CA, INC.
Form 10-Q
January 29, 2010

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

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2009

or

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

For the transition period from _____ to _____

Commission File Number 1-9247

CA, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-2857434**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
One CA Plaza **Islandia, New York**	**11749**
(Address of principal executive offices)	(Zip Code)

1-800-225-5224

(Registrant s telephone number, including area code)

Not applicable

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Title of Class	Shares Outstanding
Common Stock par value $0.10 per share	as of January 22, 2010 520,026,576

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PART I. FINANCIAL INFORMATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
CA, Inc.:

We have reviewed the accompanying condensed consolidated balance sheet of CA, Inc. and subsidiaries as of December 31, 2009, the related condensed consolidated statements of operations for the three-month and nine-month periods ended December 31, 2009 and 2008, and the related condensed consolidated statements of cash flows for the nine-month periods ended December 31, 2009 and 2008. These condensed consolidated financial statements are the responsibility of the Company s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of CA, Inc. and subsidiaries as of March 31, 2009, and the related consolidated statements of operations, stockholders equity, and cash flows for the year then ended (not presented herein); and in our report dated May 15, 2009, except for Note 1(e), as to which the date is November 9, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2009, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP
New York, New York
January 29, 2010

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Item 1.

CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in millions, except share amounts)

	December 31, 2009	March 31, 2009 (1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,624	$ 2,712
Trade and installment accounts receivable, net	932	839
Deferred income taxes current	518	513
Other current assets	144	105
TOTAL CURRENT ASSETS	4,218	4,169
Installment accounts receivable, due after one year, net	46	128
Property and equipment, net of accumulated depreciation of $1,112 and $1,015, respectively	454	442
Purchased software products, net	150	155
Goodwill	5,513	5,364
Deferred income taxes noncurrent	234	268
Other noncurrent assets, net	779	715
TOTAL ASSETS	$ 11,394	$ 11,241
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt and loans payable	$ 15	$ 621
Accounts payable	79	120
Accrued salaries, wages and commissions	284	306
Accrued expenses and other current liabilities	342	340
Deferred revenue (billed or collected) current	2,287	2,431
Taxes payable, other than income taxes payable current	80	85
Federal, state and foreign income taxes payable current	89	84
Deferred income taxes current	50	40
TOTAL CURRENT LIABILITIES	3,226	4,027
Long-term debt, net of current portion	1,530	1,287
Federal, state and foreign income taxes payable noncurrent	359	284
Deferred income taxes noncurrent	121	136
Deferred revenue (billed or collected) noncurrent	1,006	1,000
Other noncurrent liabilities	132	145
TOTAL LIABILITIES	6,374	6,879
STOCKHOLDERS EQUITY		

Preferred stock, no par value, 10,000,000 shares authorized; No shares issued and outstanding				
Common stock, $0.10 par value, 1,100,000,000 shares authorized; 589,695,081 and 589,695,081 shares issued; 514,916,677 and 514,292,558 shares outstanding, respectively		59		59
Additional paid-in capital		3,630		3,686
Retained earnings		3,280		2,673
Accumulated other comprehensive loss		(111)		(183)
Treasury stock, at cost, 74,778,404 shares and 75,402,523 shares, respectively		(1,838)		(1,873)
TOTAL STOCKHOLDERS EQUITY		5,020		4,362
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	11,394	$	11,241

See accompanying Notes to the Condensed Consolidated Financial Statements.

(1) The Condensed Consolidated Balance Sheet as of March 31, 2009 has been revised to reflect the retrospective adoption of new accounting standards. For further information refer to Note A, Basis of Presentation, in the Notes to these Condensed Consolidated Financial Statements.

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CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in millions, except per share amounts)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2009	2008[1]	2009	2008[1]
REVENUE				
Subscription and maintenance revenue	$ 1,000	$ 919	$ 2,919	$ 2,859
Professional services	74	87	216	274
Software fees and other	54	36	115	103
TOTAL REVENUE	1,128	1,042	3,250	3,236
EXPENSES				
Costs of licensing and maintenance	73	70	212	225
Cost of professional services	67	76	193	239
Amortization of capitalized software costs	34	31	102	91
Selling and marketing	316	307	883	915
General and administrative	129	110	359	342
Product development and enhancements	119	115	353	358
Depreciation and amortization of other intangible assets	40	36	118	109
Other (gains) expenses, net	(3)	(14)	11	4
Restructuring and other	2	2	4	6
TOTAL EXPENSES BEFORE INTEREST AND INCOME TAXES	777	733	2,235	2,289
Income before interest and income taxes	351	309	1,015	947
Interest expense, net	23	16	62	40
Income before income taxes	328	293	953	907
Income tax expense	71	85	283	301
NET INCOME	$ 257	$ 208	$ 670	$ 606
BASIC INCOME PER COMMON SHARE	$ 0.49	$ 0.40	$ 1.28	$ 1.17

Basic weighted average shares used in computation	515	514	516	513
DILUTED INCOME PER COMMON SHARE	$ 0.49	$ 0.39	$ 1.27	$ 1.15
Diluted weighted average shares used in computation	535	538	539	537

See accompanying Notes to the Condensed Consolidated Financial Statements.

(1) The Condensed Consolidated Statements of Operations for the three and nine months ended December 31, 2008 have been revised to reflect the retrospective adoption of new accounting standards. For further information refer to Note A, Basis of Presentation, in the Notes to these Condensed Consolidated Financial Statements.

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

	For the Nine Months Ended December 31,	
	2009	2008 [1]
OPERATING ACTIVITIES:		
Net income	$ 670	$ 606
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	220	200
Provision for deferred income taxes	52	55
Provision for bad debts	3	10
Share based compensation expense	75	68
Amortization of discount on convertible debt	29	26
Loss (gain) on sale and disposal of assets	3	(2)
Foreign currency transaction (gains) losses, before taxes, net	(3)	62
Changes in other operating assets and liabilities, net of effect of acquisitions:		
Decrease in trade and installment accounts receivable, net	13	175
Decrease in deferred revenue (billed or collected)	(266)	(414)
Increase in taxes payable, net	14	7
Decrease in accounts payable, accrued expenses and other	(39)	(77)
Decrease in accrued salaries, wages and commissions	(2)	(61)
Decrease in accrued restructuring charges	(40)	(79)
Changes in other operating assets and liabilities	(5)	(12)
NET CASH PROVIDED BY OPERATING ACTIVITIES	724	564
INVESTING ACTIVITIES:		
Acquisitions, primarily goodwill, purchased software, and other intangible assets, net of cash acquired	(203)	(54)
Purchases of property and equipment	(57)	(64)
Capitalized software development costs	(133)	(102)
Other investing activities	(3)	7
NET CASH USED IN INVESTING ACTIVITIES	(396)	(213)
FINANCING ACTIVITIES:		
Dividends paid	(63)	(62)
Purchases of common stock	(90)	(4)
Debt repayments	(1,203)	(501)
Debt borrowings	744	
Debt issuance costs	(6)	
Proceeds from call spread option	55	
Exercise of common stock options and other	6	7
NET CASH USED IN FINANCING ACTIVITIES	(557)	(560)
DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES ON CASH	(229)	(209)
Effect of exchange rate changes on cash	141	(217)

DECREASE IN CASH AND CASH EQUIVALENTS	(88)	(426)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,712	2,795
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,624	$ 2,369

See accompanying Notes to the Condensed Consolidated Financial Statements.

(1) The Condensed Consolidated Statement of Cash Flows for the nine months ended December 31, 2008 has been revised to reflect the retrospective adoption of new accounting standards. For further information refer to Note A, Basis of Presentation, in the Notes to these Condensed Consolidated Financial Statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009
(unaudited)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements of CA, Inc. (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as defined in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 270, for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the Company s Consolidated Financial Statements and Notes thereto for the fiscal year ended March 31, 2009 included in the Company s Current Report on Form 8-K dated November 9, 2009 (2009 Annual Financial Statements).

In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal, recurring nature.

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

Operating results for the three and nine months ended December 31, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2010.

Certain prior year balances have been reclassified to conform to the current period s presentation.

Basis of Revenue Recognition:

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

The Company begins to recognize revenue from licensing and maintenance when all of the following criteria are met: (1) the Company has evidence of an arrangement with a customer; (2) the Company delivers the products; (3) license agreement terms are fixed or determinable and free of contingencies or uncertainties that may alter the agreement such that it may not be complete and final; and (4) collection is probable.

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

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

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

License agreements with software fees that are recognized up-front do not include the right to receive unspecified

future software

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products. However, in the event such license agreements are executed within close proximity to or in contemplation of other license agreements, for which we do not have vendor specific objective evidence (VSOE) of fair value and are accounted for under the Company s subscription model, with the same customer, the licenses together may be considered a single multi-element agreement, and all such revenue is required to be recognized ratably and is recorded as Subscription and maintenance revenue in the Condensed Consolidated Statements of Operations.

Since the Company implemented its subscription model in October 2000, the Company s practice with respect to products of newly acquired businesses with established VSOE has been to record revenue initially on the acquired company s systems, generally under an up-front model. As the newly acquired products are sold as part of our integrated customer solutions or sold with the right to receive unspecified future software products, licenses for such products are recorded under the Company s subscription model, under which revenue is recognized ratably and recorded as Subscription and maintenance revenue. In some instances, when newly developed and recently acquired products are sold on a stand-alone basis and without the right to receive unspecified future software products, the Company sells these products on an up-front model. The software license fees from these contracts are presented as Software fees and other. Selling such licenses under an up-front model may result in higher total revenue in a current reporting period than if such licenses were based on the Company s subscription model and the associated revenue recognized ratably.

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

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

The Company has an established business practice of offering installment payment options to customers and has a history of successfully collecting substantially all amounts due under such agreements. The Company assesses collectability based on a number of factors, including past transaction history with the customer and the creditworthiness of the customer. If, in the Company s judgment, collection of a fee is not probable, revenue will not be recognized until the uncertainty is removed, which is generally through the receipt of cash payment.

For further information, refer to the Company s Consolidated Financial Statements and Notes thereto included in the Company s 2009 Annual Financial Statements.

Cash Dividends:

In November 2009, the Company s Board of Directors declared a quarterly cash dividend of $0.04 per share. The dividend totaled approximately $21 million and was paid on November 30, 2009 to stockholders of record at the close of business on November 17, 2009. In July 2009, the Company s Board of Directors declared a quarterly cash dividend of $0.04 per share. The dividend totaled approximately $21 million and was paid on August 19, 2009 to stockholders of record at the close of business on August 10, 2009. In May 2009, the Company s Board of Directors declared a quarterly cash dividend of $0.04 per share. The dividend totaled approximately $21 million and was paid on June 16, 2009 to stockholders of record at the close of business on May 31, 2009.

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

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

Cash and Cash Equivalents:

The Company s cash and cash equivalents are held in numerous locations throughout the world, with approximately 52% and 50% held by the Company s foreign subsidiaries outside the United States as of December 31, 2009 and March 31, 2009, respectively.

Restricted Cash:

The Company s insurance subsidiary is required to maintain a minimum restricted cash balance of $50 million. In addition, the Company has other restricted cash balances, including cash collateral for letters of credit. The total amount of restricted cash was approximately $56 million as of December 31, 2009 and March 31, 2009 and is included in the Other noncurrent assets, net line item in the Condensed Consolidated Balance Sheets. These amounts consist of $50 million in money market funds with the remainder predominantly in cash.

Deferred Revenue (Billed or Collected):

The Company accounts for unearned revenue on billed amounts due from customers on a gross method of presentation. Under the gross method, unearned revenue on billed installments (collected or uncollected) is reported as deferred revenue in the liability section of the Condensed Consolidated Balance Sheet. The components of Deferred revenue (billed or collected) current and Deferred revenue (billed or collected) noncurrent as of December 31, 2009 and March 31, 2009 are as follows:

	December 31, 2009	March 31, 2009
	(in millions)	
Current:		
Subscription and maintenance	$ 2,112	$ 2,272
Professional services	162	150
Financing obligations and other	13	9
Total deferred revenue (billed or collected) current	2,287	2,431
Noncurrent:		
Subscription and maintenance	1,002	987
Professional services	1	10
Financing obligations and other	3	3
Total deferred revenue (billed or collected) - noncurrent	1,006	1,000
Total deferred revenue (billed or collected)	$ 3,293	$ 3,431

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

Concentration of Credit Risk:

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash equivalents, derivatives and accounts receivable. The Company holds cash and cash equivalents in major financial institutions and related money market funds. The Company has not historically experienced any losses in its cash and cash equivalent portfolios.

Amounts included in accounts receivable expected to be collected from customers, as disclosed in Note E, Trade and Installment Accounts Receivable, have limited exposure to concentration of credit risk due to the

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diverse customer base and geographic areas covered by operations. Unbilled amounts due under the Company s prior business model that are expected to be collected from customers include one large IT outsourcer with a license arrangement that extends through fiscal year 2012 with a net unbilled receivable balance of approximately $139 million at December 31, 2009.

Prior to fiscal year 2001, the Company sold individual accounts receivable from certain financial institutions to a third party subject to certain recourse provisions. The outstanding principal balances subject to recourse of these receivables were approximately $20 million and $38 million as of December 31 and March 31, 2009, respectively.

Stock Repurchases:

During the second and third quarters of fiscal year 2010, the Company entered into brokerage arrangements with a third-party financial institution to purchase the Company s common stock in the open market on the Company s behalf. The Company acquired approximately 1.8 million and 4.1 million of its common shares for approximately $40 million and $90 million under these arrangements during the third quarter and first nine months of fiscal year 2010, respectively. As of December 31, 2009, the Company remained authorized to purchase an aggregate amount of up to approximately $156 million of additional common shares under its current stock repurchase program.

Debt Transactions:

During the third quarter of fiscal year 2010, the Company paid $500 million to reduce a portion of the amount due on the 2008 Revolving Credit Facility, which expires in August 2012, $176 million to repay the outstanding principal amount of its 4.750% Senior Notes due December 2009, and $520 million to repay its 1.625% Convertible Senior Notes (1.625% Notes) due December 2009, of which $460 million was for the outstanding principal amount of the 1.625% Notes and approximately $60 million was for the in-the-money conversion feature. The $60 million was recorded in Additional paid-in capital in the Condensed Consolidated Balance Sheet as of December 31, 2009. These repayments are included in Net cash used in financing activities in the Condensed Consolidated Statement of Cash Flows for the nine months ended December 31, 2009.

As of December 31, 2009, approximately $250 million was outstanding under the 2008 Revolving Credit Facility and is included in the Long-term debt, net of current portion line item in the Condensed Consolidated Balance Sheet.

During the third quarter of fiscal year 2010, the Company issued approximately $750 million principal amount of 5.375% Senior Notes due 2019 (the 5.375% Senior Notes). The 5.375% Senior Notes were issued in an underwritten offering at a price equal to 99.162% of the principal amount. The net proceeds of the offering were approximately $738 million, after being issued at a discount of $6 million and deducting expenses, underwriting discounts and commissions of $6 million, which will be amortized over the term of the 5.375% Senior Notes. As of December 31, 2009, the principal amount of the 5.375% Senior Notes of $744 million is included in the Long-term debt, net of current portion line item in the Condensed Consolidated Balance Sheet. The 5.375% Senior Notes are senior unsecured obligations and will rank equally in right of payment with all of the Company s other existing and future senior unsecured indebtedness. The 5.375% Senior Notes are effectively subordinated to any future secured indebtedness to the extent of the assets securing that indebtedness and structurally subordinated to any indebtedness of the Company s subsidiaries.

The Company has the option to redeem the 5.375% Senior Notes at any time, at redemption prices equal to the greater of (i) the principal amount of the 5.375% Senior Notes to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of the 5.375% Senior Notes to be redeemed, discounted to the date of redemption on a semi-annual basis plus 30 basis points. The Company must repurchase the 5.375% Senior Notes in the event of a change in control.

Concurrent with the original issuance of the 1.625% Notes in 2002, the Company entered into call spread repurchase option transactions (1.625% Notes Call Spread) to partially mitigate potential dilution from

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the conversion of the 1.625% Notes. The 1.625% Notes Call Spread was exercised by the Company in December 2009, resulting in option proceeds of approximately $60 million, which was recorded in Additional paid-in capital in the Condensed Consolidated Balance Sheet at December 31, 2009. Approximately $55 million of the cash proceeds from the 1.625% Notes Call Spread were received in the third quarter of fiscal year 2010 and is included in Net cash used in financing activities in the Condensed Consolidated Statement of Cash Flows for the nine months ended December 31, 2009. The remaining cash proceeds from the 1.625% Notes Call Spread of approximately $5 million were received during the fourth quarter of fiscal year 2010.

Statement of Cash Flows:

For the nine-month periods ended December 31, 2009 and 2008, interest payments were $60 million and $95 million, respectively, and income taxes paid were $197 million and $180 million, respectively.

Non-cash financing activities for the nine-month periods ended December 31, 2009 and 2008 consisted of treasury shares issued in connection with the following: share-based incentive awards issued under the Company s equity compensation plans of approximately $63 million (net of approximately $22 million of withholding taxes) and $53 million (net of approximately $24 million of withholding taxes), respectively; the Company s Employee Stock Purchase Plan of approximately $21 million and $36 million, respectively; and discretionary stock contributions to the CA, Inc. Savings Harvest Plan of approximately $33 million and $19 million, respectively.

Adoption of new accounting standards:

Effective September 15, 2009, the Company adopted the requirements of FASB ASC 105 (previously Statement of Financial Accounting Standards (SFAS) FAS No. 168, *FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*). FASB ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009 and establishes the ASC as the source of authoritative GAAP, except for rules and interpretive releases of the Securities and Exchange Commission (SEC), which are sources of authoritative GAAP for SEC registrants. The adoption of the ASC was not intended to change or alter existing GAAP and therefore did not have any impact on the Company s consolidated financial statements. References to the relevant ASC section and the previously existing GAAP standard have been provided for accounting standards adopted in fiscal year 2010 but prior to the effective date of the ASC.

Effective April 1, 2009, the Company adopted the fair value measurement and disclosure requirements of FASB ASC 820 (previously SFAS No. 157, *Fair Value Measurements*) for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), for which the requirements were adopted on April 1, 2008. The April 1, 2009 adoption did not have an impact on the Condensed Consolidated Financial Statements.

Effective April 1, 2009, the Company adopted the requirements of FASB ASC 260-10-45 (previously FASB Staff Position (FSP) Emerging Issues Task Force (EITF) No. 03-6-1 (FSP EITF 03-6-1), *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*) for unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid). These awards are treated as participating securities and are included in the computation of earnings per share under the two-class method. This adoption required all prior-period earnings per share data to be adjusted retrospectively. The adoption did not have a material impact on the Company s previously reported earnings per share. See Note C, Income Per Common Share for additional information regarding the Company s earnings per share calculation.

Effective April 1, 2009, the Company adopted the requirements of FASB ASC 470-20 (previously FASB Staff Position (FSP) Accounting Principles Board Opinion (APB) No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*) for convertible debt instruments that have cash settlement features. These requirements included separation of the liability and equity components of the instruments. The debt is recognized at the present value of its

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cash flows discounted using the issuer s nonconvertible debt borrowing rate at the time of issuance with the resulting debt discount being amortized over the expected life of the debt. The equity component is recognized as the difference between the proceeds from the issuance of the convertible debt instrument and the fair value of the liability. The adoption required retrospective application to all periods presented, and did not grandfather existing instruments. Accordingly, the accompanying Condensed Consolidated Balance Sheet as of March 31, 2009 and the Condensed Consolidated Statements of Operations for the three and nine months ended December 31, 2008 have been revised. The Company estimated a borrowing rate of 11% for a similar non-convertible instrument at the time the 1.625% Notes were issued. The fair value at issuance of the liability component of the 1.625% Notes assuming an interest rate of 11% was $251 million, reflecting a discount of $209 million. This discount was amortized to interest expense over a seven-year period ending December 2009, the date on which holders of the 1.625% Notes could first require the Company to repurchase all or a portion of their 1.625% Notes at a price of $20.04 per share.

The Condensed Consolidated Balance Sheet as of March 31, 2009 has been revised to reflect a reduction in current debt of $29 million for the remaining unamortized discount, an increase in additional paid-in capital of $129 million for the equity component (net of deferred taxes of $80 million), a decrease in retained earnings of $111 million for the cumulative expense from amortization of the discount, and a decrease to deferred tax assets of $11 million.

The Condensed Consolidated Statement of Operations for the three months ended December 31, 2008 has been revised to reflect an increase in interest expense of approximately $8 million, a decrease in income tax expense of approximately $3 million, a decrease in net income of approximately $5 million and a decrease in basic earnings per share of $0.01. The Condensed Consolidated Statement of Operations for the nine months ended December 31, 2008 has been revised to reflect an increase in interest expense of approximately $26 million, a decrease in income tax expense of approximately $10 million, a decrease in net income of approximately $16 million and a decrease in basic earnings per share of approximately $0.04. Diluted earnings per common share for the three and nine months ended December 31, 2008 was not affected. The recognition of interest expense at 11% decreased the Company s reported net income for fiscal year 2009 by approximately $23 million as compared with the stated interest rate of 1.625%. Including the effect of the new accounting pronouncement, total interest expense associated with the 1.625% Notes was approximately $10 million and $34 million for the three and nine months ended December 31, 2009, respectively, and approximately $9 million and $31 million for the three and nine months ended December 31, 2008, respectively.

Effective April 1, 2009, the Company adopted the disclosure requirements of FASB ASC 820-10-50 (previously FSP Financial Accounting Standards (FAS) 107-1 and APB 28-1, *Interim Disclosures About Fair Value of Financial Instruments*). These disclosures have been provided in Note G, Derivatives and Fair Value Measurements.

Effective April 1, 2009, the Company adopted the requirements of FASB ASC 855 (previously FASB SFAS No. 165, *Subsequent Events*) for subsequent events, which established standards for the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are available to be issued (subsequent events). These standards are largely the same guidance on subsequent events which previously existed only in auditing literature. The requirements include disclosure of the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued.

For purposes of this interim financial information, January 29, 2010 is the date through which subsequent events have been evaluated and represents the date the financial statements were issued.

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NOTE B COMPREHENSIVE INCOME

Comprehensive income includes net income, unrealized gains on cash flow hedges and foreign currency translation adjustments. The components of comprehensive income for the three and nine months ended December 31, 2009 and 2008 are as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008[1]	2009	2008[1]
	(in millions)			
Net income	$ 257	$ 208	$ 670	$ 606
Net unrealized gain (loss) on cash flow hedges, net of tax	1	(5)	2	(5)
Foreign currency translation adjustments	(3)	(21)	70	(68)
Total comprehensive income	$ 255	$ 182	$ 742	$ 533

(1) Net income for the three and nine months ended December 31, 2008 has been revised to reflect the retrospective adoption of new accounting standards. For further information refer to Note A, Basis of Presentation, in the Notes to these Condensed Consolidated Financial Statements.

NOTE C INCOME PER COMMON SHARE

Effective April 1, 2009, the Company adopted the requirements of FASB ASC 260-10-45 (previously FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*) for unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid). These awards are treated as participating securities and are included in the computation of earnings per share under the two-class method. This adoption required all prior-period earnings per

share data to be adjusted retrospectively. The implementation of this accounting standard and the adoption of FASB ASC 470-20 (previously FSP APB 14-1) resulted in a reduction of $0.01 and $0.04 in basic earnings per common share as reported in the Condensed Consolidated Statement of Operations for the three and nine months ended December 31, 2008, respectively. Diluted earnings per common share for the three and nine months ended December 31, 2008 was decreased by $0.01 for both periods.

Under the two-class method, net earnings are allocated to common stock and participating securities. Basic earnings per common share excludes dilution and is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares as of the balance sheet date, as adjusted for the potential dilutive effect of non-participating share-based awards and convertible notes. The following table reconciles earnings per common share under the new methodology for the three and nine months ended December 31, 2009 and 2008.

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	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008[1]	2009	2008[1]
	(in millions, except per share amounts)			
Basic earnings per common share:				
Net income	$ 257	$ 208	$ 670	$ 606
Less: Net income allocable to participating securities	(3)	(2)	(7)	(7)
Net income allocable to common shares	$ 254	$ 206	$ 663	$ 599
Weighted-average common shares outstanding	515	514	516	513
Basic earnings per common share	$ 0.49	$ 0.40	$ 1.28	$ 1.17
Diluted earnings per common share:				
Net income	$ 257	$ 208	$ 670	$ 606
Add: Interest expense associated with Convertible Senior Notes, net of tax	7	6	22	19
Less: Net income allocable to participating securities	(3)	(2)	(7)	(7)
Net income allocable to common shares	$ 261	$ 212	$ 685	$ 618
Weighted-average shares outstanding and common share equivalents				
Weighted-average common shares outstanding	515	514	516	513
Weighted-average shares outstanding upon conversion of Convertible Senior Notes	18	23	21	23
Weighted-average effect of share-based payment awards	2	1	2	1
Denominator in calculation of diluted income per share	535	538	539	537
Diluted income per share	$ 0.49	$ 0.39	$ 1.27	$ 1.15

(1) Net income for the three and nine months ended December 31, 2008 has been revised to reflect the retrospective

adoption of new accounting standards. For further information refer to Note A, Basis of Presentation.

For the three months ended December 31, 2009 and 2008, approximately 8 million and 15 million of restricted stock awards and options to purchase common stock, respectively, were excluded from the calculation, as their effect on earnings per share was anti-dilutive during the respective periods. For the nine months ended December 31, 2009 and 2008, approximately 12 million and 14 million of restricted stock awards and options to purchase common stock, respectively, were excluded from the calculation, as their effect on earnings per share was anti-dilutive during the respective periods.

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NOTE D ACCOUNTING FOR SHARE-BASED COMPENSATION

The Company recognized share-based compensation in the following line items on the Condensed Consolidated Statements of Operations for the periods indicated:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
	(in millions)			
Costs of licensing and maintenance	$ (1)	$ (1)	$ 2	$ 2
Cost of professional services	1	1	2	3
Selling and marketing	8	7	25	21
General and administrative	7	7	29	23
Product development and enhancements	6	5	17	19
Share-based compensation expense before tax	22	20	75	68
Income tax benefit	8	6	26	22
Net share-based compensation expense	$ 14	$ 14	$ 49	$ 46

(1) Less than $1 million.

There were no capitalized share-based compensation costs at December 31, 2009 or 2008.

The following table summarizes information about unrecognized share-based compensation costs as of December 31, 2009:

	Unrecognized Compensation Costs	Weighted Average Period Expected to be Recognized
	(in millions)	*(in years)*
Restricted stock units	$ 10	2.2
Restricted stock awards	63	2.0
Performance share units	48	2.6
Stock option awards	(1)	0.5
Total unrecognized share-based compensation costs	$ 121	2.3

(1) Unrecognized compensation costs amounted to less than

$0.1 million.

The value of performance share unit (PSU) awards are marked to the closing price of the Company s common stock on the last trading day of the quarter until the PSUs are granted. Compensation costs for the PSUs are amortized over the requisite service periods based on the expected level of achievement of the performance targets. At the conclusion of the performance periods for the PSUs, the applicable number of shares of restricted stock awards (RSAs), restricted stock units (RSUs) or unrestricted shares granted may vary based upon the level of achievement of the performance targets and the approval of the Company s Compensation and Human Resources Committee (which has discretion to reduce any award for any reason).

For the three months ended December 31, 2009 and 2008 and the nine months ended December 31, 2008, the Company did not issue stock options. For the nine months ended December 31, 2009, the Company issued options covering 0.1 million shares of its common stock. The weighted average fair value and assumptions used for options granted in the nine months ended December 31, 2009 were: fair value, $6.81; dividend yield, 0.77%; expected volatility factor, 0.33; risk-free interest rate, 2.3%; and expected term, 6 years.

The table below summarizes all of the RSUs and RSAs, including grants provided pursuant to the long-term incentive plans discussed above, granted during the three and nine months ended December 31, 2009 and 2008:

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	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
	(shares in millions)			
RSUs				
Shares	(1)		0.6	0.3
Weighted Avg. Grant Date Fair Value (2)	$22.58	N/A	$17.52	$24.36
RSAs				
Shares	0.1	(1)	4.3	3.8
Weighted Avg. Grant Date Fair Value (3)	$21.82	$16.34	$18.43	$25.28

(1) Shares granted amounted to less than 0.1 million.

(2) The fair value is based on the quoted market value of the Company s common stock on the grant date reduced by the present value of dividends expected to be paid on the Company s common stock prior to vesting of the RSUs which is calculated using a risk free interest rate.

(3) The fair value is based on the quoted market value of the Company s common stock

on the grant
date.

NOTE E TRADE AND INSTALLMENT ACCOUNTS RECEIVABLE

The Company uses installment license agreements as a standard business practice and has a history of successfully collecting substantially all amounts due under the original payment terms without making concessions on payments, software products, maintenance, or professional services. Trade and installment accounts receivable, net represent amounts due from the Company s customers. These accounts receivable balances are presented net of allowances for doubtful accounts and unamortized discounts. Unamortized discounts reflect imputed interest for the time value of money for license agreements signed prior to October 2000 (prior business model). These balances include revenue recognized in advance of customer billings but do not include unbilled contractual commitments executed under license agreements implemented since October 2000. The components of Trade and installment accounts receivable, net are as follows:

	December 31, 2009	March 31, 2009
	(in millions)	
Current:		
Accounts receivable billed	$ 773	$ 658
Accounts receivable unbilled	72	71
Other receivables	19	34
Unbilled amounts due within the next 12 months prior business model	96	108
Less: Allowance for doubtful accounts	(24)	(25)
Less: Unamortized discounts	(4)	(7)
Trade and installment accounts receivable, net	$ 932	$ 839
Noncurrent:		
Unbilled amounts due beyond the next 12 months prior business model	$ 47	$ 132
Less: Unamortized discounts	(1)	(4)
Installment accounts receivable, due after one year, net	$ 46	$ 128

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NOTE F GOODWILL, CAPITALIZED SOFTWARE AND OTHER INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization for capitalized software and other intangible assets at December 31, 2009 were approximately $6,612 million and $5,826 million, respectively. These amounts include fully amortized intangible assets of approximately $5,121 million, which is composed of purchased software of approximately $4,589 million, internally developed software of approximately $412 million and other identified intangible assets subject to amortization of approximately $120 million. The remaining gross carrying amounts and accumulated amortization for capitalized software and other intangible assets that are not fully amortized are as follows:

	As of December 31, 2009		
	Gross Amortizable Assets	Accumulated Amortization	Net Assets
		(in millions)	
Capitalized software:			
Purchased	$ 317	$ 167	$ 150
Internally developed	577	175	402
Other identified intangible assets subject to amortization	583	363	220
Other identified intangible assets not subject to amortization	14		14
Total	$ 1,491	$ 705	$ 786

Internally developed capitalized software costs and other identified intangible asset costs are included in Other noncurrent assets, net in the Condensed Consolidated Balance Sheets.

Based on the capitalized software and other intangible assets recorded through December 31, 2009, the annual amortization expense over the next five fiscal years is expected to be as follows:

	Year Ended March 31,				
	2010	2011	2012	2013	2014
			(in millions)		
Capitalized software:					
Purchased	$ 53	$ 47	$ 35	$ 27	$ 19
Internally developed	84	101	93	79	60
Other identified intangible assets subject to amortization	57	61	39	32	28
Total	$ 194	$ 209	$ 167	$ 138	$ 107

The carrying value of goodwill was approximately $5,513 million and $5,364 million as of December 31, 2009 and March 31, 2009, respectively. During the nine months ended December 31, 2009, goodwill increased by approximately $149 million, primarily due to the acquisition of NetQoS, Inc. in November 2009. See Note K, Acquisitions for additional information regarding the Company s acquisition of NetQoS, Inc.

NOTE G DERIVATIVES AND FAIR VALUE MEASUREMENTS

The Company is exposed to certain financial market risks relating to its business operations, including changes in interest rates, which could impact the value of its financial assets and liabilities, and foreign exchange rate risks

associated with the Company s foreign operations, which could affect foreign currency denominated monetary assets and liabilities and forecasted transactions. The Company enters into derivative contracts with the intent of mitigating a portion of these risks.

During the first nine months of fiscal years 2010 and 2009, the Company did not designate its foreign exchange derivatives as hedges. Accordingly, all foreign exchange derivatives are recognized in the Condensed Consolidated Balance Sheets at fair value and unrealized and realized changes in fair value

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from these contracts are recorded as Other (gains) expenses, net in the Condensed Consolidated Statements of Operations.

During the third quarter of fiscal year 2010, the Company entered into two $100 million interest rate swap transactions to hedge a total of $200 million of its 6.125% Senior Notes due December 2014 through December 1, 2014. Under the terms of the swaps, the Company will pay quarterly interest at a rate of 2.915% and 2.779% on the first and second swap, respectively, plus the three-month LIBOR rate and will receive interest payments at 5.625%. The LIBOR based rate is set quarterly three months prior to the date of the interest payment. The Company designated these swaps as fair value hedges and is accounting for them in accordance with the shortcut method of FASB ASC 815 (previously SFAS No. 133). The change in the fair value of the interest rate swaps from inception to December 31, 2009 was approximately $2 million and is reflected in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet. The carrying value of the debt was adjusted by an equal and offsetting amount.

During fiscal year 2009, the Company entered into interest rate swaps with a total notional value of $250 million to hedge a portion of its variable interest rate payments. These derivatives are designated as cash flow hedges. The effective portion of these cash flow hedges are recorded as Accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets and reclassified into Interest expense, net, in the Condensed Consolidated Statements of Operations in the same period during which the hedged transaction affects earnings. Any ineffective portions of the cash flow hedges are recorded immediately to Interest expense, net. No ineffectiveness existed at December 31, 2009 or at March 31, 2009.

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The following tables present the Company s assets and liabilities that are measured at fair value on a recurring basis at December 31, 2009 and March 31, 2009:

	Fair Value Measurement at Reporting Date Using *(in millions)*		
Description	Estimated Fair Value at December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)[1]	Significant Other Observable Inputs (Level 2)[2]
Assets:			
Money market funds	$ 1,907	$ 1,907	$
Foreign exchange derivatives not designated as hedges	1		1
Total Assets	$ 1,908	$ 1,907	$ 1
Liabilities:			
Foreign exchange derivatives not designated as hedge	$ 1	$	$ 1
Interest rate derivative designated as fair value hedge	2		2
Interest rate derivatives designated as cash flow hedge	5		5
Total Liabilities	$ 8	$	$ 8

(1) Level 1 is defined as quoted prices in active markets that are unadjusted and accessible at the measurement

date for identical, unrestricted assets or liabilities.

(2) Level 2 is defined as quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly.

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	Fair Value Measurement at Reporting Date Using *(in millions)*		
Description	Estimated Fair Value at March 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Money market funds	$ 1,617	$ 1,617	$
Government securities	405	405	
Total Assets	$ 2,022	$ 2,022	$
Liabilities:			
Interest rate derivatives designated as cash flow hedges	$ 7	$	$ 7
Total Liabilities	$ 7	$	$ 7

At December 31 and March 31, 2009, the Company did not have any assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

At December 31 and March 31, 2009, the Company had approximately $1,857 million and $1,567 million, respectively, of investments in money market funds classified as Cash and cash equivalents in the Condensed Consolidated Balance Sheets. The Company also had approximately $405 million in treasury bills, classified as Cash and cash equivalents at March 31, 2009. The Company did not hold treasury bills at December 31, 2009. The Company had $50 million of money market funds in restricted cash amounts classified as Other noncurrent assets, net in the Condensed Consolidated Balance Sheets at December 31 and March 31, 2009.

At December 31, 2009, approximately $1 million of foreign exchange derivatives were included in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet. At December 31, 2009, approximately $1 million of foreign exchange derivatives were included in Other current assets in the Condensed Consolidated Balance Sheet. At March 31, 2009, the Company had no foreign exchange derivative contracts outstanding. At December 31 and March 31, 2009, approximately $7 million of the Company s interest rate derivatives are included in Accrued expenses and other current liabilities for each respective period.

Accumulated other comprehensive loss includes approximately $5 million at December 31, 2009 related to the Company s interest rate derivatives. The amount of loss reclassified from accumulated other comprehensive income into Interest expense, net was approximately $2 million and $5 million for the three and nine months ended December 31, 2009, respectively. In the next 12 months, approximately $5 million is expected to be reclassified from

Accumulated other comprehensive loss to Interest expense, net.

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A summary of the effect of the interest rate and foreign exchange derivatives on the Condensed Consolidated Statement of Operations is as follows:

Location in Statement of Operations of Derivative Loss (Gain)	Derivative Loss (Gain) Recognized in Earnings *(in millions)* Three Months Ended December 31, 2009	Three Months Ended December 31, 2008
Interest expenses, net [1]	$ 2	$
Other (gains) expenses, net [2]	$	$ (31)

(1) Interest rate derivatives designated as cash flow hedges.

(2) Foreign exchange derivatives not designated as hedges.

Location in Statement of Operations of Derivative Loss (Gain)	Derivative Loss (Gain) Recognized in Earnings *(in millions)* Nine Months Ended December 31, 2009	Nine Months Ended December 31, 2008
Interest expenses, net [1]	$ 5	$
Other (gains) expenses, net [2]	$ 25	$ (64)

(1) Interest rate derivatives designated as cash flow hedges.

(2) Foreign exchange derivatives not designated as hedges.

The following table presents the carrying amounts and estimated fair values of the Company s instruments that are not measured at fair value on a recurring basis:

	At December 31, 2009 *(in millions)*	
	Carrying Value	Estimated Fair Value
Assets:		
Noncurrent portion of installment accounts receivable [1]	$ 46	$ 46
Liabilities:		
Long- term debt [2]	$1,545	$ 1,595
Facilities abandonment reserve [3]	$ 69	$ 77

(1) Estimated fair value of the noncurrent portion of installment accounts receivable approximates carrying value due to the relatively short term to maturity.

(2) Estimated fair value of long-term debt is based on quoted prices for similar liabilities for which significant inputs are observable except for certain long-term lease obligations, for

which fair value approximates carrying value.

(3) Estimated fair value for the facilities abandonment reserve was determined using the Company s current incremental borrowing rate. The facilities abandonment reserve includes approximately $24 million in Accrued expenses and other current liabilities and approximately $45 million in Other noncurrent liabilities line items in the Condensed Consolidated Balance Sheet.

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NOTE H RESTRUCTURING

Fiscal 2007 Plan: In August 2006, the Company announced the Fiscal 2007 plan to significantly improve the Company s expense structure and increase its competitiveness. The Fiscal 2007 plan s objectives included a workforce reduction, global facilities consolidations and other cost reduction initiatives. The Company has recognized substantially all of the costs associated with the Fiscal 2007 plan.

The workforce reduction included approximately 3,100 individuals under the Fiscal 2007 plan. Most of these actions have been completed; however, final payment of the severance amounts is dependent upon settlement with the works councils in certain international locations. The Company has also recognized substantially all of the facilities abandonment costs associated with the Fiscal 2007 plan.

For the nine months ended December 31, 2009, restructuring activity under the Fiscal 2007 plan was as follows:

	Severance	Facilities Abandonment
	(in millions)	
Accrued balance as of March 31, 2009	$ 45	$ 71
Payments	(29)	(14)
Accretion and other adjustments		5
Accrued balance as of December 31, 2009	$ 16	$ 62

The Accretion and other adjustments line item includes accretion of the Company s lease obligations related to facilities abandonment, as well as changes in the assumptions related to future sublease income. These costs are included in the General and administrative expense line in the Condensed Consolidated Statement of Operations. The liability balance for the severance portion of the remaining reserve is included in the Accrued salaries, wages and commissions line in the Condensed Consolidated Balance Sheets. The liability for the facilities abandonment portion of the remaining reserve is included in the Accrued expenses and other current liabilities and Other noncurrent liabilities line items in the Condensed Consolidated Balance Sheets.

NOTE I INCOME TAXES

Income tax expense for the three and nine months ended December 31, 2009 was $71 million and $283 million, respectively, compared with the three and nine months ended December 31, 2008 of $85 million and $301 million, respectively.

For the three and nine months ended December 31, 2009, the Company s income tax provision included net benefits of approximately $23 million and $30 million, respectively, resulting from reconciliations of tax returns to tax provisions, the resolution of uncertain tax positions relating to non-U.S. jurisdictions, and refinements of estimates ascribed to tax positions taken in prior periods relating to the Company s international tax profile.

For the three and nine months ended December 31, 2008, the Company s income tax provision included a net benefit of approximately $12 million, primarily arising from the resolution of uncertain tax provisions and the reinstatement of the U.S. Research and Development Tax Credit. For the nine months ended December 31, 2008, the Company s income tax provision included a benefit from the settlement of a U.S. federal income tax audit for the fiscal years 2001 through 2004, which resulted in a decrease in the liability for uncertain tax positions of $55 million. As a result of this settlement, during the first quarter of fiscal year 2009, the Company recognized a tax benefit of $11 million and a reduction of goodwill by $10 million, with the remainder offset against existing tax refund claims and deferred tax assets previously recorded.

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NOTE J COMMITMENTS AND CONTINGENCIES

Certain legal proceedings in which the Company is involved are discussed in Note 8, Commitments and Contingencies, in the Notes to the Consolidated Financial Statements included in the Company s 2009 Annual Financial Statements. The following discussion should be read in conjunction with the 2009 Annual Financial Statements.

Stockholder Derivative Litigation Background

In June and July 2004, three purported derivative actions were filed in the Federal Court by Ranger Governance, Ltd. (Ranger), Bert Vladimir and Irving Rosenzweig against certain current or former employees and/or directors of the Company. In November 2004, the Federal Court issued an order consolidating the three actions into *Computer Associates International, Inc., Derivative Litigation*, No. 04 Civ. 2697 (E.D.N.Y.) (the Derivative Action). The derivative plaintiffs filed a consolidated amended complaint (the Consolidated Complaint) on January 7, 2005. The Consolidated Complaint names as defendants Messrs. Wang, Kumar, Zar, McWade, Schwartz, de Vogel, Grasso, Pieper, Artzt, D Amato, and Ranieri, Stephen Richards, Steven Woghin, David Kaplan, David Rivard, Lloyd Silverstein, Michael A. McElroy, Gary Fernandes, Robert E. La Blanc, Jay W. Lorsch, Kenneth Cron, Walter P. Schuetze, KPMG LLP, and Ernst & Young LLP. The Company is named as a nominal defendant. The Consolidated Complaint seeks from one or more of the defendants (1) contribution towards the consideration the Company had previously agreed to provide then current and former stockholders in settlement of certain class action litigation commenced against the Company and certain officers and directors in 1998 and 2002, (2) compensatory and consequential damages in an amount not less than $500 million in connection with the investigations giving rise to the Deferred Prosecution Agreement (DPA) entered into between the Company and the United States Attorney s Office (USAO) in 2004 and a consent to enter into a final judgment (Consent Judgment) in a parallel proceeding brought by the SEC regarding certain of the Company s past accounting practices, including its revenue recognition policies and procedures during certain periods prior to the adoption of the Company s new business model in October 2000. (In May 2007, based upon the Company s compliance with the terms of the DPA, the Federal Court ordered dismissal of the charges that had been filed against the Company in connection with the DPA, and the DPA expired. The injunctive provisions of the Consent Judgment permanently enjoining the Company from violating certain provisions of the federal securities laws remain in effect.), (3) unspecified relief for violations of Section 14(a) of the Exchange Act for alleged false and material misstatements made in the Company s proxy statements issued in 2002 and 2003, (4) relief for alleged breach of fiduciary duty, (5) unspecified compensatory, consequential and punitive damages based upon allegations of corporate waste and fraud, (6) unspecified damages for breach of duty of reasonable care, (7) restitution and rescission of the compensation earned under the Company s executive compensation plan and (8) pursuant to Section 304 of the Sarbanes-Oxley Act, reimbursement of bonus or other incentive-based equity compensation and alleged profits realized from sales of securities issued by the Company. Although no relief is sought from the Company, the Consolidated Complaint seeks monetary damages, both compensatory and consequential, from the other defendants, including current or former employees and/or directors of the Company, Ernst & Young LLP and KPMG LLP in an amount totaling not less than $500 million.

On February 1, 2005, the Company established a Special Litigation Committee of independent members of its Board of Directors to, among other things, control and determine the Company s response to the Derivative Action. On April 13, 2007, the Special Litigation Committee issued its reports, which announced the Special Litigation Committee s conclusions, determinations, recommendations and actions with respect to the claims asserted in the Derivative Action. The Special Litigation Committee also served a motion which seeks to dismiss and realign the claims and parties in accordance with the Special Litigation Committee s recommendations. As summarized below, the Special Litigation Committee concluded as follows:

The Special Litigation Committee has concluded that it would be in the best interests of the Company to pursue certain of the claims against Messrs. Wang and Schwartz.

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The Special Litigation Committee has concluded that it would be in the best interests of the Company to pursue certain of the claims against the former Company executives who have pled guilty to various charges of securities fraud and/or obstruction of justice including Messrs. Kaplan, Richards, Rivard, Silverstein, Woghin and Zar. The Special Litigation Committee has determined and directed that these claims be pursued by the Company using counsel retained by the Company, unless the Special Litigation Committee is able to successfully conclude its ongoing settlement negotiations with these individuals.

The Special Litigation Committee has reached a settlement (subject to court approval) with Messrs. Kumar, McWade and Artzt.

The Special Litigation Committee believes that the claims against current and former Company directors Messrs. Cron, D Amato, de Vogel, Fernandes, Grasso, La Blanc, Lorsch, Pieper, Ranieri, Schuetze, et. al. should be dismissed. The Special Litigation Committee has concluded that these directors did not breach their fiduciary duties and the claims against them lack merit.

The Special Litigation Committee has concluded that it would be in the best interests of the Company to seek dismissal of the claims against Ernst & Young LLP, KPMG LLP and Mr. McElroy.

By letter dated July 19, 2007, counsel for the Special Litigation Committee advised the Federal Court that the Special Litigation Committee had reached a settlement of the Derivative Action with two of the three derivative plaintiffs Bert Vladimir and Irving Rosenzweig. In connection with the settlement, both of these plaintiffs have agreed to support the Special Litigation Committee s motion to dismiss and to realign. The Company has agreed to pay the attorney s fees of Messrs. Vladimir and Rosenzweig in an amount up to $525,000 each. If finalized, this settlement would require approval of the Federal Court. On July 23, 2007, Ranger filed a letter with the Federal Court objecting to the proposed settlement. On October 29, 2007, the Federal Court denied the Special Litigation Committee s motion to dismiss and realign, without prejudice to renewing following a decision by the United States Court of Appeals for the Second Circuit on an appeal brought by Ranger in other derivative litigation.

On December 14, 2009, the Company and the Special Litigation Committee renewed the motion to dismiss and realign. That motion is pending.

Texas Litigation

On August 9, 2004, a petition was filed by Sam Wyly and Ranger against the Company in the District Court of Dallas County, Texas, seeking to obtain a declaratory judgment that plaintiffs did not breach two separation agreements they entered into with the Company in 2002 (the 2002 Agreements). On February 18, 2005, Mr. Wyly filed a separate lawsuit in the United States District Court for the Northern District of Texas alleging that he is entitled to attorneys fees in connection with the original litigation filed in the District Court of Dallas County, Texas. The two actions have been consolidated and transferred to the Federal Court. On March 31, 2005, the plaintiffs amended their complaint to allege a claim that they were defrauded into entering the 2002 Agreements and to seek rescission of those agreements and damages. On September 29, 2009, the Federal Court entered an order granting the Company s motion for summary judgment, and dismissing the action in its entirety. That order was appealed to the Second Circuit on October 28, 2009.

Other Civil Actions

In 2004, the Company entered a voluntary disclosure agreement (VDA) with the State of Delaware, by which the Company agreed to disclose information about its failure to comply with certain abandoned property (escheatment) procedures and, in return, the State agreed, among other things, not to impose interest or conduct an audit. The Company engaged an independent consultant to review its records and provide an estimate of its liability to the State. The State refused to accept that estimate. In October 2008, the Company commenced an action entitled *CA, Inc. v. Cordrey, et al,* Civil Action No. 4111-CC in the Delaware Chancery Court (the Delaware Court) seeking, among other things, to compel the State to abide by its obligations under the VDA. In November 2008, the State filed a suit in the Delaware Court entitled *Cordrey, et al v. CA, Inc. et al* , Civil Action No. 4195-CC, that seeks to enforce a request for

payment of

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abandoned property liability, compel an audit and impose interest. By an amended complaint, dated March 2, 2009, the State alleged, among other things, that the Company made material misrepresentations in and unreasonably delayed the VDA process and the state added causes of action for fraud and/or negligent misrepresentation. Although the ultimate outcome cannot be determined, the Company believes that the State s claims are unfounded and that the Company has meritorious defenses. In the opinion of management, the resolution of this lawsuit is not expected to have a material adverse effect on the Company s financial position, results of operations, or cash flows.

In December 2008, a lawsuit captioned *Information Protection and Authentication of Texas LLC v. Symantec Corp., et al.* was filed in the United States District Court for the Eastern District of Texas. The complaint seeks monetary damages in an undisclosed amount against 22 separate defendants including the Company based upon claims for direct and contributory infringement of two separate patents. The complaint does not disclose which of the Company s products allegedly infringe the claimed patents. In discovery, plaintiff has asserted that three of the Company s security products containing firewall technology are at issue in this suit. In March 2009, the Company both answered the complaint and filed a cross-complaint seeking a declaratory judgment that the Company does not infringe the claimed patents and that such patents are invalid. Although the ultimate outcome cannot be determined, the Company believes that the claims are unfounded and that the Company has meritorious defenses. In the opinion of management, the resolution of this lawsuit is not expected to have a material adverse effect on the Company s financial position, results of operations, or cash flows.

The Company, various subsidiaries, and certain current and former officers have been named as defendants in various other lawsuits and claims arising in the normal course of business. The Company believes that it has meritorious defenses in connection with such lawsuits and claims, and intends to vigorously contest each of them. In the opinion of the Company s management, the results of these other lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on the Company s financial position, results of operations, or cash flows, although the impact could be material to any individual reporting period.

The Company is obligated to indemnify its officers and directors under certain circumstances to the fullest extent permitted by Delaware law. As a part of that obligation, the Company has advanced and will continue to advance certain attorneys fees and expenses incurred by current and former officers and directors in various litigations and investigations arising out of similar allegations, including the litigation described above.

NOTE K ACQUISITIONS

On November 19, 2009, the Company completed the acquisition of 100% of the voting equity interests of NetQoS, Inc. (NetQoS). NetQoS is a provider of network performance management and service delivery solutions. NetQoS solutions will extend the Company s capabilities in the areas of Application Performance Management and Network and System Management.

The total purchase price of the acquisition was approximately $200 million. The acquisition of NetQoS has been accounted for as a purchase and, accordingly, its results of operations have been included in the Consolidated Financial Statements since the date of its acquisition. Inclusion of NetQoS activities on a pro-forma basis as of the beginning of the current or prior year would not have a material impact on the Company s reported revenues or net earnings.

The total purchase price was allocated to the net tangible and intangible assets and liabilities based upon their estimated fair values as of November 19, 2009. The Company is utilizing a valuation specialist to assist in the valuation of the acquired intangible assets. The allocation of purchase price to acquired identifiable assets, including intangible assets, is preliminary because the Company has not completed its analysis of the final fair value report of the specialist and historical tax records of NetQoS. The excess purchase price over the estimated value of the net tangible and identifiable intangible assets was recorded as goodwill. The preliminary allocation of a significant portion of the purchase price to goodwill was

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predominantly due to the relatively short useful lives of the acquired technology assets, whereby a substantial amount of the purchase price was based on anticipated cash flows occurring beyond the estimated useful lives of the acquired identifiable intangible assets. None of the goodwill is expected to be deductible for tax purposes. Transaction costs for the acquisition were immaterial.

The following represents the preliminary allocation of the purchase price and estimated useful lives to the acquired net assets of NetQoS:

(in millions)	*Amount*	*Estimated Useful Life*
Finite-lived intangible assets[(1)]	$ 33	5 to 6 years
Purchased software	35	5 years
Goodwill	146	Indefinite
Deferred tax liabilities	(16)	
Other assets net of other liabilities assumed	2	
Purchase Price	$200	

(1) Includes customer relationships and tradenames.

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Forward-Looking Statement

This Quarterly Report on Form 10-Q (Form 10-Q) contains certain forward-looking information relating to CA, Inc. (the Company, Registrant, CA, we, our, or us), that is based on the beliefs of, and assumptions made by, our management as well as information currently available to management. When used in this Form 10-Q, the words anticipate, believe, estimate, expect and similar expressions are intended to identify forward-looking information. Such information includes, for example, the statements made in this Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A), but also appears in other parts of this Form 10-Q. This forward-looking information reflects our current views with respect to future events and is subject to certain risks, uncertainties, and assumptions.

A number of important factors could cause actual results or events to differ materially from those indicated by such forward-looking statements, including: given the global nature of our business, economic factors or political events beyond our control and other business risks associated with non-U.S. operations can affect our business in unpredictable ways; general economic conditions, including concerns regarding a global recession and credit constraints, or unfavorable economic conditions in a particular region, business or industry sector, may lead our customers to delay or forgo technology investments and could have other impacts, any of which could adversely affect our business, financial condition, operating results and cash flow; changes to the compensation of our sales organization could materially adversely affect our business, financial condition, operating results and cash flow; failure to expand our channel partner programs related to the sale of CA solutions may result in lost sales opportunities, increases in expenses and weakening in our competitive position; if we do not adequately manage and evolve our financial reporting and managerial systems and processes, including the successful implementation of our enterprise resource planning software, our ability to manage and grow our business may be harmed; we may encounter difficulties in successfully integrating companies and products that we have acquired or may acquire into our existing business and, therefore, such failed integration could materially adversely affect our infrastructure, market presence, or results of operations; we are subject to intense competition in product and service offerings and pricing, and we expect to face increased competition in the future, which could either diminish demand for or inhibit growth of our products and, therefore, reduce our sales, revenue and market presence; our business may suffer if we are not able to retain and attract qualified personnel, including key managerial, technical, marketing and sales personnel; failure to adapt to technological change in a timely manner could materially adversely affect our business; if our products do not remain compatible with ever-changing operating environments we could lose customers and the demand for our products and services could decrease, which could materially adversely affect our business, financial condition, operating results and cash flow; certain software that we use in our products is licensed from third parties and thus may not be available to us in the future, which has the potential to delay product development and production and, therefore, could materially adversely affect our business, financial condition, operating results and cash flow; certain software we use is from open source code sources, which, under certain circumstances, may lead to unintended consequences and, therefore, could materially adversely affect our business, financial condition, operating results and cash flow; discovery of errors in our software could materially adversely affect our revenue and earnings and subject us to product liability claims, which may be costly and time consuming; we have a significant amount of debt; changes in market conditions or our ratings could increase our interest costs and adversely affect the cost of refinancing our debt and our ability to refinance our debt, which could materially adversely affect our business, financial condition, operating results and cash flow; failure to protect our intellectual property rights and source code would weaken our competitive position; the number, terms and duration of our license agreements as well as the timing of orders from our customers and channel partners, may cause fluctuations in some of our key financial metrics, which may affect our quarterly financial results; we may become dependent upon large transactions, and the failure to close such transactions on a satisfactory basis could materially adversely affect our business, financial condition, operating results and cash flow; our sales to government clients subject us to risks, including early termination, audits, investigations, sanctions and penalties; our customers data centers and

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IT environments may be subject to hacking or other breaches, harming the market perception of the effectiveness of our product; our software products, data centers and IT environments may be subject to hacking or other breaches, harming the market perception of the effectiveness of our products; the use of third party microcode could negatively affect our product development; we may lose access to third-party operating systems, which could materially adversely affect future product development; third parties could claim that our products infringe their intellectual property rights or that we owe royalty payments, which could result in significant litigation expense or settlement with unfavorable terms, which could materially adversely affect our business, financial condition, operating results and cash flow; fluctuations in foreign currencies could result in translation losses; any failure by us to execute our restructuring plans and related sales model changes successfully could result in total costs that are greater than expected or revenues that are less than anticipated; we have outsourced various functions to third parties and these arrangements may not be successful, thereby resulting in increased costs, or may adversely affect service levels and our public reporting; potential tax liabilities may materially adversely affect our results; and these factors and the other factors described more fully in our filings with the Securities and Exchange Commission. Should one or more of these risks or uncertainties occur, or should our assumptions prove incorrect, actual results may vary materially from those described in this Form 10-Q as anticipated, believed, estimated, or expected. We do not intend to update these forward-looking statements, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. This MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements. References in this Form 10-Q to fiscal 2010 and fiscal 2009 are to our fiscal years ended on March 31, 2010 and 2009, respectively.

OVERVIEW

CA, Inc. is the world s leading independent information technology (IT) management software company. We help organizations manage IT to become more efficient and more productive, which can help them better compete, innovate and grow. We develop and deliver software that makes it easier for organizations to manage IT throughout complex computing environments. With our expertise, organizations can more effectively govern, manage and secure the services IT delivers to their businesses to reduce costs and risks, improve service and ensure IT is integrated with their businesses.

We address the entire computing environment, which includes all of the people, information, processes, systems, networks, applications and databases from a Web service to the mainframe to a virtualized cloud, regardless of the hardware or software customers are using. We serve the majority of the Forbes Global 2000 companies, who rely on our software, in part, to manage mission-critical aspects of their businesses. We have a broad portfolio of software products and services that address our customers needs for mainframe and distributed environments, spanning IT governance, IT management and IT security. Key focus areas include: infrastructure management, project and portfolio management, security management, service management, application performance management, and data center automation and virtualization.

For further discussion of our business and business model, see our Form 8-K for the fiscal year ended March 31, 2009 (2009 Annual Financial Statements). For further discussion of our Critical Accounting Policies and Business Practices, see Critical Accounting Policies and Business Practices.

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QUARTERLY UPDATE

During the third quarter, the Company reduced the amount of debt outstanding and increased its duration, enhancing its capital structure and financial flexibility. Total debt decreased from $1,908 million as of March 31, 2009 to $1,545 million as of December 31, 2009 and the weighted average maturity of the debt increased from 3.2 years as of March 31, 2009 to 7.1 years as of December 31, 2009. The Company issued $750 million in 10-year 5.375% Senior Notes in November and utilized the proceeds of the $750 million Senior Notes to pay down $500 million of the $750 million drawn on the Company s $1 billion Credit Facility.

In November 2009, Richard Sulpizio was elected to the Company s Board of Directors. Mr. Sulpizio also has been named to both the Board s Compensation and Human Resources Committee and Corporate Governance Committee.

In November 2009, the Company announced that its Board unanimously adopted a Stockholder Protection Rights Plan to replace the Company s existing Rights Plan, which expired on November 30, 2009.

In November 2009, the Company completed its $200 million acquisition of NetQoS, Inc., a leading provider of network performance management and service delivery management solutions.

Effective January 28, 2010, the Company s Board of Directors elected William E. McCracken as the Executive Chairman of the Board and Chief Executive Officer of the Company. Mr. McCracken has been a director of the Company since 2005. He was non-executive Chairman of the Board from June 2007 to September 2009 and had been interim Executive Chairman of the Board since September 2009.

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PERFORMANCE INDICATORS

Management uses several quantitative performance indicators to assess our financial results and condition. Following is a summary of the principal quantitative performance indicators that management uses to review performance:

	Three Months Ended December 31,			Percent
	2009	2008	Change	Change
	(dollars in millions)			
Total revenue	$1,128	$1,042	$ 86	8%
Subscription and maintenance revenue	$1,000	$ 919	$ 81	9%
Net income [(1)]	$ 257	$ 208	$ 49	24%
Cash provided by operating activities	$ 342	$ 292	$ 50	17%
Total bookings	$1,371	$1,248	$ 123	10%
Subscription and maintenance bookings	$1,206	$1,113	$ 93	8%
Weighted average subscription and maintenance license agreement duration in years	3.23	3.10	0.13	4%
Annualized subscription and maintenance bookings	$ 373	$ 359	$ 14	4%

	Nine Months Ended December 31,			Percent
	2009	2008	Change	Change
	(dollars in millions)			
Total revenue	$3,250	$3,236	$ 14	%
Subscription and maintenance revenue	$2,919	$2,859	$ 60	2%
Net income [(1)]	$ 670	$ 606	$ 64	11%
Cash provided by operating activities	$ 724	$ 564	$ 160	28%
Total bookings	$3,516	$3,780	$ (264)	(7)%
Subscription and maintenance bookings	$3,150	$3,424	$ (274)	(8)%
Weighted average subscription and maintenance license agreement duration in years	3.58	3.60	(0.02)	(1)%
Annualized subscription and maintenance bookings	$ 880	$ 951	$ (71)	(7)%

	Dec. 31, 2009	March 31, 2009	Change From Fiscal Year End	Dec. 31, 2008	Change From Prior Year Quarter
			(in millions)		
Cash and cash equivalents	$2,624	$2,712	$ (88)	$2,369	$ 255
Total debt [(1)]	$1,545	$1,908	$(363)	$2,077	$ (532)
Total expected future cash collections from committed contracts[(2)]	$5,601	$4,914	$ 687	$4,937	$ 664
Total revenue backlog[(2)]	$7,916	$7,378	$ 538	$7,031	$ 885

(1)

Adjusted for the adoption of FASB ASC 470-20. Refer to Note A Basis of Presentation for additional information.

(2) Refer to the discussion in the Liquidity and Capital Resources section of this MD&A for additional information on expected future cash collections from committed contracts, billings backlog and revenue backlog.

Analyses of our performance indicators, including general trends, can be found in the Results of Operations and Liquidity and Capital Resources sections of this MD&A.

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Subscription and Maintenance Revenue Subscription and maintenance revenue is the amount of revenue recognized ratably during the reporting period from both: (i) subscription license agreements that were in effect during the period, generally including maintenance that is bundled with and not separately identifiable from software usage fees or product sales, and (ii) maintenance agreements associated with providing customer technical support and access to software fixes and upgrades that are separately identifiable from software usage fees or product sales. These amounts include the sale of products directly by us, as well as by distributors, resellers and value-added resellers to end-users, where the contracts incorporate the right for end-users to receive unspecified future software products and other contracts entered into in close proximity or contemplation of such agreements. Subscription license agreements can also include sales of products that are sold on a perpetual basis within close proximity to or in contemplation of subscription agreements that cannot be accounted for separately because we have not established VSOE for all of the products included in the arrangement.

Total Bookings Total bookings includes the incremental value of all subscription, maintenance and professional service contracts and software fees and other contracts entered into during the reporting period.

Subscription and Maintenance Bookings Subscription and maintenance bookings is the aggregate incremental amount we expect to collect from our customers over the terms of the underlying subscription and maintenance agreements entered into during a reporting period. These amounts include the sale of products directly by us, as well as indirectly by distributors, resellers and value-added resellers to end-users, where the contracts incorporate the right for end-users to receive unspecified future software products and other contracts without these rights entered into in close proximity or contemplation of such agreements. These amounts are expected to be recognized ratably as subscription and maintenance revenue over the applicable term of the agreement. Subscription and maintenance bookings excludes the value associated with certain perpetual based licenses, license-only indirect sales, and professional services arrangements.

The license and maintenance agreements that contribute to subscription and maintenance bookings represent binding payment commitments by customers over periods that range generally from three to five years, although in certain cases customer commitments can be for longer or shorter periods. The amount of new subscription and maintenance bookings recorded in a period is affected by the volume and value of contracts renewed during that period. Our subscription and maintenance bookings typically increase in each consecutive quarter during a fiscal year, with the first quarter being the least and the fourth quarter being the most. However, subscription and maintenance bookings may not always follow the pattern of increasing in consecutive quarters during a fiscal year, and the quarter to quarter differences in subscription and maintenance bookings may vary. Additionally, period-to-period changes in subscription and maintenance bookings do not necessarily correlate to changes in billings or cash receipts. The contribution to current period revenue from subscription and maintenance bookings from any single license or maintenance agreement is relatively small, since revenue is recognized ratably over the applicable term for these agreements.

Weighted Average Subscription and Maintenance License Agreement Duration in Years The weighted average subscription and maintenance license agreement duration in years reflects the duration of all subscription and maintenance license agreements executed during a period, weighted by the total contract value of each individual agreement.

Annualized Subscription and Maintenance Bookings Annualized subscription and maintenance bookings is an indicator that normalizes the bookings recorded in the current period as compared with the same metric in the prior period to account for contract length. It is calculated by dividing the total value of all new subscription and maintenance license agreements entered into during a period by the weighted average subscription and license agreement duration in years of all such license and maintenance agreements recorded during the same period.

Total Revenue Backlog Total revenue backlog represents the aggregate amount we expect to recognize as revenue in the future as either subscription and maintenance revenue, professional services revenue or software fees and other revenue associated with contractually committed amounts billed or to be billed as of the balance sheet date. Total revenue backlog is composed of amounts recognized as liabilities in our

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Condensed Consolidated Balance Sheets as deferred revenue (billed or collected) as well as unearned amounts associated with balances yet to be billed under subscription and maintenance and software fees and other agreements. Amounts are classified as current or non-current depending on when they are expected to be earned and therefore recognized as revenue. The portion of the total revenue backlog that relates to subscription and maintenance agreements is recognized as revenue evenly on a monthly basis over the duration of the underlying agreements and is reported as subscription and maintenance revenue in our Condensed Consolidated Statements of Operations.

Deferred revenue (billed or collected) is composed of: (i) amounts received from customers in advance of revenue recognition, (ii) amounts billed but not collected for which revenue has not yet been earned, and (iii) amounts received in advance of revenue recognition from financial institutions where we have transferred our interest in committed installments (referred to as Financing obligations in the Deferred Revenue table in Note A, Basis of Presentation in the Notes to the Condensed Consolidated Financial Statements).

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RESULTS OF OPERATIONS

The following table presents changes in the line items on our Condensed Consolidated Statement of Operations for the three and nine months ended December 31, 2009 and 2008 measured by Dollar Change, Percentage of Dollar Change, and Percentage of Total Revenue. Past financial results are not necessarily indicative of future results.

	Three Months Ended December 31,					
	2009	2008 *(dollars in millions)*	Dollar Change 2009/ 2008	Percentage of Dollar Change 2009/2008	Percentage of Total Revenue 2009	2008
Revenue						
Subscription and maintenance revenue	$1,000	$ 919	$ 81	9%	89%	88%
Professional services	74	87	(13)	(15)	7	8
Software fees and other	54	36	18	50	4	4
Total revenue	$1,128	$ 1,042	$ 86	8%	100%	100%
Expenses						
Costs of licensing and maintenance	$ 73	$ 70	$ 3	4%	6%	7%
Cost of professional services	67	76	(9)	(12)	6	7
Amortization of capitalized software costs	34	31	3	10	3	3
Selling and marketing	316	307	9	3	28	29
General and administrative	129	110	19	17	11	11
Product development and enhancements	119	115	4	3	11	11
Depreciation and amortization of other intangible assets	40	36	4	11	4	3
Other (gains) expenses, net	(3)	(14)	11	79		(1)
Restructuring and other	2	2				
Total expenses before interest and income taxes	777	733	44	6	69	70
Income before interest and income taxes	351	309	42	14	31	30
Interest expense, net	23	16	7	44	2	2
Income before income taxes	328	293	35	12	29	28
Income tax expense	71	85	(14)	(16)	6	8

Net income	$ 257	$ 208	$ 49	24%	23%	20%

Note Amounts may not add to their respective totals due to rounding.

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	Nine Months Ended December 31,					
	2009	2008	Dollar Change 2009/ 2008	Percentage of Dollar Change 2009/2008	Percentage of Total Revenue 2009	2008
		(dollars in millions)				
Revenue						
Subscription and maintenance revenue	$2,919	$ 2,859	$ 60	2%	90%	88%
Professional services	216	274	(58)	(21)	7	9
Software fees and other	115	103	12	12	3	3
Total revenue	$3,250	$ 3,236	$ 14	%	100%	100%
Expenses						
Costs of licensing and maintenance	$ 212	$ 225	$(13)	(6)%	7%	7%
Cost of professional services	193	239	(46)	(19)	6	7
Amortization of capitalized software costs	102	91	11	12	3	3
Selling and marketing	883	915	(32)	(3)	27	28
General and administrative	359	342	17	5	11	11
Product development and enhancements	353	358	(5)	(1)	11	11
Depreciation and amortization of other intangible assets	118	109	9	8	4	3
Other (gains) expenses, net	11	4	7	175		
Restructuring and other	4	6	(2)	(33)		
Total expenses before interest and income taxes	2,235	2,289	(54)	(2)	69	71
Income before interest and income taxes	1,015	947	68	7	31	29
Interest expense, net	62	40	22	55	2	1
Income before income taxes	953	907	46	5	29	28
Income tax expense	283	301	(18)	(6)	9	9
Net income	$ 670	$ 606	$ 64	11%	21%	19%

Note Amounts may not add to their respective totals due to rounding.

Bookings

Total Bookings

For the third quarter of fiscal 2010 and 2009, total bookings were $1,371 million and $1,248 million, respectively. For the first nine months of fiscal 2010 and 2009, total bookings were $3,516 million and $3,780 million, respectively. For the third quarter of fiscal 2010, bookings were greater than the prior year period primarily due to a 5% increase from the favorable effects of foreign exchange and an increase in international bookings, primarily in the Europe, Middle East and Africa region. Bookings for the first nine months of fiscal 2010 were less than the prior year period primarily due to several large contract extensions signed in the second quarter of fiscal 2009 that had terms of approximately five years, two of which added approximately $550 million to subscription and maintenance bookings.

Subscription and Maintenance Bookings

For the third quarter of fiscal 2010 and 2009, we added subscription and maintenance bookings of $1,206 million and $1,113 million, respectively. The increase in subscription and maintenance bookings for the third quarter of fiscal 2010 as compared with the prior year period was primarily attributable to an increase due to a 5% increase from the favorable effects of foreign exchange and an increase in international bookings, primarily in the Europe, Middle East and Africa region. The duration of the weighted average subscription and maintenance bookings increased from 3.10 years in the third quarter of fiscal 2009 to 3.23 years in the third quarter of fiscal 2010. During the third quarter of fiscal 2010, we renewed a total of 16 license agreements with incremental contract values in excess of $10 million each, for an aggregate contract value of $514 million. This is compared with the prior fiscal year s third quarter, when we renewed 18 license

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agreements with incremental contract values in excess of $10 million each, for an aggregate contract value of $471 million.

For the first nine months of fiscal 2010 and 2009, we added subscription and maintenance bookings of $3,150 million and $3,424 million, respectively. The decrease in subscription and maintenance bookings for the first nine months of fiscal 2010 as compared with the prior year period was primarily due to the aforementioned large contract renewals that were signed in the second quarter of fiscal 2009.

Revenue

Total Revenue

The increase in total revenue for the third quarter of fiscal 2010 as compared with the prior year period was due to a favorable foreign exchange effect of $48 million and an increase in the annual value of customer contracts. The increase in total revenue for the first nine months of fiscal 2010 as compared with the prior year period was primarily due to a higher annual value of customer subscription and maintenance contracts, partially offset by an unfavorable foreign exchange effect of $69 million and a decrease in professional services revenue. Approximately $10 million in revenue was recorded from the sale of products of NetQoS, which was acquired during the third quarter of fiscal 2010. Price changes do not have a material impact on revenue in a given period as a result of our ratable subscription model.

Subscription and Maintenance Revenue

The increase in subscription and maintenance revenue for the third quarter of fiscal 2010 as compared with the prior year period was due to a $42 million positive effect from foreign exchange and an increase of $39 million for other factors, mostly due to a higher annual value of existing customer contracts.

The increase in subscription and maintenance revenue for the first nine months of fiscal 2010 as compared with the prior year period was due to an increase in the annual value of existing customer contracts partially offset by a $62 million negative effect from foreign exchange.

Professional Services

Professional services revenue decreased in the third quarter and first nine months of fiscal 2010 as compared with the same periods in fiscal 2009 primarily due to our customers reduced discretionary spending due to the difficult economic environment. Professional services revenue was affected favorably by foreign exchange of $4 million during the third quarter of fiscal 2010 and unfavorably by foreign exchange of $8 million for the first nine months of fiscal year 2010.

Software Fees and Other

Software fees and other revenue primarily consists of revenue that is recognized on an up-front basis. This includes revenue generated through transactions with distribution and original equipment manufacturer channel partners (sometimes referred to as our indirect or channel revenue) and certain revenue associated with new or acquired products sold on an up-front basis. Also included is financing fee revenue, which results from the amortization of discounts on up-front amounts received from contracts that allowed for extended payment terms signed prior to October 2000. Software fees and other revenue increased in the third quarter and the first nine months of fiscal 2010 as compared with the same period in fiscal 2009 primarily due to increases in revenue associated with new and acquired products sold on an up-front basis of $22 million and $27 million, respectively.

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Total Revenue by Geography

The following table presents revenue earned from the United States and international geographic regions and corresponding percentage changes for the third quarter and first nine months of fiscal 2010 and 2009, respectively. These comparisons of financial results are not necessarily indicative of future results.

	Three Months Ended December 31,					
	2009	%	2008	%	Dollar Change	Percentage Change
	(dollars in millions)					
United States	$ 613	54%	$ 571	55%	$ 42	7%
International	515	46%	471	45%	44	9%
	$ 1,128	100%	$ 1,042	100%	$ 86	8%

	Nine Months Ended December 31,					
	2009	%	2008	%	Dollar Change	Percentage Change
	(dollars in millions)					
United States	$ 1,785	55%	$ 1,697	52%	$ 88	5%
International	1,465	45%	1,539	48%	(74)	(5)%
	$ 3,250	100%	$ 3,236	100%	$ 14	%

Revenue in the United States increased by 7% and 5% for the third quarter and first nine months of fiscal 2010, respectively, as compared with the prior periods of fiscal 2009. For the third quarter of fiscal 2010, international revenue increased by approximately 9% as compared with the prior year period due to a $48 million favorable foreign exchange impact. For the first nine months of fiscal year 2010, international revenue decreased by approximately 5% as compared with the prior period due to the unfavorable impact from foreign exchange of $69 million.

Expenses

Costs of Licensing and Maintenance

Costs of licensing and maintenance include technical support, royalties and other manufacturing and distribution costs. Costs of licensing and maintenance for the third quarter of fiscal 2010 increased as compared with the third quarter of fiscal year 2009 primarily due to a $3 million unfavorable foreign exchange variance.

The decrease in costs of licensing and maintenance for the first nine months of fiscal 2010 as compared with the first nine months of fiscal 2009 was primarily due to a $5 million favorable foreign exchange variance and a $5 million decrease in royalty fees.

Cost of Professional Services

Cost of professional services consists primarily of our personnel-related costs associated with providing professional services and training to customers. For the third quarter of fiscal 2010, the cost of professional services decreased as compared with the prior year period primarily due to a $14 million decrease in consulting and personnel costs, mostly related to reduced professional services revenues, and partially offset by a $4 million unfavorable foreign exchange variance. Professional services gross margin for the third quarter of fiscal 2010 was 9% as compared with 13% for the third quarter of fiscal 2009 mostly due to the decrease in revenue.

For the first nine months of fiscal 2010, cost of professional services decreased as compared with the prior year period primarily due to a $39 million decrease in consulting and personnel costs, mostly related to reduced revenues, and an $8 million favorable foreign exchange variance. Professional services gross margin for the first nine months of fiscal 2010 was 11% as compared with 13% for the first nine months of fiscal 2009 mostly due to the decrease in revenue.

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Amortization of Capitalized Software Costs

Amortization of capitalized software costs consists of the amortization of both purchased software and internally generated capitalized software development costs. Internally generated capitalized software development costs relate to new products and significant enhancements to existing software products that have reached the technological feasibility stage.

The increases in amortization of capitalized software costs for the third quarter and first nine months of fiscal 2010 as compared with the prior year periods were primarily due to the increase in activities relating to projects that were capitalized during prior periods.

Selling and Marketing

Selling and marketing expenses include costs relating to our sales force, channel partners, corporate and business marketing and customer training programs. The increase in selling and marketing expenses for the third quarter of fiscal 2010 as compared with the third quarter of fiscal 2009 was primarily due to increases in commissions and an increase in the number of direct sales force personnel, partially offset by a decrease in promotion expenses attributable to the timing of CA World, our flagship customer and partner trade show. CA World occurred in the third quarter of fiscal 2009 and is scheduled to occur again during the first quarter of fiscal 2011. For third quarter of fiscal 2010, there was an unfavorable foreign exchange effect of $14 million.

The decline in selling and marketing expenses for the first nine months of fiscal 2010 as compared with the first nine months of fiscal 2009 was primarily due to a favorable foreign exchange effect of $15 million and reduced promotion expenses which were attributable to the timing of CA World.

General and Administrative

General and administrative expenses include the costs of corporate and support functions, including our executive leadership and administration groups, finance, legal, human resources, corporate communications and other costs such as provisions for doubtful accounts. The increase in general and administrative costs for the third quarter of fiscal 2010 as compared with the third quarter of fiscal 2009 was primarily due to a $7 million decrease resulting from a reduction in estimated bonus payments in fiscal 2009. In addition, consulting costs increased $6 million in the third quarter of fiscal 2010 due to strategic initiatives.

For the first nine months of fiscal 2010, general and administrative costs increased as compared with the prior year period primarily due to the recognition of severance and other related expenses of $10 million for amounts owed to our former Chief Executive Officer pursuant to his employment agreement and other items relating to the transition to his successor. We also incurred a $9 million increase in consulting costs attributable to strategic initiatives.

We anticipate incremental expenses in the fourth quarter of fiscal 2010 of approximately $20 to $25 million related to a reduction in real estate holdings and other costs. We believe we have the potential to reduce costs through broader adoption of alternative work strategies and work from home programs.

Product Development and Enhancements

For the third quarter of fiscal 2010 and fiscal 2009, product development and enhancements expenses represented approximately 11% of total revenue in each period. For the third quarter of fiscal 2010, product development and enhancements increased primarily as a result of increased investments in existing products and recent acquisitions.

Excluding a favorable foreign exchange effect of $8 million, product development and enhancements expenses for the first nine months of fiscal 2010 increased from the first nine months of fiscal 2009 primarily due to increased personnel costs, an increase in our investment in product development and enhancements for emerging technologies, and a broadening of our enterprise product offerings. These increases were partially offset by an increase in resources dedicated to internally developed software for strategic investments in our security, mainframe and infrastructure management products, which are capitalized.

Depreciation and Amortization of Other Intangible Assets

The increases in depreciation and amortization of other intangible assets for the third quarter and first nine months of fiscal 2010 as compared with the prior year periods were primarily due to the number of fixed assets placed into service during the current fiscal year.

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Other (Gains) Expenses, Net

Other (gains) expenses, net includes gains and losses attributable to divested assets, foreign currency exchange rate fluctuations, and certain other items. For the first nine months of fiscal 2010, other (gains) expenses, net included $6 million in connection with litigation claims.

Restructuring and Other

For the first nine months of fiscal 2010, we recorded less than $1 million of restructuring charges for severance and other termination benefits and facility abandonment principally related to the Fiscal 2007 plan. Substantially all of the costs associated with the Fiscal 2007 plan have been incurred. The Fiscal 2007 plan s objectives include a workforce reduction, global facilities consolidations and other cost reduction initiatives. Final payment of these amounts is dependent upon settlement with the works councils in certain international locations and our ability to negotiate lease terminations. For further information on the Fiscal 2007 plan refer to Note H, Restructuring, in the Notes to the Condensed Consolidated Financial Statements.

Interest Expense, Net

The increase in interest expense, net, for the third quarter and first nine months of fiscal 2010 as compared with the prior year periods, was primarily due to a decline in short-term interest rates which reduced interest income earned on cash balances.

Income Taxes

Income tax expense for the third quarter and the first nine months of fiscal 2010 was $71 million and $283 million, respectively, compared with the third quarter and the first nine months of fiscal 2009 of $85 million and $301 million, respectively. The effective tax rates for the third quarter and the first nine months of fiscal 2010 were 22% and 30%, respectively, compared with the third quarter and the first nine months of fiscal 2009 of 29% and 33%, respectively. During the third quarter and the first nine months of fiscal 2010, our income tax provision included net benefits of approximately $23 million and $30 million, respectively, resulting from reconciliations of tax returns to tax provisions, the resolution of uncertain tax positions relating to non-U.S. jurisdictions, and refinements of estimates ascribed to tax positions taken in prior periods relating to our international tax profile. We continuously evaluate our international tax profile by reviewing the jurisdictions and manner in which we conduct our business. As a result, in future periods, including the fourth quarter of fiscal 2010, we may take actions that improve our long term tax profile but result in discrete incremental tax costs. The amount of these costs will vary depending on the actions management ultimately decides to take and may increase our fiscal 2010 annual tax rate to between 35% and 36%.

During the third quarter of fiscal 2009, our income tax provision included a net benefit of approximately $12 million, primarily arising from the resolution of uncertain tax provisions and the reinstatement of the U. S. Research and Development Tax Credit. During the first quarter of fiscal 2009, we settled a U.S. federal income tax audit for fiscal 2001 through 2004 which resulted in a decrease in the liability for uncertain tax positions of $55 million. As a result of this settlement, during the first quarter of fiscal 2009, we recognized a tax benefit of $11 million and a reduction of goodwill by $10 million, with the remainder offset against existing tax refund claims and deferred tax assets previously recorded.

Liquidity and Capital Resources

Our cash balances, including cash equivalents, are held in numerous locations throughout the world, with 52% residing outside the United States at December 31, 2009. Cash and cash equivalents totaled $2,624 million as of December 31, 2009, representing a decrease of $88 million from the March 31, 2009 balance of $2,712 million. Cash and cash equivalents increased by $141 million during the first nine months of fiscal

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2010 due to the favorable translation effect that foreign currency exchange rates had on cash held outside the United States in currencies other than the U.S. dollar.

Sources and Uses of Cash

Cash generated by operating activities, which represents our primary source of liquidity, increased $160 million in the first nine months of fiscal 2010 to $724 million from $564 million in the first nine months of fiscal 2009. For the first nine months of fiscal 2010, accounts receivable decreased by $13 million, compared with a decline in the comparable prior year period of $175 million and deferred revenue (billed or collected) decreased by $266 million, compared with a decline in the comparable prior year period of $414 million. For the first nine months of fiscal 2010, accounts payable, accrued expenses and other liabilities decreased $39 million compared with a decrease in the prior year period of $77 million.

Under our subscription and maintenance agreements, customers generally make installment payments over the term of the agreement, often with at least one payment due at contract execution, for the right to use our software products and receive product support, software fixes and new products when available. The timing and actual amounts of cash received from committed customer installment payments under any specific agreement can be affected by several factors, including the time value of money and the customer s credit rating. Often, the amount received is the result of direct negotiations with the customer when establishing pricing and payment terms. In certain instances, the customer negotiates a price for a single up-front installment payment and seeks its own internal or external financing sources. In other instances, we may assist the customer by arranging financing on their behalf through a third party financial institution. Alternatively, we may decide to transfer our rights to the future committed installment payments due under the license agreement to a third party financial institution in exchange for a cash payment. Once transferred, the future committed installments are payable by the customer to the third party financial institution. Whether the future committed installments have been financed directly by the customer with our assistance or by the transfer of our rights to future committed installments to a third party, such financing agreements may contain limited recourse provisions with respect to our continued performance under the license agreements. Based on our historical experience, we believe that any liability that we may incur as a result of these limited recourse provisions will be immaterial.

Amounts billed or collected as a result of a single installment for the entire contract value, or a substantial portion of the contract value, rather than being invoiced and collected over the life of the license agreement are reflected in the liability section of the Condensed Consolidated Balance Sheets as Deferred revenue (billed or collected). Amounts received from either a customer or a third-party financial institution that are attributable to later years of a license agreement have a positive impact on billings and cash provided by operating activities in the current period. Accordingly, to the extent such collections are attributable to the later years of a license agreement, billings and cash provided by operating activities during the license s later years will be lower than if the payments were received over the license term. We are unable to predict with certainty the amount of cash to be collected from single installments for the entire contract value, or a substantial portion of the contract value, under new or renewed license agreements to be executed in future periods.

For the third quarter of fiscal 2010, gross receipts related to single installments for the entire contract value, or a substantial portion of the contract value, were $74 million, compared with $89 million in the third quarter of fiscal 2009. For the first nine months of fiscal 2010, gross receipts related to single installments for the entire contract value, or a substantial portion of the contract value, were $302 million compared with $282 million in the first nine months of fiscal 2009.

In any quarter, we may receive payments in advance of the contractually committed date on which the payments were otherwise due. In limited circumstances, we may offer discounts to customers to ensure payment in the current period of invoices that have been billed, but might not otherwise be paid until a subsequent period because of payment terms or other factors. Historically, any such discounts have not been material.

Our estimate of the fair value of net installment accounts receivable recorded under the prior business model approximates carrying value. Amounts due from customers under our subscription business model are offset by deferred revenue related to these license agreements, leaving no or minimal net carrying value on the

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balance sheet for such amounts. The fair value of such amounts may exceed or be less than this carrying value but cannot be practically assessed since there is no existing market for a pool of customer receivables with contractual commitments similar to those owned by us. The actual fair value may not be known until these amounts are sold, securitized or collected. Although these customer license agreements commit the customer to payment under a fixed schedule, to the extent amounts are not yet due and payable by the customer, the agreements are considered executory in nature due to our ongoing commitment to provide maintenance and unspecified future software products as part of the agreement terms. For further information on our installment accounts receivable refer to Note E, Trade and Installment Accounts Receivable in the Notes to the Condensed Consolidated Financial Statements.

We can estimate the total amounts to be billed from committed contracts, referred to as our Billings backlog, and the total amount to be recognized as revenue from committed contracts, referred to as our Revenue backlog. The aggregate amounts of our billings backlog and trade and installment receivables already reflected on our Condensed Consolidated Balance Sheets represent the amounts we expect to collect in the future from committed contracts.

	Dec. 31, 2009	March 31, 2009	Dec. 31, 2008
(in millions)			
Billings Backlog:			
Amounts to be billed current	$ 1,984	$ 1,719	$ 1,752
Amounts to be billed non-current	2,639	2,228	2,177
Total billings backlog	$ 4,623	$ 3,947	$ 3,929
Revenue Backlog:			
Revenue to be recognized within the next 12 months current	$ 3,466	$ 3,295	$ 3,203
Revenue to be recognized beyond the next 12 months non-current	4,450	4,083	3,828
Total revenue backlog	$ 7,916	$ 7,378	$ 7,031
Deferred revenue (billed or collected)	$ 3,293	$ 3,431	$ 3,102
Unearned revenue yet to be billed	4,623	3,947	3,929
Total revenue backlog	$ 7,916	$ 7,378	$ 7,031

Note: Revenue Backlog includes deferred subscription and maintenance and professional services revenue.

We can also estimate the total cash to be collected in the future from committed contracts, referred to as our Expected future cash collections by adding the total billings backlog to the current and non-current Trade and installment accounts receivable from our Condensed Consolidated Balance Sheet.

	Dec. 31, 2009	March 31, 2009	Dec. 31, 2008
(in millions)			
Expected future cash collections:			
Total billings backlog	$ 4,623	$ 3,947	$ 3,929
Trade and installment accounts receivable current, net	932	839	879
Installment accounts receivable non- current, net	46	128	129
Total expected future cash collections	$ 5,601	$ 4,914	$ 4,937

In any fiscal year, cash generated by operating activities typically increases in each consecutive quarter throughout the fiscal year, with the fourth quarter being the highest and the first quarter being the lowest, which may even be negative. The timing of cash generated during the fiscal year is affected by many factors, including the timing of new or renewed contracts and the associated billings, as well as the timing of any

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customer financing or transfer of our interest in such contractual installments. Other factors that influence the levels of cash generated throughout the quarter can include the level and timing of expenditures.

Cash Generated by Operating Activities

	Three Months Ended December 31,		Change
	2009	2008	2009/ 2008
	(in millions)		
Cash collections from billings[1]	$ 1,093	$ 1,015	$ 78
Vendor disbursements and payroll[1]	(697)	(698)	1
Income tax (payments) receipts, net	(21)	(43)	22
Other receipts (disbursements), net[2]	(33)	18	(51)
Cash generated by operating activities	$ 342	$ 292	$ 50

(1) Amounts include value added taxes and sales taxes.

(2) Amounts include interest, restructuring and miscellaneous receipts and disbursements.

	Nine Months Ended December 31,		Change 2009/ 2008
	2009	2008	
	(in millions)		
Cash collections from billings[1]	$ 3,203	$ 3,208	$ (5)
Vendor disbursements and payroll[1]	(2,196)	(2,395)	199
Income tax (payments) receipts, net	(197)	(180)	(17)
Other receipts (disbursements), net[2]	(86)	(69)	(17)
Cash generated by operating activities	$ 724	$ 564	$ 160

(1) Amounts include value added taxes and sales taxes.

(2) Amounts include interest,

restructuring and miscellaneous receipts and disbursements.

Third Quarter Comparison Fiscal Year 2010 versus Fiscal Year 2009

Operating Activities:

Cash generated by operating activities for the third quarter of fiscal 2010 was $342 million, representing an increase of $50 million compared with the third quarter of fiscal 2009. The increase was driven primarily by higher collections of $78 million partially offset by a $51 million increase in other disbursements.

Investing Activities:

Cash used in investing activities for the third quarter of fiscal 2010 was $260 million compared with $85 million for the third quarter of fiscal 2009. The increase in cash used in investing activities was primarily due to the increase in acquisition related costs of $165 million and capitalized software development costs of $13 million.

Financing Activities:

Cash used in financing activities for the third quarter of fiscal 2010 was $468 million compared with $170 million in the third quarter of fiscal 2009. The increase in cash used in financing activities was primarily due to an increase in purchases of our common stock of $41 million, an increase in debt repayments of $1,053 million, partially offset against debt borrowings of $738 million (net of debt issuance costs of $6 million) and proceeds of $55 million from the exercise of the call spread option that was associated with the retirement of our 1.625% Convertible Senior Notes due December 2009.

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First Nine Months Comparison Fiscal Year 2010 versus Fiscal Year 2009

Operating Activities:

Cash generated by operating activities for the first nine months of fiscal 2010 was $724 million, representing an increase of $160 million compared with the prior year period. The increase was driven primarily by lower vendor disbursements and payroll of $199 million partially offset by an increase in tax payments of $17 million.

Investing Activities:

Cash used in investing activities for the first nine months of fiscal 2010 was $396 million compared with $213 million for the comparable prior year period. The increase in cash used in investing activities was primarily due to the increase in acquisition related costs of $149 million and an increase in capitalized software development costs of $31 million.

Financing Activities:

Cash used in financing activities for the first nine months of fiscal 2010 was $557 million compared with $560 million in the comparable prior year period. The primary changes in cash used in financing activities were an increase in debt repayments of $702 million and an increase in repurchases of our common stock of $86 million, offset against debt borrowings, net of debt issuance costs of $738 million and proceeds of $55 million received from the exercise of a call spread option associated with our 1.625% Convertible Senior Notes due December 2009. During the first nine months of fiscal 2009, we paid off the remaining $350 million principal amount of our 6.50% Senior Notes that was due and we also repurchased $148 million principal amount of our 4.750% Senior Notes due 2009 at a price of $143 million in cash during the first nine months of fiscal 2009. Refer to Debt arrangements section below for additional information about our debt balances at December 31, 2009.

Debt Arrangements

As of December 31, 2009 and March 31, 2009, our debt arrangements consisted of the following:

	December 31, 2009		March 31, 2009	
	Maximum Available	Outstanding Balance	Maximum Available	Outstanding Balance
	(in millions)			
Debt Arrangements:				
2008 Revolving Credit Facility (expires August 2012)	$ 1,000	$ 250	$ 1,000	$ 750
1.625% Convertible Senior Notes due December 2009, net of debt amortization amount of $29 million at March 31, 2009				431
4.750% Senior Notes due December 2009				176
6.125% Senior Notes due December 2014[1]		498		500
5.375% Senior Notes due November 2019		750		
International line of credit	25		25	
Capital lease obligations and other, net[2]		47		51
Total		$ 1,545		$ 1,908

(1) Includes fair value adjustment of interest rate swaps of $2 million at December 31, 2009.

(2) Includes unamortized debt discounts of $7 million and $1 million, respectively.

Our debt arrangements at December 31, 2009 remain unchanged from March 31, 2009, except as follows:

During the third quarter of fiscal year 2010, we repaid $500 million of the 2008 Revolving Credit Facility, which expires in August 2012, $176 million to repay the 4.750% Senior Notes due December 2009, and $520 million to repay the 1.625% Convertible Senior Notes (1.625% Notes), of which $460 million was for the outstanding principal of the debt and approximately $60 million was for the in-the-money conversion feature. The $60 million was recorded in Additional paid-in capital in the Condensed Consolidated Balance Sheet. These repayments are included in Net cash used in financing activities in the Condensed Consolidated Statement of Cash Flows for the nine months ended December 31, 2009.

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As of December 31, 2009, approximately $250 million was outstanding under the 2008 Revolving Credit Facility and is included in the Long-term debt, net of current portion line item in the Condensed Consolidated Balance Sheet.
During the third quarter of fiscal year 2010, we issued approximately $750 million principal amount of 5.375% Senior Notes due 2019 (the 5.375% Senior Notes). The 5.375% Senior Notes were issued in an underwritten offering at a price equal to 99.162% of the principal amount. The net proceeds of the offering were approximately $738 million, after being issued at a discount of $6 million and deducting expenses, underwriting discounts and commissions of $6 million, which will be amortized over the term of the 5.375% Senior Notes. As of December 31, 2009, the principal amount of the 5.375% Senior Notes of $744 million, net of unamortized debt discount of $6 million, is included in the Long-term debt, net of current portion line item in the Condensed Consolidated Balance Sheet. The 5.375% Senior Notes are senior unsecured obligations and will rank equally in right of payment with all of our other existing and future senior unsecured indebtedness. The 5.375% Senior Notes are effectively subordinated to any future secured indebtedness to the extent of the assets securing that indebtedness and structurally subordinated to any indebtedness of our subsidiaries.
We have the option to redeem the 5.375% Senior Notes at any time, at redemption prices equal to the greater of (i) the principal amount of the 5.375% Senior Notes to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of the 5.375% Senior Notes to be redeemed, discounted to the date of redemption on a semi-annual basis plus 30 basis points. We must repurchase the 5.375% Senior Notes in the event of a change in control.
Concurrent with the original issuance of the 1.625% Notes in 2002, we entered into call spread repurchase option transactions (1.625% Notes Call Spread) to partially mitigate potential dilution from the conversion of the 1.625% Notes. The 1.625% Notes Call Spread was exercised by us in December 2009, resulting in option proceeds of approximately $60 million, which was recorded in Additional paid-in capital in the Condensed Consolidated Balance Sheet at December 31, 2009. Approximately $55 million of the cash proceeds from the 1.625% Notes Call Spread were received in third quarter of fiscal 2010 and is included in Net cash used in financing activities in the Condensed Consolidated Statement of Cash Flows for the nine months ended December 31, 2009. The remaining cash proceeds from the 1.625% Notes Call Spread of approximately $5 million were received during the fourth quarter of fiscal 2010.
During the third quarter of fiscal year 2010, we entered into two $100 million interest rate swap transactions to swap a total of $200 million of our 6.125% Senior Notes due December 2014 into floating interest rate debt through December 1, 2014. Under the terms of the swaps, we will pay quarterly interest at a rate of 2.915% and 2.779% on the first and second swap, respectively, plus the three-month LIBOR rate, and will receive interest payments at 5.625%. The LIBOR based rate is set quarterly three months prior to the date of the interest payment. We designated these swaps as fair value hedges and are accounting for them in accordance with the shortcut method of FASB ASC 815 (previously SFAS No. 133). The change in the fair value of the interest rate swaps from inception to December 31, 2009 was approximately $2 million and is reflected in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet. The carrying value of the debt on the Condensed Consolidated Balance Sheet was adjusted by an equal and offsetting amount.

Other Matters

As of December 31, 2009, our senior unsecured notes were rated Baa3, BBB, and BBB by Moody s Investors Service (Moody s), Standard and Poor s (S&P) and Fitch Ratings (Fitch), respectively. In June 2009, Moody s upgraded our rating to Baa3. In April 2009, Fitch upgraded our rating to BBB.
The outlook on these unsecured notes is stable by all three agencies. As of January 29, 2010, our ratings and outlooks remained unchanged. Peak borrowings under all debt facilities during the third quarter of fiscal 2010 totaled $2,665 million, with a weighted average interest rate of 5.656%.

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During the first nine months of fiscal 2010, we entered into brokerage arrangements with a third-party financial institution to purchase our common stock in the open market on our behalf. We acquired 4.1 million shares of our common stock for $90 million under this arrangement during the first nine months of fiscal 2010. As of December 31, 2009, we remained authorized to purchase an aggregate amount of up to $156 million of additional common shares under the current stock repurchase program.

We expect that existing cash and cash equivalents, the availability of borrowings under existing and renewable credit lines, and cash expected to be provided from operations will be sufficient to meet ongoing cash requirements. We expect our long-standing history of providing extended payment terms to our customers to continue.

We expect to use existing cash balances and future cash generated from operations to fund capital spending, including our continued investment in our enterprise resource planning implementation, future acquisitions and financing activities such as the repayment of our debt balances as they mature, the payment of dividends, and the potential repurchase of shares of common stock in accordance with any plans approved by our Board of Directors.

Effect of Exchange Rate Changes

There was a $141 million favorable impact to our cash balances in the first nine months of fiscal 2010 predominantly due to the weakening of the U.S. dollar against the euro, the Australian dollar, the British pound, the Canadian dollar, the Israeli shekel and the Brazilian real of 8%, 29%, 13%, 20%, 11% and 33%, respectively. This is compared with a $217 million unfavorable impact to our cash balances in the first nine months of fiscal 2009 predominantly due to the strengthening of the U.S. dollar against the Australian dollar, the Brazilian real, the British pound and the euro of 22%, 24%, 27% and 12%, respectively.

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CRITICAL ACCOUNTING POLICIES AND BUSINESS PRACTICES

The preparation of financial statements in accordance with generally accepted accounting principles requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. We base our estimates on historical experience and various other assumptions that we believe are reasonable under the circumstances. Our estimates form the basis for making judgments about amounts and timing of revenue and expenses, the carrying values of assets and the recorded amounts of liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and such estimates may change if the underlying conditions or assumptions change. Information with respect to our critical accounting policies that we believe could have the most significant effect on our reported results or require subjective or complex judgments by management is contained in our 2009 Annual Financial Statements under Management s Discussion and Analysis of Financial Condition and Results of Operations. We believe that at December 31, 2009, there has been no material change to this information, except as follows:

Employee Stock Purchase Plan

We discontinued the Year 2000 Employee Stock Purchase Plan effective with the close of the purchase period on June 30, 2009.

New Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board (FASB) ratified Accounting Standards Codification (ASC) Accounting Standards Update (ASU) 2009-13 (previously Emerging Issues Task Force (EITF) Issue No. 08-1, *Revenue Arrangements with Multiple Deliverables).* ASU 2009-13 superseded EITF No.00-21, *Revenue Arrangements with Multiple Deliverables,* and addresses criteria for separating the consideration in certain multiple-element arrangements. ASU 2009-13 will require companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third-party evidence of the selling price. ASU 2009-13 will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and early adoption will be permitted. The adoption of ASU 2009-13 will not have a material impact on our consolidated results of operations or financial condition.

In September 2009, the FASB ratified ASC ASU 2009-14 (previously EITF No. 09-3, *Certain Revenue Arrangements That Include Software Elements).* ASU 2009-14 modifies the scope of software revenue recognition to exclude (a) non-software components of tangible products and (b) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product s essential functionality. ASU 2009-14 has an effective date that is consistent with ASU 2009-13. The adoption of ASU 2009-14 will not have a material impact on our consolidated results of operations or financial condition.

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including foreign currency exchange rate fluctuations and changes in the market value of our investments. In the normal course of business, we employ established policies and procedures to manage these risks including the use of derivative instruments. There have been no material changes in our foreign exchange risk management strategy or our portfolio management strategy subsequent to March 31, 2009; therefore, other aspects of the risk profile of our market risk sensitive instruments remain substantially unchanged from the description in our 2009 Annual Financial Statements.

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Item 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company s management, including the Company s principal executive officer and principal financial officer, the Company has evaluated the effectiveness of its disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of the end of the period covered by this quarterly report.

Changes in Internal Control over Financial Reporting

Except as disclosed in the following paragraph, there were no changes in the Company s internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

As previously disclosed in Item 9A of its Annual Report on Form 10-K for the fiscal year ended March 31, 2009 (2009 Form 10-K), the Company began the migration of certain financial and sales processing systems to an enterprise resource planning (ERP) system in fiscal 2007 as part of its on-going project to implement ERP at the Company s facilities worldwide. In the second quarter of fiscal year 2010, the Company expanded its ERP migration into its Europe, Middle East and Africa region. The changes in the Company s internal control over financial reporting associated with this ERP implementation were ongoing during the third quarter of fiscal year 2010. The Company will continue to monitor and test these systems as part of management s annual evaluation of internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Refer to Note J, Commitments and Contingencies, in the Notes to the Condensed Consolidated Financial Statements for information regarding certain legal proceedings, the contents of which are herein incorporated by reference.

Item 1A. RISK FACTORS

Current and potential stockholders should consider carefully the risk factors described in more detail in our 2009 Annual Financial Statements for the fiscal year ended March 31, 2009. We believe that as of December 31, 2009, there has been no material change to this information. Any of these factors, or others, many of which are beyond our control, could negatively affect our revenue, profitability and cash flow.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth, for the months indicated, our purchases of common stock in the third quarter of fiscal year 2010:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	(dollars in thousands, except average price paid per share)			
October 1, 2009 - October 31, 2009	900,000	$ 22.18	900,000	$ 175,701
November 1, 2009 - November 30, 2009	900,000	$ 21.85	900,000	$ 156,015
December 1, 2009 - December 31, 2009	16,402	$ 22.45	16,402	$ 155,646
Total	1,816,402		1,816,402	

On October 29, 2008, the Company s Board of Directors approved a stock repurchase plan that authorizes the Company to acquire up to $250 million of its common stock. The Company will fund the program with available cash on hand and may repurchase shares on the open market from time to time based on market conditions and other factors.

During the third quarter of fiscal year 2009, the Company paid approximately $4 million to repurchase approximately 0.3 million of its common shares at an average price of $15.84.

During the second quarter of fiscal year 2010, the Company entered into a brokerage arrangement with a third-party financial institution to purchase the Company s common stock in the open market on the Company s behalf. The Company acquired approximately 2.3 million shares of its common stock for approximately $50 million under this arrangement during the second quarter of fiscal 2010.

During the third quarter of fiscal year 2010, the Company continued to purchase common shares under the brokerage arrangement entered into during the second quarter of fiscal year 2010. The Company acquired approximately 1.8 million shares of its common stock for approximately $40 million under this arrangement during the third quarter of fiscal 2010. During the third quarter of fiscal year 2010, the Company entered into another brokerage arrangement with a third-party financial institution to purchase the Company s common stock in the open market on the Company s behalf.

As of December 31, 2009, the Company remained authorized to purchase an aggregate amount of up to $156 million of additional common shares under the current stock repurchase program.

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Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

None.

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Item 6. EXHIBITS

Regulation S-K Exhibit Number		
3.1	Amended and Restated Certificate of Incorporation.	Previously filed as Exhibit 3.3 to the Company s Current Report on Form 8-K dated March 6, 2006, and incorporated herein by reference.
3.2	By-Laws of the Company, as amended.	Previously filed as Exhibit 3.1 to the Company s Current Report on Form 8-K dated February 23, 2007, and incorporated herein by reference.
4.1	Stockholder Protection Rights Agreement, dated as of November 5, 2009, between the Company and Mellon Investor Services LLC, as Rights Agent, including as Exhibit A the forms of Rights Certificate and of Election to Exercise and as Exhibit B the form of Certificate of Designation and Terms of the Participating Preferred Stock of the Company.	Previously filed as Exhibit 4.1 to the Company s Current Report on Form 8-K dated November 5, 2009, and incorporated herein by reference.
4.2	First supplemental indenture with respect to the Company s 1 5/8% Convertible Senior Notes, dated as of November 19, 2009 to the Indenture dated as of December 11, 2002 (the 2002 Indenture), between the Company and U.S. Bank National Association, as Trustee.	Previously filed as Exhibit 4.8 to the Company s Current Report on Form 8-K dated November 19, 2009, and incorporated herein by reference.
4.3	Officers Certificate dated November 13, 2009 establishing the terms of the Company s 5.375% Senior Notes due 2019 (the Notes) pursuant to the 2002 Indenture (including the form of the Notes).	Previously filed as Exhibit 4.2 to the Company s Current Report on Form 8-K dated November 13, 2009, and incorporated herein by reference.
10.1*	Summary description of financial planning benefit available to certain executives.	Filed herewith.
10.2*	Amendment No. 2 to the CA, Inc. 2003 Compensation Plan for Non-Employee Directors.	Filed herewith.
10.3*	Form of Restricted Stock Unit Award Agreement for certain named executive officers.	Filed herewith.
12.1	Statement of Ratio of Earnings to Fixed Charges.	Filed herewith.
15	Accountants acknowledgment letter.	Filed herewith.

31.1	Certification of the Principal Executive Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of the Principal Financial Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.

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Regulation S-K Exhibit Number		
32	Certification pursuant to §906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
101	The following financial statements from CA, Inc. s Quarterly Report on Form 10-Q for the quarter ended December 31, 2009, formatted in XBRL (eXtensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets December 31, 2009 and March 31, 2009. (ii) Unaudited Condensed Consolidated Statements of Operations Three and Nine Months Ended December 31, 2009 and 2008. (iii) Unaudited Condensed Consolidated Statements of Cash Flows Nine Months Ended December 31, 2009 and 2008. (iv) Notes to unaudited Condensed Consolidated Financial Statements December 31, 2009 tagged as blocks of text.	Furnished herewith.

* Management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CA, INC.

By: /s/ Nancy E. Cooper
Nancy E. Cooper
Executive Vice President and Chief Financial Officer
(principal financial officer and authorized signatory)

Dated: January 29, 2010