum on the amount of registrable securities; and
- (3) if the shelf registration statement has been declared effective and the shelf registration ceases to be effective at any time during the effectiveness period (other than for a permitted suspension, as described below), then liquidated damages shall accrue on the registrable securities at a rate of 0.5% per annum on the amount of registrable securities;

provided, however, that liquidated damages on the registrable securities may not accrue under more than one of the foregoing clauses (1), (2) or (3) at any one time; provided, further, however, that

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(1) upon the filing of the shelf registration statement as required hereunder (in the case of clause (1) above), (2) upon the effectiveness of the shelf registration as required hereunder (in the case of clause (2) above), or (3) upon the effectiveness of a shelf registration which had ceased to remain effective (in the case of clause (3) above), liquidated damages on the registrable securities as a result of such clause or the relevant subclause thereof, as the case may be, shall cease to accrue. It is understood and agreed that, notwithstanding any provision to the contrary, so long as any registrable security is then covered by an effective shelf registration statement, no liquidated damages shall accrue on such registrable security.

The term "amount of registrable securities" means (a) with respect to the notes, the aggregate principal amount of all such notes outstanding, (b) with respect to the shares of common stock into which the notes are convertible, the aggregate number of such shares of common stock outstanding multiplied by the conversion price (as defined in the indenture relating to the notes) or, if no notes are then outstanding, the last conversion price that was in effect under such indenture when any such notes were last outstanding, and (c) with respect to combinations thereof, the sum of (a) and (b) for the relevant registrable securities.

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Any amounts of liquidated damages due pursuant to clause (1), (2) or (3) above will be payable in cash semi-annually on the same dates as the interest payment dates for the notes.

We shall have the right to suspend the effectiveness of the shelf registration statement for up to 30 consecutive days in any 90-day period, and for up to a total of 90 days in any 365-day period, without being required to pay liquidated damages.

### POTENTIAL DILUTION UPON CONVERSION OF THE NOTES

Upon exercise in full of the conversion option of the notes, based upon the conversion price as currently in effect, we would be required to deliver 27,115,858 shares of common stock to the converting noteholders (subject to adjustment as described above under "--Conversion of Notes"). If we were to issue new shares to satisfy this obligation, we would increase the total number of shares currently outstanding by approximately 4.5%. In light of the large number of our shares outstanding (approximately 573,258,431 shares at September 30, 2002), we do not consider this to constitute a material increase in the number of shares outstanding. As described below under "--Call Spread Repurchase Options," we have the right to obtain some or all of the shares of common stock required to satisfy this conversion obligation from the counterparties on the call spread repurchase options. To the extent we exercise these rights, this would reduce the number of shares we would be required to issue to satisfy our obligation to converting holders of the notes.

The conversion price of the notes is \$24.34 per share, subject to adjustment as described above under "--Conversion of Notes." That price was significantly in excess of the price of our common stock at the time of the issuance of the notes (\$18.30 on March 13, 2002) and continues to be significantly in excess of the current price of our common stock (the last reported sales price of our common stock on December 23, 2002 was \$13.47 per share). Because the conversion price has been significantly in excess of the market price of our common stock since the issuance of the notes, the conversion feature of the notes is not dilutive to our stockholders based upon current market prices. We cannot predict whether the market price of our common stock will be less than or greater than the conversion price at any point in the future, and thus cannot predict what, if any, dilutive impact the exercise of the conversion right may have if holders elect to convert their notes.

However, as described below under "--Call Spread Repurchase Options," if the market value of our common stock is in excess of \$24.83 per share at or around the third anniversary of the issuance of the notes, we will be entitled to receive from the counterparties on these options outstanding shares of our common stock and/or cash that will prevent dilution as a result of the notes being converted up to a market price of \$36.60 per share. To the extent the market price of our common stock exceeds \$36.60

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per share at such time, the call spread options will proportionally prevent dilution as a result of the notes being converted up to that price.

### CALL SPREAD REPURCHASE OPTIONS

#### GENERAL

Concurrently with the closing of the offering of the notes, we purchased from Bank of America, N.A., an affiliate of Banc of America Securities LLC, and from Citibank, N.A., an affiliate of Salomon Smith Barney Inc. (such affiliates being referred to collectively as the "option sellers") call spread repurchase

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options on our common stock (collectively, the "call spread options"). Each option seller has entered into call spread options with us covering 13,557,929 shares of our common stock (subject to adjustment in the event of stock splits, reverse stock splits or similar events); in the aggregate the call spread options cover 27,115,858 shares of our common stock, which is the number of shares that are issuable upon conversion of the notes in full. We paid the option sellers an aggregate premium of \$95,040,000 (split equally between the option sellers) in consideration of their sale of the call spread options. Both call spread options have identical terms, and are thus summarized on an aggregate basis below. All share-related amounts with respect to the call spread options that are referred to below are subject to adjustment in substantially the same manner as described above under "--Conversion of Notes."

The call spread options are designed to mitigate against exposure to potential dilution from conversion of the notes to the extent that the market price of our stock at time of exercise is greater than or equal to a lower strike price of \$24.83 per share of common stock and is less than or equal to a higher strike price of \$36.60 per share. These strike prices are referred to as the "lower strike price" and the "higher strike price," respectively. The call spread options are designed to hedge this exposure up to the first redemption date of the notes. As described in more detail below under "--Summary of Call Spread Options Structure--Multiple Valuation Scenarios", it is possible that some or all of the call spread options could expire valueless. To the extent this occurs and the conversion price of the notes is in the money, it is possible that noteholders could exercise conversion rights and some or all of the call spread options will not be exercisable.

To the extent that the market value of our common stock at the time of exercise is above the lower strike price, the call spread options entitle us to receive from the option sellers, at our election, (i) outstanding shares of common stock with which to satisfy our conversion obligation under the notes ("physical settlement") in return for an exercise price of \$24.83 per option exercised, (ii) cash in an amount equal to the difference between the lower strike price and the then-current market price of our common stock up to the higher strike price ("cash settlement"), or outstanding shares of our common stock with a value equal to the cash value of the cash settlement option ("net share settlement").

To the extent that the market price of our common stock exceeds the higher strike price at time of exercise, the benefits available to us under the call spread options will be proportionately reduced to the extent of such excess, such that the call spread options prevent dilution from conversion of the notes up to a market price of \$36.60 per share. Examples of each of these options are described below. For a more detailed discussion of the potential dilutive effect of conversion of the notes upon holders of our common stock, see "--Potential Dilution Upon Conversion of the Notes" above.

The call spread options are so-called "European" options, which means that they are exercisable only on their specified expiration date. The call spread options expire in equal tranches over a ten business day period starting just prior to the three year anniversary of the issue date of the notes. If the market price of our common stock on March 10, 2005 is less than \$31.00 per share, then the call spread options will expire in equal tranches over a five business day period. These expiration dates are grouped around the date on which we can first call the notes for redemption. See "--Optional Redemption by the Company" above.

### SUMMARY OF CALL SPREAD OPTIONS STRUCTURE

The following summary describes the operation of the call spread options in

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three scenarios: (i) the closing price of our common stock is greater than or equal to the lower strike price and is less than or equal to the higher strike price; (ii) the closing price of our common stock is greater than the higher strike price; and (iii) the closing price of our common stock is less than the lower strike price. In each instance under scenarios (i) and (ii), we select the settlement option at our discretion. All valuations of our common stock pursuant to the call spread options will be based on the closing price of our common stock at the end of the regular trading session on The New York Stock Exchange on the specific expiration date for a tranche of the call spread options. Each tranche expires separately from all other tranches, and thus different closing prices may apply to different tranches. We may elect different settlement options for different tranches of the call spread options. Each tranche is equal to 10% of the number of shares of common stock issuable upon conversion of the notes in full (or, if the shorter five-day expiration schedule described above were to apply, 20% of such number).

MARKET PRICE IS GREATER THAN OR EQUAL TO THE LOWER STRIKE PRICE AND LESS THAN OR EQUAL TO THE HIGHER STRIKE PRICE

If the market price of our common stock on an exercise date were greater than or equal to the lower strike price and less than or equal to the upper strike price, then the tranche of the call spread options expiring on that date would be exercisable by us. The settlement options described above would produce the following results. For illustrative purposes, we provide an example of each settlement option assuming that the closing price of our common stock at each expiration date is \$30.00 per share and we chose the option in question on each of those dates.

- PHYSICAL SETTLEMENT OPTION. If we were to elect the physical settlement option with respect to any exercise date, upon payment of the exercise price of \$24.83 per option exercisable on such date, the option sellers would deliver to us outstanding shares of common stock in an amount equal to 10% of the number of shares deliverable upon conversion in full of the notes (or, if the shorter five-day expiration schedule described above were to apply, shares equal to 20% of such number).  
At a closing price of \$30.00 per share on each expiration date, we would be entitled to receive from the option sellers an aggregate of 27,115,858 outstanding shares of our common stock (equal to the number of shares that may be issued upon conversion of the notes in full) upon payment of an aggregate exercise price of \$673,286,754 (the product of the per-option exercise price of \$24.83, which equals the lower strike price, and the number of shares to be delivered). Since our common stock would have an aggregate value of \$813,475,740 in this hypothetical, this payment would represent a benefit to us of \$140,188,985 (which is equal to the aggregate difference between the lower strike price and the \$30.00 per share market price of the shares delivered pursuant to the call spread options), and mitigates the economic dilution of conversion of the notes to that extent. It also mitigates in full the dilutive impact upon the number of shares of our common stock outstanding, as we would not be required to issue any new shares to satisfy the conversion obligation.
- CASH SETTLEMENT OPTION. If we were to elect the cash settlement option with respect to any exercise date, the option sellers would be obligated to deliver to us cash in an amount equal to 10% of product of the number of shares deliverable upon conversion in full of the notes and the difference between the market price of our common stock at such time and the lower strike price (or, if the shorter five-day expiration schedule described above were to apply, equal to 20% of such number).  
At a closing price of \$30.00 per share on each expiration date, we would be entitled to receive from the option sellers \$140,188,985, which is equal to the product of the number of shares

covered by the call spread option (27,115,858) and \$5.17, which equals the difference between the market price of \$30.00 per share and the lower strike price of \$24.83.

- NET SHARE SETTLEMENT OPTION. If we were to elect the net share settlement option with respect to any exercise date, the option sellers would be obligated to deliver to us outstanding shares of common stock with a value equal to the cash value of the differential described under "Cash Settlement Option" above.

At a closing price of \$30.00 per share on each expiration date, we would be entitled to receive from the option sellers 4,672,966 outstanding shares of our common stock, which is equal to the number of shares that can be purchased for \$140,188,985 (the net benefit deliverable to us under the cash settlement option) at a current market price of \$30.00 per share.

These examples demonstrate that each settlement option produces the same net economic benefit to us.

#### MARKET PRICE IS GREATER THAN THE HIGHER STRIKE PRICE

If the market price of our common stock on an exercise date were greater than the upper strike price, then the tranche of the call spread options expiring on that date would be exercisable by us. The settlement options described above would produce the following results in this scenario. For illustrative purposes, we provide an example of each settlement option assuming that the closing price of our common stock at each expiration date is \$40.00 per share and we chose the option in question on each of those dates.

- PHYSICAL SETTLEMENT OPTION. If we were to elect the physical settlement option with respect to any exercise date, upon payment of the exercise price of \$24.83 per option exercisable on such date, the option sellers would deliver to us outstanding shares of common stock in an amount equal to 10% of the difference between (a) the number of shares deliverable upon conversion in full of the notes and (b) the product of the number of shares deliverable upon conversion in full of the notes and a fraction the numerator of which is the market price less the higher strike price and the denominator is the market price. Because the market price of our common stock would be in excess of the higher strike price, the shorter five-day expiration schedule described above would not apply.

At a closing price of \$40.00 per share on each expiration date, we would be entitled to receive from the option sellers an aggregate of 24,811,011 outstanding shares of our common stock upon payment of an aggregate exercise price of \$673,286,754. Since our common stock would have an aggregate value of \$992,440,402 in this hypothetical, this payment would represent a benefit to us of \$319,153,648 (which is equal to the difference between the higher strike price and the lower strike price multiplied by the number of shares delivered pursuant to the call spread options), and mitigates the economic dilution of conversion of the notes to that extent. It also mitigates in full the dilutive impact upon the number of shares of our common stock outstanding, as we would not be required to issue any new shares to satisfy the conversion obligation.

- CASH SETTLEMENT OPTION. If we were to elect the cash settlement option, the option sellers would be obligated to deliver to us cash in an amount equal to 10% of the product of the number of shares deliverable upon conversion in full of the notes and the difference between the higher strike price and the lower strike price. Because the market price of our common stock would be in excess of the higher strike price, the shorter five-day expiration schedule described above would not apply.

At a closing price of \$40.00 per share on each expiration date, we would be

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entitled to receive from the option sellers \$319,153,648, which is equal to the product of the number of shares

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covered by the call spread option (27,115,858) and \$11.77, which equals the difference between the higher strike price of \$36.60 and the lower strike price of \$24.83.

- NET SHARE SETTLEMENT OPTION. If we were to elect the net share settlement option, the option sellers would be obligated to deliver to us outstanding shares of common stock with a value equal to the cash value of the differential described under "Cash Settlement Option" above. At a closing price of \$40.00 per share on each expiration date, we would be entitled to receive from the option sellers 7,978,841 outstanding shares of our common stock, which is equal to the number of shares that can be purchased for \$319,153,648 (the net benefit deliverable to us under the cash settlement option) at a current market price of \$40.00 per share.

These examples again demonstrate that each settlement option produces the same net economic benefit to us. In addition, the net value to us under these options (\$319,153,648) will be the same under any market price in excess of \$36.60 per share.

### MARKET PRICE IS LESS THAN THE LOWER STRIKE PRICE

If the market price of our common stock on an exercise date were less than the lower strike price, then the tranche of the call spread option expiring on that date would expire valueless and we would not receive any shares of common stock or cash from the option sellers with respect to that tranche.

### MULTIPLE VALUATION SCENARIOS

To the extent that market prices of our common stock on various exercise dates move above or below the thresholds described above, the value of the call spread options to us will vary accordingly. For example, assume that on six of the ten expiration dates, the market price of our common stock is greater than the higher strike price of \$36.60, and on the other four expiration dates the market price is less than or equal to the higher strike price but greater than or equal to the lower strike price of \$24.83. In this scenario, our entitlements under the call spread options would be calculated based on the different structures for these valuations described above. Alternatively, assume that in a five day expiration structure, on four of those days the market value of our common stock is less than or equal to the higher strike price but greater than or equal to the lower strike price, and on the remaining day the market price is lower than the lower strike price. In this scenario, we would be entitled to receive value from the option sellers on those four expiration days as described above, but the tranche in respect of the fifth day would expire valueless. If all options expire valueless, we would have no entitlements under the call spread options, but the market price of our common stock would be less than the conversion price of the notes and thus we would not expect holders to exercise their conversion rights.

### CALL SPREAD OPTIONS ARE NOT COMPONENTS OF THE NOTES

The call spread options are contracts entered into by us with the option sellers, and are not part of the terms of the notes. As a holder of the notes, you will not have any rights with respect to the call spread options. In addition, the examples given above are hypothetical only, and are not intended to suggest whether we anticipate that the value of our common stock at any time will be greater or less than the conversion price of the notes.

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### HEDGING AND RELATED ACTIVITIES BY THE OPTION SELLERS

In connection with the call spread options, we understand that the option sellers purchased shares of our common stock in secondary market transactions and will enter into various derivative transactions. We further understand that the option sellers are likely to modify their hedge positions throughout the duration of the call spread options by purchasing and selling shares of our common

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stock, other securities of ours or other instruments that they may wish to use in connection with such hedging. We are not aware of the specific purchases or derivative transactions, if any, that the option sellers have entered into or may enter into from time to time, and we have no ability to in any way affect whether, and if so how, they may undertake to hedge their exposures to us under the call spread options. We understand that the option sellers will conduct their hedging activities in accordance with applicable laws.

In addition, we may from time to time buy or sell shares of our common stock for our own account, for business reasons or in connection with hedging our obligations under the notes.

Banc of America Securities LLC, one of the initial purchasers in the initial distribution of the notes and one of the selling holders hereunder, is an affiliate of Bank of America N.A., one of the option sellers. See "Selling Holders" and "Risk Factors--Risks Relating to the Notes--Potential Conflict of Interest Between an Initial Purchaser and its Affiliate as Counterparty to the Call Spread Repurchase Options." We understand that Banc of America Securities LLC is proposing to sell such notes in the ordinary course of business, and not to assist Bank of America N.A. in hedging its obligations with respect to the call spread options.

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### DESCRIPTION OF OUR CAPITAL STOCK

The following description of the terms of our capital stock is not meant to be complete and is qualified entirely by reference to our Restated Certificate of Incorporation, which is incorporated by reference in this prospectus. See "Where to Find More Information."

#### AUTHORIZED CAPITAL STOCK

Under our certificate of incorporation, our authorized capital stock consists of (i) 1.1 billion shares of common stock, par value \$.10 per share, and (ii) 10,000,000 shares of preferred stock, without par value, of which 500,000 shares have been designated Series One Junior Participating Preferred Stock. At the close of business on September 30, 2002, approximately 573,258,431 shares of our common stock were issued and outstanding and no shares of our preferred stock were issued and outstanding.

Our board of directors is authorized to provide for the issuance from time to time of our preferred stock in series and, as to each series, to fix the designation, the dividend rate and the preferences, if any, which dividends on such series will have compared to those of any other class or series of our capital stock, the voting rights, if any, the voluntary and involuntary liquidation prices, the conversion or exchange privileges, if any, applicable to such series and the redemption price or prices and the other terms of redemption, if any, applicable to such series. Cumulative dividends, dividend preferences and conversion, exchange and redemption provisions, to the extent that some or all of these features may be present when shares of our preferred

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stock are issued, could have an adverse effect on the availability of earnings for distribution to the holders of our common stock or for other corporate purposes.

### COMMON STOCK

#### FULL PAYMENT AND NONASSESSABILITY

The outstanding shares of our common stock are, and the shares of Computer Associates common stock issuable upon conversion of the notes will be duly authorized, validly issued, fully paid and nonassessable.

#### VOTING RIGHTS

Each holder of our common stock is entitled to one vote for each share of our common stock held of record on the applicable record date on all matters submitted to a vote of stockholders.

#### DIVIDEND RIGHTS; RIGHTS UPON LIQUIDATION

The holders of our common stock are entitled to receive, from funds legally available for the payment thereof, dividends when and as declared by resolution of our board of directors, subject to any preferential dividend rights granted to the holders of any of our outstanding preferred stock. In the event of liquidation, each share of our common stock is entitled to share pro rata in any distribution of our assets after payment or providing for the payment of liabilities and the liquidation preference of any of our outstanding preferred stock.

#### PREEMPTIVE RIGHTS

Holders of our common stock have no preemptive rights to purchase, subscribe for or otherwise acquire any unissued or treasury shares or other securities.

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#### ANTI-TAKEOVER EFFECTS OF PROVISIONS OF RIGHTS PLAN AND DELAWARE LAW

##### RIGHTS PLAN

We have a rights agreement dated as of June 18, 1991 and amended on May 17, 1995, May 23, 2001 and November 9, 2001. Generally, the rights agreement is triggered by (i) the acquisition by a third party of 20% or more of our total outstanding common stock, (ii) the determination by the board of directors and a majority of the disinterested directors that a 15% stockholder is an "Adverse Person" (one who is seeking short-term financial gain or whose ownership block is likely to have a material adverse effect on our business), (iii) any reclassification of securities or recapitalization of our securities which has the effect of increasing by 1% or more the proportionate share of our stock held by an acquiring third party or an Adverse Person, or (iv) the occurrence of self-dealing transactions by an acquiring third party or an Adverse Person. Under certain circumstances, the board may redeem the rights issued under the rights plan.

##### DELAWARE ANTI-TAKEOVER STATUTE

We are subject to Section 203 of the Delaware General Corporation Law ("Section 203"), which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that such stockholder became an interested stockholder, unless: (1) prior to such date, the board of directors of the corporation approved either the business combination or the



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transaction that resulted in the stockholder becoming an interested stockholder, (2) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (x) by persons who are directors and also officers and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (3) on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines the term business combination to include: (1) any merger or consolidation involving the corporation or any of its direct or indirect majority-owned subsidiaries and the interested stockholder; (2) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation or any of its direct or indirect majority-owned subsidiaries involving the interested stockholder; (3) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation or that subsidiary to the interested stockholder; (4) any transaction involving the corporation or any of its direct or indirect majority-owned subsidiaries that has the effect of increasing the proportionate share of the stock of any class or series of the corporation or that subsidiary beneficially owned by the interested stockholder; or (5) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation or any of its direct or indirect majority-owned subsidiaries. In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

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### CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain of the material United States federal income tax consequences of the ownership and disposition of the notes and shares of common stock into which the notes are convertible (the "securities"). Unless otherwise specified, this summary addresses only holders that hold the notes and any shares of common stock into which the notes are converted as capital assets.

As used herein, "U.S. holders" are beneficial owners of the securities, that are, for United States federal income tax purposes, (1) citizens or residents of the United States, (2) corporations created or organized in, or under the laws of, the United States, any state thereof or the District of Columbia, (3) estates, the income of which is subject to United States federal income taxation regardless of its source, or (4) trusts if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and (B) one or more United States persons have the authority to control all substantial decisions of the trust. In addition, certain trusts in existence on August 20, 1996 and treated as a U.S. holder prior to such date may also be treated as U.S. holders. As used herein, "non-U.S. holders" are beneficial owners of the securities, other than partnerships, that are not U.S. holders as defined above. If a partnership (including for this purpose any entity treated as a partnership for United States federal tax purposes) is a beneficial owner of the securities, the treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. Partnerships and partners in such partnerships should consult their tax advisors about the United States federal income tax

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consequences of owning and disposing of the securities.

This summary does not describe all of the tax consequences that may be relevant to a holder in light of its particular circumstances. For example, it does not deal with special classes of holders such as banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, or tax-exempt investors. It also does not discuss securities held as part of a hedge, straddle, "synthetic security" or other integrated transaction. This summary also does not address the tax consequences to (i) persons that have a functional currency other than the U.S. dollar, (ii) certain U.S. expatriates or (iii) shareholders, partners or beneficiaries of a holder of the securities. Further, it does not include any description of any alternative minimum tax consequences or the tax laws of any state or local government or of any foreign government that may be applicable to the securities. This summary is based on the Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and all of which are subject to change or differing interpretations, possibly on a retroactive basis.

YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME, FRANCHISE, PERSONAL PROPERTY AND ANY OTHER TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE SECURITIES.

### TAXATION OF U.S. HOLDERS

#### THE NOTES

This subsection describes certain of the material United States federal income tax consequences of owning, converting and disposing of the notes. The discussion regarding United States federal income tax laws assumes that transfers of the notes and payments thereon will be made in accordance with the applicable indenture and deposit agreement.

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#### INTEREST INCOME

The Company may be required to pay liquidated damages in the form of additional interest on the notes if it fails to comply with certain obligations under the Registration Rights Agreement. See "Description of the Notes--Registration Rights." If there were more than a remote likelihood that such additional interest will be paid, the notes could be subject to the rules applicable to contingent payment debt instruments, including mandatory accrual of interest in accordance with those rules. The Company believes (and this discussion assumes) that the likelihood of such an event occurring is remote. Accordingly, interest paid on the notes generally will be taxable to a U.S. holder as ordinary interest income at the time such payments are accrued or received (in accordance with the holder's regular method of tax accounting).

#### NOTES PURCHASED WITH MARKET DISCOUNT

A holder will be considered to have purchased a note with "market discount" if the holder's basis in the note immediately after the purchase is less than the note's stated redemption price at maturity. A note is not treated as having market discount if the amount of market discount is de minimis. For this purpose, the amount of market discount is de minimis if it does not exceed the product of 0.25 percent of the stated redemption price at maturity on the purchase date multiplied by the number of complete years to maturity remaining as of such date. If the note has de minimis market discount, a holder must generally include such de minimis amount in income (as capital gain) as stated principal payments are made.

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If a note is treated as having market discount, any partial payment of principal on, or gain recognized on the maturity or disposition of, the note will generally be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the underlying note. Alternatively, a holder of a note may elect to include market discount in income currently over the life of the note. Such an election applies to all debt instruments with market discount acquired by the electing holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service. When such an election is made, market discount accrues on a straight-line basis unless the holder further elects to accrue such discount on a constant yield to maturity basis. This latter election is applicable only to the debt security with respect to which it is made and is irrevocable. A holder of a note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to such note in an amount not exceeding the accrued market discount on such note until the maturity or disposition of such note.

### NOTES PURCHASED AT A PREMIUM

A holder will be considered to have purchased a note at a premium if the holder's basis in the note immediately after the purchase is greater than the amount payable at maturity. A holder may elect to treat such premium as "amortizable bond premium," in which case the amount of interest required to be included in the holder's income each year with respect to the interest on the note will be reduced by the amount of the amortizable bond premium allocable (based on the note's yield to maturity) to such year. Any election to amortize bond premium is applicable to all bonds (other than bonds the interest on which is excludible from gross income) held by the holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the holder, and may not be revoked without the consent of the Internal Revenue Service.

### CONVERSION OF NOTES INTO COMMON STOCK

A U.S. holder will generally not recognize gain or loss upon the conversion of a note into common stock (except with respect to cash received in lieu of a fractional share). A U.S. holder's tax basis in the

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common stock received on conversion of a note will be the same as the U.S. holder's adjusted tax basis in the note at the time of conversion (exclusive of any tax basis allocable to a fractional share). The holding period for the common stock received on conversion will include the holding period of the converted note. Cash received in lieu of a fractional share upon conversion of a note will be treated as a payment in exchange for the fractional share. Accordingly, the receipt of cash in lieu of a fractional share will generally result in capital gain or loss, if any, measured by the difference between the cash received for the fractional share and the U.S. holder's adjusted tax basis allocable to the fractional share.

### ADJUSTMENT OF CONVERSION RATE

If at any time the Company makes a distribution of property to shareholders that would be taxable as a dividend for United States federal income tax purposes (for example, distributions of evidences of indebtedness or assets, but generally not stock dividends or rights to subscribe for common stock) and, pursuant to the anti-dilution provisions of the indenture, the conversion rate of the notes is increased, such increase may be deemed to be the payment of a taxable dividend to a U.S. holder of the notes to the extent of the Company's

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current and accumulated earnings and profits. If the conversion rate is adjusted at the Company's discretion or in certain other circumstances and such adjustment has the effect of increasing the holder's proportionate interest in the Company's assets or earnings, it may result in a deemed distribution to such holder. Any deemed distributions will be taxable as a dividend, return of capital, or capital gain to the U.S. holder, as described in "--The Common Stock--Dividends" below.

### SALE, EXCHANGE, REDEMPTION OR REPURCHASE OF THE NOTES

A U.S. holder will generally recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption, repurchase by the Company or other disposition of a note (except to the extent the amount realized is attributable to accrued interest, which will be taxable as ordinary interest income) and the holder's adjusted tax basis in such note. A holder's adjusted tax basis in the note generally will be the initial purchase price for such note less any principal payments received by the holder. In the case of a holder other than a corporation, preferential tax rates may apply to gain recognized on the sale of a note if such holder's holding period for such note exceeds one year. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.

### INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

In general, information reporting requirements will apply to payments of principal and interest on the notes and payments of the proceeds of the sale of the notes, and a backup withholding tax may apply to such payments if the holder fails to comply with certain identification requirements. Backup withholding is currently imposed at a rate of 30%, which rate is scheduled to be reduced in future years. Any amounts withheld under the backup withholding rules from a payment to a holder will be allowed as a credit against such holder's United States federal income tax and may entitle the holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

### THE COMMON STOCK

#### DIVIDENDS

The amount of any distribution made in respect of the common stock will be equal to the amount of cash and the fair market value, on the date of distribution, of any property distributed. Generally, distributions will be treated as a dividend, subject to tax as ordinary income, to the extent of the Company's current or accumulated earnings and profits, then as a tax-free return of capital to the

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extent of a holder's tax basis in the common stock and thereafter as gain from the sale or exchange of such common stock as described below.

In general, a dividend distribution to a corporate holder will qualify for the 70% dividends-received deduction. The dividends-received deduction is subject to certain holding period, taxable income, and other limitations.

### SALE OR EXCHANGE OF COMMON STOCK

Upon the sale, exchange or other disposition of common stock, a holder generally will recognize capital gain or loss equal to the difference between (1) the amount of cash and the fair market value of any property received upon the sale or exchange and (2) such holder's adjusted tax basis in the common stock. In the case of a holder other than a corporation, preferential tax rates

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may apply to such gain if the holder's holding period for the common stock exceeds one year. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.

### INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

In general, information reporting requirements will apply to payments of dividends on common stock and payments of the proceeds of the sale of common stock, and a backup withholding tax may apply to such payments if the holder fails to comply with certain identification requirements. Backup withholding is currently imposed at a rate of 30%, which rate is scheduled to be reduced in future years. Any amounts withheld under the backup withholding rules from a payment to a holder will be allowed as a credit against such holder's United States federal income tax and may entitle the holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

### TAXATION OF NON-U.S. HOLDERS

#### THE NOTES

The rules governing United States federal income taxation of a non-U.S. holder of notes are complex and no attempt will be made herein to provide more than a summary of such rules. Special rules may apply to certain non-U.S. holders such as "controlled foreign corporations," "passive foreign investment companies" and "foreign personal holding companies." Non-U.S. holders should consult with their own tax advisors to determine the effect of federal, state, local and foreign income tax laws, as well as treaties, with regard to an investment in the notes, including any reporting requirements.

#### INTEREST INCOME

Generally, interest income of a non-U.S. holder that is not effectively connected with a United States trade or business is subject to a withholding tax at a 30% rate (or, if applicable, a lower tax rate specified by a treaty). However, interest income earned on a note by a non-U.S. holder will qualify for the "portfolio interest" exemption and therefore will not be subject to United States federal income tax or withholding tax, provided that such interest income is not effectively connected with a United States trade or business of the non-U.S. holder and provided that (1) the non-U.S. holder does not actually or constructively own 10% or more of the total combined voting power of the Company's stock entitled to vote; (2) the non-U.S. holder is not a controlled foreign corporation that is related to the Company through stock ownership; (3) the non-U.S. holder is not a bank which acquired the note in consideration for an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business; and (4) either (A) the non-U.S. holder certifies to the payor or the payor's agent, under penalties of perjury, that it is not a United States person and provides its name, address, and certain other information on a properly executed Internal Revenue Service Form W-8BEN or a suitable substitute form or (B) a securities clearing organization, bank or other financial institution that

holds customer securities in the ordinary course of its trade or business and holds the notes in such capacity, certifies to the payor or the payor's agent, under penalties of perjury, that such a statement has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner, and furnishes the payor or the payor's agent with a copy thereof. The applicable United States Treasury regulations also provide alternative methods for satisfying the certification requirements of clause (4), above. If a non-U.S. holder holds the note through certain foreign

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intermediaries or partnerships, such holder and the foreign intermediary or partnership may be required to satisfy certification requirements under applicable United States Treasury regulations.

If a non-U.S. holder cannot satisfy the requirements for the portfolio interest exemption as described above, payments of interest will be subject to the 30% United States federal withholding tax, unless such holder provides the payor or the payor's agent with a properly executed (1) Internal Revenue Service Form W-8BEN (or suitable substitute form) claiming an exemption from or reduction in withholding under the benefit of an applicable tax treaty or (2) Internal Revenue Service Form W-8ECI (or suitable substitute form) stating that interest paid on the note is not subject to withholding tax because it is effectively connected with a United States trade or business as discussed below.

Except to the extent that an applicable income tax treaty otherwise provides, a non-U.S. holder generally will be taxed on a net income basis in the same manner as a U.S. holder if such non-U.S. holder is engaged in a trade or business in the United States and interest on the note is effectively connected with the conduct of such trade or business. If such non-U.S. holder is a corporation, it may be subject to an additional 30% branch profits tax (unless reduced or eliminated by an applicable treaty) on its effectively connected earnings and profits from the taxable year.

### CONVERSION OF NOTES INTO COMMON STOCK

A non-U.S. holder's conversion of a note into common stock will generally not be a taxable event except with respect to cash received in lieu of a fractional share, which will be taxed as described below under "--Sale, Exchange, Redemption or Repurchase of the Notes."

### ADJUSTMENT OF CONVERSION RATE

Certain adjustments in the conversion rate of the notes may be treated as a taxable dividend to a non-U.S. holder. See "--Taxation of U.S. Holders--The Notes--Adjustment of Conversion Rate" above and "--The Common Stock--Dividends" below.

### SALE, EXCHANGE, REDEMPTION OR REPURCHASE OF THE NOTES

A non-U.S. holder generally will not be subject to United States federal income tax or withholding tax on any gain realized on the sale, exchange, redemption, repurchase by the Company or other disposition of a note unless (1) the gain is effectively connected with a United States trade or business of the non-U.S. holder, (2) in the case of a non-U.S. holder who is an individual, such holder is present in the United States for a period or periods aggregating 183 days or more during the taxable year of the disposition, and either (A) such holder has a "tax home" in the United States or (B) the disposition is attributable to an office or other fixed place of business maintained by such holder in the United States or (3) the Company is or has been a "U.S. real property holding corporation" for U.S. federal income tax purposes. The Company believes that it is not currently and does not anticipate becoming a "U.S. real property holding corporation" for United States federal income tax purposes.

If an individual non-U.S. holder falls under clause (1) above, such individual generally will be taxed on the net gain derived from a sale in the same manner as a U.S. holder. If an individual non-U.S. holder falls under clause (2) above, such individual generally will be subject to a flat 30% tax on the gain derived from a sale, which may be offset by certain United States capital losses

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(notwithstanding the fact that such individual is not considered a resident of the United States). Individual non-U.S. holders who have spent (or expect to spend) 183 days or more in the United States in the taxable year in which they contemplate a sale or other disposition of a note are urged to consult their tax advisors as to the tax consequences of such sale. If a non-U.S. holder that is a foreign corporation falls under clause (1), it generally will be taxed on the net gain derived from a sale in the same manner as a U.S. holder and, in addition, may be subject to the branch profits tax on such effectively connected income at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty).

### INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

United States backup withholding tax will not apply to payments on the notes to a non-U.S. holder if the statement described in clause (4) of "Interest Income" is duly provided by such holder, provided that the payor does not have actual knowledge that the holder is a United States person. Information reporting requirements may apply with respect to interest payments on the notes, in which event the amount of interest paid and tax withheld (if any) with respect to each non-U.S. holder will be reported annually to the Internal Revenue Service. Information reporting requirements and backup withholding tax will not apply to any payment of the proceeds of the sale of notes effected outside the United States by a foreign office of a "broker" as defined in applicable United States Treasury regulations (absent actual knowledge that the payee is a United States person), unless such broker (1) is a United States person as defined in the Internal Revenue Code, (2) is a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (3) is a controlled foreign corporation for United States federal income tax purposes or (4) is a foreign partnership with certain U.S. connections. Payment of the proceeds of any such sale effected outside the United States by a foreign office of any broker that is described in clause (1), (2), (3) or (4) of the preceding sentence may be subject to backup withholding tax and information reporting requirements, unless such broker has documentary evidence in its records that the beneficial owner is a non-U.S. holder and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Payment of the proceeds of any such sale to or through the United States office of a broker is subject to information reporting and backup withholding requirements unless the beneficial owner of the notes provides the statement described in clause (4) of "--Interest Income" or otherwise establishes an exemption.

### THE COMMON STOCK

The rules governing United States federal income taxation of a non-U.S. holder of common stock are complex and no attempt will be made herein to provide more than a summary of such rules. Non-U.S. holders should consult with their own tax advisors to determine the effect of federal, state, local and foreign income tax laws, as well as treaties, with regard to an investment in the common stock, including any reporting requirements.

### DIVIDENDS

Distributions made with respect to the common stock that are treated as dividends paid, as described above under "--Taxation of U.S. Holders--The Common Stock--Dividends," to a non-U.S. holder (excluding dividends that are effectively connected with the conduct of a United States trade or business by such holder and are taxable as described below) will be subject to United States federal withholding tax at a 30% rate (or a lower rate provided under an applicable income tax treaty). Except to the extent that an applicable income tax treaty otherwise provides, a non-U.S. holder will be taxed in the same manner as a U.S. holder on dividends paid (or deemed paid) that are effectively connected with the conduct of a United States trade or business by the non-U.S.

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holder. If such non-U.S. holder is a foreign corporation, it may also be subject to a United States branch profits tax on such effectively

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connected income at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty). Even though such effectively connected dividends are subject to income tax and may be subject to the branch profits tax, they will not be subject to United States federal withholding tax if the holder delivers a properly executed Internal Revenue Service Form W-8ECI (or successor form) to the payor or the payor's agent.

A non-U.S. holder who wishes to claim the benefit of an applicable income tax treaty is required to satisfy certain certification and other requirements. If the non-U.S. holder is eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty, such holder may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

### SALE OR EXCHANGE OF COMMON STOCK

A non-U.S. holder generally will not be subject to United States federal income tax or withholding tax on the sale, exchange or other disposition of common stock unless (1) the gain is effectively connected with a United States trade or business of the non-U.S. holder, (2) in the case of a non-U.S. holder who is an individual, such holder is present in the United States for a period or periods aggregating 183 days or more during the taxable year of the disposition, and either (A) such holder has a "tax home" in the United States or (B) the disposition is attributable to an office or other fixed place of business maintained by such holder in the United States or (3) the Company is or has been a "U.S. real property holding corporation" for United States federal income tax purposes. The Company believes that it is not currently and does not anticipate becoming a "U.S. real property holding corporation" for United States federal income tax purposes.

If an individual non-U.S. holder falls under clause (1) above, such individual generally will be taxed on the net gain derived from a sale in the same manner as a U.S. holder. If an individual non-U.S. holder falls under clause (2) above, such individual generally will be subject to a flat 30% tax on the gain derived from a sale, which may be offset by certain United States capital losses (notwithstanding the fact that such individual is not considered a resident of the United States). Individual non-U.S. holders who have spent (or expect to spend) 183 days or more in the United States in the taxable year in which they contemplate a sale of common stock are urged to consult their tax advisors as to the tax consequences of such sale. If a non-U.S. holder that is a foreign corporation falls under clause (1), it generally will be taxed on the net gain derived from a sale in the same manner as a U.S. holder and, in addition, may be subject to the branch profits tax on such effectively connected income at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty).

### INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

Dividends on common stock held by a non-U.S. holder will be subject to information reporting and may be subject to backup withholding requirements unless certain certification requirements are satisfied. United States information reporting requirements and backup withholding tax will not apply to any payment of the proceeds of the sale of common stock effected outside the United States by a foreign office of a "broker" as defined in applicable Treasury regulations, unless such broker (1) is a United States person as defined in the Internal Revenue Code, (2) is a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or



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business in the United States, (3) is a controlled foreign corporation for United States federal income tax purposes or (4) is a foreign partnership with certain U.S. connections. Payment of the proceeds of any such sale effected outside the United States by a foreign office of any broker that is described in clause (1), (2), (3) or (4) of the preceding sentence may be subject to backup withholding tax and information reporting requirements, unless such broker has documentary evidence in its records that the beneficial owner is a non-U.S. holder and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Payment of the proceeds of any such sale to or through the United States office of a broker

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is subject to backup withholding tax and information reporting requirements unless the beneficial owner of the common stock certifies to the payor or the payor's agent, under penalties of perjury, that it is not a United States person and provides its name, address and certain other information on a properly executed Internal Revenue Service Form W-8BEN or a suitable substitute form or otherwise establishes an exemption.

### U.S. FEDERAL ESTATE TAX

The U.S. federal estate tax will not apply to notes owned by an individual who is not a citizen or resident of the United States at the time of his or her death, provided that (1) the individual does not actually or constructively own 10% or more of the total combined voting power of the Company's stock entitled to vote and (2) interest on the note would not have been, if received at the time of death, effectively connected with the conduct of a trade or business in the United States by such individual. However, common stock held by a decedent at the time of his or her death will be included in such holder's gross estate for U.S. federal estate tax purposes unless an applicable estate tax treaty provides otherwise. Noteholders that are individuals should be aware that there have been recent amendments to the U.S. federal estate tax rules, and such holders should consult with their own tax advisors with regard to an investment in the notes and the common stock.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS.

### LEGAL MATTERS

The validity of the notes and any shares of common stock issuable upon conversion of the notes offered hereby have been passed upon for us by Covington & Burling, New York, New York.

### INDEPENDENT ACCOUNTANTS

The consolidated financial statements and schedule supporting such consolidated financial statements of Computer Associates International, Inc. and subsidiaries as of March 31, 2002 and 2001 and for each of the years in the three-year period ended March 31, 2002, included in Computer Associates International, Inc. and subsidiaries Annual Report on Form 10-K for the year ended March 31, 2002, have been incorporated by reference in this registration statement in reliance upon the report of KPMG LLP, independent accountants, incorporated by reference in this registration statement, and upon the authority of said firm as experts in accounting and auditing.

With respect to the unaudited interim financial information for the periods

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ended June 30, 2002 and 2001 and September 30, 2002 and 2001, incorporated by reference herein, the independent accountants have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports included in the Company's quarterly reports on Form 10-Q for the quarters ended June 30, 2002 and September 30, 2002, and incorporated by reference herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The accountants are not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the "1933 Act") for their report on the unaudited interim financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by the accountants within the meaning of Sections 7 and 11 of the 1933 Act.