

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

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

For the quarterly period ended December 31, 1998
or

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

For the transition period ended from _____ to _____

Commission File Number 1-9247

Computer Associates International, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-2857434

(I.R.S. Employer
Identification No.)

One Computer Associates Plaza

Islandia, New York 11788-7000

(Address of principal executive offices) (Zip Code)

(516) 342-5224

(Registrants 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 X

No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuers classes of
Common Stock, as of the latest
practicable date:

Title of Class	Shares Outstanding
Common Stock	as of January 29, 1999
par value \$.10 per share	538,748,495

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES

INDEX

PART I. Financial Information:	Page No.
Item 1. Consolidated Condensed Balance Sheets - December 31, 1998 and March 31, 1998	1
Consolidated Statements of Income - Three Months Ended December 31, 1998 and 1997	2
Consolidated Statements of Income - Nine Months Ended December 31, 1998 and 1997	3

Consolidated Condensed Statements of Cash Flows - Nine Months Ended December 31, 1998 and 1997	4
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Notes to Consolidated Condensed Financial Statement	5
---	---

Item 2. Managements Discussion and Analysis of Financial Condition and Results of Operations	7
---	---

PART II. Other Information:

Item 1. Legal Proceedings	12
---------------------------	----

Item 6. Exhibits and Reports on Form 8-K	13
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Part I. FINANCIAL INFORMATION

Item 1:

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

(In millions)

	December 31, 1998 ----- (Unaudited)	March 31, 1998 -----
ASSETS:		
Cash and cash equivalents	\$ 219	\$ 251
Marketable securities	106	59
Trade and installment accounts receivable	1,789	1,859
Inventories and other current assets	80	86
	-----	-----
TOTAL CURRENT ASSETS	2,194	2,255
Installment accounts receivable, due after one year	2,941	2,490
Property and equipment	548	459
Purchased software products	214	289
Excess of cost over net assets acquired	1,240	1,099
Investments and other noncurrent assets	141	114
	-----	-----
TOTAL ASSETS	\$ 7,278	\$ 6,706
	=====	=====
LIABILITIES AND STOCKHOLDERS EQUITY:		
Loans payable and current portion of long term debt \$	142	\$ 571
Other current liabilities	1,160	1,305
Long-term debt	2,030	1,027
Deferred income taxes	1,044	952
Deferred maintenance revenue	344	370
Stockholders equity	2,558	2,481
	-----	-----
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	\$ 7,278	\$ 6,706
	=====	=====

See Notes to Consolidated Condensed Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In millions, except per share amounts)

	For the Three Months Ended December 31,	
	1998	1997
	----	----
Product revenue and other related income	\$ 1,176	\$ 1,056
Maintenance fees	185	183
	-----	-----
TOTAL REVENUE	1,361	1,239
Costs and expenses:		
Selling, marketing and administrative	510	432
Product development and enhancements	105	90
Commissions and royalties	68	61
Depreciation and amortization	78	83
Interest expense - net	33	29
	-----	-----
TOTAL COSTS AND EXPENSES	794	695
	-----	-----
Income before income taxes	567	544
Provision for income taxes	212	204
	-----	-----
NET INCOME	\$ 355	\$ 340
	-----	-----
BASIC EARNINGS PER SHARE	\$.66	\$.62
	-----	-----
Basic weighted average shares used in computation*	538	546
DILUTED EARNINGS PER SHARE	\$.64	\$.60
	-----	-----
Diluted weighted average shares used computation*	554	568

* Shares and per share amounts adjusted for a three-for-two stock split effective November 5, 1997.

See Notes to Consolidated Condensed Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In millions, except per share amounts)

	For the Nine Months Ended December 31,	
	1998	1997
	----	----
Product revenue and other related income	\$ 3,073	\$ 2,707
Maintenance fees	551	545
	-----	-----
TOTAL REVENUE	3,624	3,252
Costs and expenses:		
Selling, marketing and administrative	1,454	1,242
Product development and enhancements	307	269
Commissions and royalties	183	160
Depreciation and amortization	241	263
Interest expense - net	91	90
1995 Stock Plan charge	1,071	-
	-----	-----
TOTAL COSTS AND EXPENSES	3,347	2,024
	-----	-----
Income before income taxes	277	1,228
Provision for income taxes	109	461
	-----	-----
NET INCOME	\$ 168	\$ 767
	-----	-----
BASIC EARNINGS PER SHARE	\$.31	\$ 1.41
	-----	-----
Basic weighted average shares used computation*	548	546
DILUTED EARNINGS PER SHARE	\$.30	\$ 1.36
	-----	-----
Diluted weighted average shares used in computation*	565	566

* Shares and per share amounts adjusted for a three-for-two stock split effective November 5, 1997.

See Notes to Consolidated Condensed Financial Statements

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

(In millions)

	For the Nine Months Ended December 31,	
	1998	1997
	----	----
OPERATING ACTIVITIES:		
Net income	\$ 168	\$ 767
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	241	263
Provision for deferred income taxes	100	180
Compensation expense related to stock and pension plans	776	21
Increase in noncurrent installment accounts receivable	(415)	(281)
Decrease in deferred maintenance revenue	(31)	(6)
Gain on sale of property and equipment	(14)	-
Changes in other operating assets and liabilities, excludes effects of acquisitions	(127)	(300)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	698	644
INVESTING ACTIVITIES:		
Acquisitions, primarily purchased software, marketing rights and intangibles	(217)	(39)
Purchase of property and equipment	(142)	(61)
Proceeds from sale of property and equipment	38	-
Increase in current marketable securities	(47)	(4)
Capitalized development costs	(21)	(15)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(389)	(119)
FINANCING ACTIVITIES:		
Debt borrowings (repayments) - net	567	(406)
Dividends paid	(23)	(18)
Exercise of common stock options/other	31	55
Purchases of treasury stock	(920)	(116)
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(345)	(485)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES ON CASH	(36)	40
Effect of exchange rate changes on cash	4	(8)
	-----	-----
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32)	32
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	251	143
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 219	\$ 175
	=====	=====

See notes to Consolidated Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended December 31, 1998 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in Computer Associates International, Inc.'s (the Registrant or the Company) Annual Report on Form 10-K for the fiscal year ended March 31, 1998.

Cash Dividends: In December 1998, the Company's Board of Directors declared its regular, semi-annual cash dividend of \$.04 per share. The dividend was paid on January 7, 1999 to stockholders of record on December 28, 1998.

Statements of Cash Flows: For the nine months ended December 31, 1998 and 1997, interest payments were \$98 million and \$99 million, respectively, and income taxes paid were \$171 million and \$285 million, respectively.

Net Income per Share: The Company adopted the Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 128, Earnings per Share. SFAS No. 128 requires the Company to present basic and diluted earnings per share (EPS) on the face of the income statement. Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income by the sum of the weighted-average number of common shares outstanding for the period end, plus the assumed exercise of all dilutive securities, such as stock options.

(In millions, except per share amounts)

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	1998	1997	1998	1997
Net Earnings	\$ 355	\$ 340	\$ 168	\$ 767
Diluted Earnings Per Share	=====	=====	=====	=====
Weighted average shares outstanding and common share equivalents	554	568	565	566
Diluted Earnings Per Share	\$.64	\$.60	\$.30	\$ 1.36
Diluted Share Computation:	=====	=====	=====	=====
Average common shares outstanding	538	546	548	546
Average common share equivalents net	16	22	17	20
Weighted average shares Outstanding and common share equivalents	554	568	565	566
	=====	=====	=====	=====

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
DECEMBER 31, 1998

Comprehensive Income: In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 130, Reporting Comprehensive Income, which was adopted by the Company in fiscal year 1999. SFAS No. 130 establishes new rules for reporting and displaying comprehensive income and its components; however, the adoption has no impact on the Companys net income or shareholders equity. Comprehensive Income includes foreign currency translation adjustments and unrealized gains or losses on the Companys available for sale securities which prior to adoption were reported separately in shareholders equity. The components of comprehensive income, net of related tax, for the three month and nine month periods ended December 31, 1998 and 1997 are as follows:

	(In millions)			
	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	1998	1997	1998	1997
Net Income	\$ 355	\$ 340	\$ 168	\$ 767
Foreign Currency Translation (Losses) Gains	(5)	(20)	29	(46)
Total Comprehensive Income	\$ 350	\$ 320	\$ 197	\$ 721
	=====	=====	=====	=====

Software Revenue Recognition: In October 1997, the Accounting Standards Executive Committee (AcSEC) issued Statement of Position (SOP) 97-2 Software Revenue Recognition, as amended in 1998 by SOP 98-4 and further amended more recently by SOP 98-9. These SOPs provide guidance on applying generally accepted accounting principles in recognizing revenue on software transactions. The Company is currently evaluating the requirements of the SOPs which may have a material impact on the Companys revenue recognition policies effective for the quarter ending June 30, 1999 and beyond. Such changes in the Companys operational and revenue recognition practices including, but not limited to changes in the period over which revenue is recognized up to and including recognition of revenue over the contract term may have a material adverse effect on the Companys reported revenue, increase administrative costs, or otherwise adversely modify existing operations.

NOTE B - THE 1995 KEY EMPLOYEE STOCK OWNERSHIP PLAN

Under the 1995 Key Employee Stock Ownership Plan (1995 Plan), if the closing price of the Companys common stock on the New York Stock Exchange exceeded \$53.33 for 60 trading days within any twelve month period, Additional Grants (as defined in the 1995 Plan) of 13.5 million shares, plus 6.75 million shares from an Initial Grant (as defined in the 1995 Plan), or a total of 20.25 million shares, to three key executives would vest and no longer be subject to forfeiture. However, the 20.25 million shares would continue to be subject to significant limitations on transfer for up to seven years following vesting. On May 21, 1998, the closing price of the Companys common stock exceeded \$53.33 for the sixtieth trading day within the twelve month period ending May 21, 1998. Subsequent to May 21, 1998, the Compensation Committee of the Companys Board of Directors reviewed the performance objectives of the 1995 Plan and certified the vesting of an aggregate of 20.25 million shares to the three key executives. As a result, in the first quarter of fiscal year 1999, the Company recorded a one time charge of \$1,071 million (\$675 million after tax). The executives elected to have a portion of the vested shares withheld for tax purposes.

Item 2:

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Statements in this Form 10-Q concerning the companys future prospects are forward looking statements under the federal securities laws. There can be no assurances that future results will be achieved and actual results could differ materially from forecasts and estimates. Important factors that could cause actual results to differ materially are discussed below in the section Results of Operations.

RESULTS OF OPERATIONS

Revenue:

Total revenue for the quarter ended December 31, 1998 increased 10%, or \$122 million, over the prior years comparable quarter. The increase was attributable to growth in the client/server business which accounted for approximately 46% of the Companys overall revenue for the third quarter. The client/server growth was led by Unicenter TNG (The Next Generation), a family of integrated business solutions for monitoring and administering systems management across multi platform environments, which accounted for approximately 24% of total revenue for the third quarter. Professional services grew by 97% or \$38 million over the prior year. The Company intends to increase the level of professional services provided to clients through internal growth as well as acquisitions of services companies. Total North American revenue for the third quarter grew 5% over the prior years third quarter. This resulted from lower mainframe software sales offset by continued growth in client/server product sales. In the current quarter, North American sales represented 64% of revenue compared to 67% of revenue one year ago. The impact of foreign currencies versus the US dollar did not have a material effect on revenue in the third quarter. Maintenance revenues remained essentially unchanged from last years comparable quarter. Additional maintenance revenue from prior year license arrangements was offset by the ongoing trend of site consolidations and expanding client/server revenues, which yield lower maintenance. Price changes did not have a material impact in this quarter or the prior years third quarter.

On a year to date basis, total revenue increased 11% or \$372 million from the prior year. The increase was primarily attributable to growth in the client/server business which accounted for 47% of the Companys overall revenue year to date. Year to date client/server and professional services revenue increased 30% and 77%, or \$399 and \$85 million, respectively, over the prior year. Unicenter TNG revenue accounted for over 25% of total revenue year to date. Total North American revenue for the nine months ended December 31, 1998 grew 10% over the prior years comparable period. On a year to date basis, North American sales represented 65% of revenue for fiscal year 1999 and 66% of revenue for fiscal year 1998. On a year to date basis, international revenue increased by nearly \$160 million, or 15%, over the prior year. In addition, the effect of foreign exchange rates on the US dollar versus most currencies decreased revenue by \$33 million for the current year. Maintenance revenues remained essentially unchanged year to date. Price changes did not have a material impact year to date in fiscal year 1999 or in the comparable period in fiscal year 1998.

Costs and Expenses:

Selling, marketing and administrative expenses as a percentage of total revenue for the third quarter increased to 37% from 35% the prior year. The increase was largely attributable to an overall increase in personnel expense. The Company is continuing its ongoing effort to expand its Global Professional Services division and worldwide sales organization. Marketing costs related to new product introductions including the Enterprise Edition and Workgroup Solutions also contributed to the increase. The Enterprise Edition products

Item 2: (Continued)

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

are the Companys state of the art mid market solutions addressing security, network management, asset management, application development, information management, and E commerce. The Workgroup Editions provide the same solutions as the Enterprise Editions with a focus on smaller computing environments. Net research and development expenditures increased \$15 million, or 16%, for the third quarter compared to last years third quarter. There was continued emphasis on adapting and enhancing products for the client/server environment, in particular Unicenter TNG, Jasmine, Opal, the Enterprise and Workgroup Solutions, as well as broadening of the Companys Internet/Intranet product offerings. Commissions and royalties as a percentage of revenue were 5% for the third quarter for both fiscal year 1999 and fiscal year 1998. Depreciation and amortization expense in the third quarter decreased \$5 million from the comparable quarter in the prior year. The decrease was primarily due to scheduled reductions in the amortization associated with The ASK Group, Inc., Legent Corporation, and Cheyenne Software, Inc. acquisitions, partially offset by smaller acquisitions in the current year. Net interest expense increased \$4 million, or 14%, for the third quarter compared to last years third quarter. The additional interest expense related to the April 1998 issuance of \$1.75 billion of unsecured senior notes, reduced by the repayment of \$1.2 billion under the Companys credit facilities, was offset by the interest earned on the corresponding increase in cash and marketable securities.

On a year to date basis, selling, marketing and administrative expenses as a percentage of total revenue increased to 40% from 38% the prior year. The increase was largely attributable to an overall increase in personnel expense as well as major promotional events including: CA-World, the Companys major annual user conference; the bi annual sales kickoff, an assembly of the Companys sales force to inaugurate the new years sales plan; and increased marketing costs related to new product introductions including the Enterprise Edition and Workgroup Solutions. Net research and development expenditures increased \$38 million, or 14%, year to date. Continued emphasis on adapting and enhancing products for the client/server environment as well as broadening of the Companys Internet/Intranet product offerings were largely responsible for the increase. Commissions and royalties as a percentage of revenue were 5% year to date for both fiscal year 1999 and fiscal year 1998. On a year to date basis, depreciation and amortization expense decreased by \$22 million from the prior year. The decrease was primarily due to scheduled reductions in the amortization associated with The ASK Group, Inc., Legent Corporation, and Cheyenne Software, Inc. acquisitions. Net interest expense remained unchanged year to date from last years comparable period.

Operating Margins:

The pretax income of \$567 million for the third quarter is an increase of 4%, or \$23 million, over the third quarter in the prior year. The year to date net income, excluding the one time charge of \$1,071 million associated with the vesting of 20.25 million shares under the 1995 Key Employee Stock Ownership Plan, was \$842 million, compared to net income of \$767 million in the prior year, an increase of \$75 million, or 10%.

The Companys consolidated effective tax rate for the December 1998 quarter and the prior years December quarter was 37.5%. On a year to date basis, the consolidated effective tax rate, including the current year charge, was 39.4% compared with 37.5% for the prior year. The higher current year effective tax rate is attributable to the charge in the current year. Without the charge, the current years effective rate would have been 37.5%.

Item 2: (Continued)

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Operations:

In fiscal years 1997 and 1996, the Company incurred charges for the write-off of purchased research and development technology related to the Cheyenne and Legent acquisitions. In both valuations, the Income Approach was utilized. This approach focuses on the income producing capability of the asset and the present value of the net benefit to be received over the life of the property. The revenues generated are offset by the corresponding expenses including all operating, research and development, and income tax expenses. The Cheyenne products consist of network data storage, security and communications software across multiple standalone, as well as heterogeneous computer environments and Legent is comprised of many systems management and database products. To date, the vast majority of the projects in the aggregate have not varied materially from original projections. Consistent with original projections, the Company expects a seven year asset life, however, more rapid technological change, market acceptance of competing technologies, and other internal and external factors may negatively affect the total net benefit obtained from the technology acquired.

Risks and Uncertainties:

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

The effects of the Asian economic turmoil on our multinational clients and its potentially adverse impact on our near term business is a concern. This, coupled with deferred software purchasing decisions as clients deal with their year 2000 projects, as well as mainframe hardware transition issues, may impact revenue and earnings growth.

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

The Companys future operating results may be affected by a number of other factors, including, but not limited to: the adequacy of the Companys internal administrative systems to efficiently process transactions and store and retrieve data subsequent to the year 2000; the significant percentage of the Companys quarterly sales recorded in the last few days of the quarter, making financial predictions especially difficult and raising a substantial risk of variance in actual results; the Companys increasing reliance on a single family of products for a material portion of its sales; market acceptance of competing technologies; the availability and cost of new solutions; delays in delivery of new products or features; uncertainty of customer acceptance; the ability to recruit and retain qualified personnel; the ability to incorporate changes to its business application products to conform to the new, common European currency known as the Euro; the Companys ability to successfully maintain or

Item 2: (Continued)

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

increase market share in its core business while expanding into other and new markets such as professional services; the strength of its distribution channels; the ability either internally or through third party service providers to support client implementation of the Companys products; the Companys ability to manage fixed and variable expense growth relative to revenue growth; the outcome of litigation to which the Company is a party; the Companys ability to effectively integrate acquired products and operations; the assimilation of business or technology acquisitions; fluctuations in foreign currency exchange rates; the volatility of the international marketplace, including the recent Asian and Latin American turmoil; and other risks described in filings with the Securities and Exchange Commission.

Within Europe, the European Economic and Monetary Union (EMU) introduced a new currency, the Euro, on January 1, 1999, initially available for currency trading and noncash (banking) transactions. The existing local currencies will remain legal tender through January 1, 2002. The Company has conducted risk assessments and began implementing corrective actions to ensure preparedness for the introduction of the Euro. Because of the staggered introduction of the Euro regarding noncash and cash transactions, the Company has developed a plan to address its accounting and business systems first. Compliance will be achieved primarily through upgrading administrative systems. The Company does not expect to experience significant operational disruptions or incur costs which could materially affect the Companys liquidity or capital resources.

Year 2000:

The Company may experience future uncertainties regarding year 2000 compliance of its products. The Company has designed and tested the vast majority of its recent product offerings to be year 2000 compliant. However, there is currently a small minority of the product offerings that have not been updated to meet year 2000 compliance specifications. The Company continues to update and test its product offerings for year 2000 compliance. Such costs are included in net research and development expenses. The Company has publicly identified any products that will not be updated to be year 2000 compliant and has been encouraging clients using these products to migrate to compliant versions. It is possible that the Company may experience increased expense levels addressing migration issues for such customers. There can be no assurance that all of the Companys products will be year 2000 compliant prior to January 1, 2000 (except those the Company previously identified will not be year 2000 compliant) nor can there be assurances that the Companys currently compliant products do not contain undetected problems associated with year 2000 compliance. Such problems may result in litigation and/or increased expenses negatively affecting future operating results.

The Company recognizes the significance of the year 2000 problem as it relates to our internal systems and understands that the impact extends beyond traditional hardware and software to automated facility systems and third parties. The Company has created and implemented an overall plan to make its internal financial and administrative systems year 2000 ready by June 1999. With regard to facility related systems (phone, voicemail, security systems, etc.), the Company internally conducted assessment audits and has sent questionnaires to vendors and service providers to confirm year 2000 readiness. As part of its contingency planning efforts, the Company is identifying alternative strategies, when necessary, if significant exposures are identified. The Company expects substantial completion of year 2000 readiness preparations by June 1999 and to continue comprehensive testing through calendar 1999. The total cost of preparing internal systems to be year 2000 compliant is not expected to be material to the Companys operations, liquidity, or capital resources. Total expenditures, excluding personnel costs of existing staff, related to internal systems year 2000 readiness is expected to be less than \$20 million. Such expenses commenced in 1996 and are

Item 2: (Continued)

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

projected to continue through calendar 1999. However, there can be no assurances that the Company will not experience significant unanticipated negative performance and/or flaws in the technology used in its internal systems. The Company is in the process of completing its contingency plan for potential hardware and software failures.

Liquidity and capital resources:

During the third quarter, the Companys cash, cash equivalents, and marketable securities decreased by approximately \$136 million. The decrease was primarily attributable to the purchase of nearly 11 million shares of the Companys stock under its open market repurchase programs, various professional service and product acquisitions, and progress payments for the expansion and renovation projects at the Islandia, NY World Headquarters and other facilities. The decrease was partially offset by cash provided from operations of \$467 million, a 46% increase from the quarter ended September 1998.

On a year to date basis, cash provided by operations totaled \$698 million, After reflecting a \$318 million withholding tax payment made in lieu of shares issued to certain executives under the 1995 Key Employee Stock Ownership Plan. Year to date cash generated from operations, excluding this withholding tax payment, totaled \$1,016 million, an increase of 58% from the prior year. This increase is primarily attributable to accelerated cash collections of trade accounts receivable as well as lower taxes paid associated with the tax benefit received for the one time charge recorded in the first quarter of fiscal year 1999 related to the 1995 Key Employee Stock Ownership Plan.

On December 31, 1998, total debt outstanding consisted primarily of \$1.75 billion of registered unsecured Senior Notes issued April 24, 1998 and \$320 million of unsecured Senior Notes issued April 1, 1996. At December 31, 1998, the Company had no drawings outstanding under its \$2.6 billion credit facility.

At December 31, 1998, the cumulative number of shares purchased under the Companys various open market Common Stock repurchase programs was approximately 146.6 million shares. The remaining number of shares available for repurchase under these programs at December 31, 1998 was approximately 53.4 million. This amount includes the authorization to repurchase an additional 36.875 million shares approved by the Companys Board of Directors in October 1998.

The Company is proceeding with construction of its European Headquarters in the United Kingdom and its various expansion and renovation projects at its World Headquarters in Islandia, New York. These projects will be completed over the next 10 months and will result in total cashflow obligations of \$225 million. In addition, various capital resource requirements as of December 31, 1998 consisted of lease obligations for office space, computer equipment, mortgage and loan obligations and amounts due as a result of product and company acquisitions.

The Company anticipates that existing cash, cash equivalents, short-term marketable securities, the availability of borrowings under committed and uncommitted credit lines, as well as cash generated from operations, will be sufficient to meet ongoing cash requirements.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

The Company and certain of its officers are defendants in a number of shareholder class action lawsuits alleging that a class consisting of all persons who purchased the Companys stock during the period January 20, 1998 until July 22, 1998 were harmed by misleading statements, representations, and omissions regarding the Companys future financial performance. These cases have been consolidated into a single action (the Shareholder Action) in the United States District Court for the Eastern District of New York (NY Federal Court). In addition, three derivative actions alleging similar facts were brought in the NY Federal Court. An additional derivative action, alleging that the Company issued 14.25 million more shares than were authorized under the 1995 Key Employee Stock Ownership Plan (the 1995 Plan), was also filed in the NY Federal Court. In all but one of these derivative actions, all of the Companys directors were named as defendants. All of these derivative actions have been consolidated into a single action (the Derivative Action) in the NY Federal Court. The plaintiffs are expected to file an amended complaint in both the Shareholder Action and the Derivative Action. Lastly, a derivative action was filed in the Chancery Court in Delaware (the Delaware Action) alleging that 9.5 million more shares were issued than were authorized under the 1995 Plan. The Company and its directors have filed a motion to dismiss the Delaware Action and the plaintiff has moved for summary judgment. Although the ultimate outcome and liability, if any, cannot be determined, management, after consultation and review with counsel, believes that the facts in each of the actions do not support the plaintiffs claims and that the Company and its officers and directors have meritorious defenses.

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits.

3.(i)(a) Restated Certificate of Incorporation
dated February 3, 1999.

3.(ii)(a) Registrants By Laws, as amended,
effective January 19, 1999.

(b) Reports on Form 8-K.

None.

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.

COMPUTER ASSOCIATES INTERNATIONAL, INC.

Dated: February 3, 1999

By: /s/Sanjay Kumar
Sanjay Kumar, President

and Chief Operating Officer

Dated: February 3, 1999

By: /s/Ira Zar
Ira Zar
Chief Financial and
Accounting Officer

Sr. Vice President Finance

RESTATED CERTIFICATE OF INCORPORATION

OF

COMPUTER ASSOCIATES INTERNATIONAL, INC.

Under Section 245
of the Delaware General Corporation Law

Computer Associates International, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. That the name of the corporation is Computer Associates International, Inc. and the name under which the corporation was originally incorporated was Computer Associates Incorporated.
2. That the original Certificate of Incorporation of the corporation was filed with the Delaware Secretary of State, on the 26th day of March, 1974 and that said Certificate of Incorporation was restated by the filing of a Restated Certificate of Incorporation with the Delaware Secretary of State on October 23, 1981.
3. That this restatement of the Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware and that this Restated Certificate of Incorporation only restates and integrates (including the Certificate of Designation of Series One Junior Participating Preferred Stock, Class A as filed with the Delaware Secretary of State on June 26, 1991) and does not further amend the provisions of the corporations Restated Certificate of Incorporation as theretofore restated, amended or supplemented, and that there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.
4. That the text of the Restated Certificate of Incorporation of said Computer Associates International, Inc., as heretofore amended, is hereby restated, without further amendment or change, to read in its entirety as follows:

CERTIFICATE OF INCORPORATION

OF

COMPUTER ASSOCIATES INTERNATIONAL, INC.

2

FIRST: The name of the corporation (hereinafter called the "corporation") is COMPUTER ASSOCIATES INTERNATIONAL, INC.

SECOND: The address, including street, number, city, and county, of the registered office of the corporation in the State of Delaware is 1013 Centre Road, New Castle County, Wilmington, Delaware 19805, and the name of the registered agent of the corporation in the State of Delaware at such address is United States Corporation Company.

THIRD: The nature of the business and of the purposes to be conducted and promoted by the corporation, which shall be in addition to the authority of the corporation to conduct any lawful business, to promote any lawful purpose, and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware, is as follows:

To provide services, facilities, concepts, programs, manuals and equipment of any and all kinds in the fields of electronic data processing and the sales, licensing, franchising and any other disposition of computer hardware, software, peripherals and related supplies, equipment and facilities. To purchase, receive, take by grant, gift, devise, bequest or otherwise, lease, or otherwise acquire, own, hold, improve, employ, use and otherwise deal in and with real or personal property, or any interest therein, wherever situated, and to sell, convey, lease, exchange, transfer or otherwise dispose of, or mortgage or pledge, all or any of its property and assets, or any interest therein, wherever situated.

To take, lease, purchase or otherwise acquire, and to own, use, hold, sell, convey, exchange, lease, mortgage, work, clear, improve, develop, divide, and otherwise handle, manage, operate, deal in and dispose of real estate, real property, lands, multiple-dwelling structures, houses, buildings and other works and any interest or right therein; to

take, lease, purchase or otherwise acquire, and to own, use, hold, sell, convey, exchange, hire, lease, pledge, mortgage, and otherwise handle, and deal in and dispose of, as principal, agent, broker, and in any lawful capacity, such personal property, chattels, chattels real, rights, easements, privileges, choses in action, notes, bonds, mortgages, and securities as may lawfully be acquired, held, or disposed of; and to acquire, purchase, sell, assign, transfer, dispose of, and generally deal in and with, as principal, agent, broker, and in any lawful capacity, mortgages and other interests in real, personal, and mixed properties.

To carry on a general mercantile, industrial, investing, and trading business in all its branches; to devise, invent, manufacture, fabricate, assemble, install, service, maintain, alter, buy, sell, import, export,

license as licensor or licensee, lease as lessor or lessee, distribute, job, enter into, negotiate, execute, acquire, and assign contracts in respect of, acquire, receive, grant, and assign licensing arrangements, options, franchises, and other rights in respect of, and generally deal in and with, at wholesale and retail, as principal, and as sales, business, special, or general agent, representative, broker, factor, merchant, distributor, jobber, advisor, and in any other lawful capacity, goods, wares, merchandise, commodities, and unimproved, improved, finished, processed, and other real, personal, and mixed property of any and all kinds, together with the components, resultants, and by-products thereof.

To apply for, register, obtain, purchase, lease, take licenses in respect of or otherwise acquire, and to hold, own, use, operate, develop, enjoy, turn to account, grant licenses and immunities in respect of, manufacture under and to introduce, sell, assign, mortgage, pledge or otherwise dispose of, and, in any manner deal with and contract with reference to:

(a) inventions, devices, formulas, processes and improvements and modifications thereof;

(b) letters patent, patent rights, patented processes, copyrights, designs, and similar rights, trade-marks, trade names, trade symbols and other indications of origin and ownership granted by or recognized under the laws of the United States of America, the District of Columbia, any state or subdivision thereof, and any commonwealth, territory, possession, dependency, colony, possession, agency or instrumentality of the United States of America and of any foreign country, and all rights connected therewith or appertaining thereunto;

(c) franchises, licenses, grants, and concessions.

To guarantee, purchase, take, receive, subscribe for, and otherwise acquire, own, hold, use, and otherwise employ, sell, lease, exchange, transfer, and otherwise dispose of, mortgage, lend, pledge, and otherwise deal in and with securities (which term, for the purpose of this Article THIRD, includes, without limitation of the generality thereof, any shares of stock, bonds, debentures, notes, mortgages, other obligations, and any certificates, receipts or other instruments representing rights to receive, purchase or subscribe for the same, or representing any other rights or interests therein or in any property or assets) of any persons, domestic and foreign firms, associations, and corporations, and by any government or agency or instrumentality thereof; to make payment therefor in any lawful manner; and, while owner of any such securities, to exercise any and all rights, powers and privileges in respect thereof, including the right to vote.

To make, enter into, perform and carry out contracts of every kind and description with any person, firm, association, corporation or government or agency or instrumentality thereof.

To acquire by purchase, exchange or otherwise, all, or any part of, or any interest in, the properties, assets, business and good will of any one or more persons, firms, associations or corporations heretofore or hereafter engaged in any business for which a corporation may now or hereafter be organized under the laws of the State of Delaware; to pay for the same in cash, property or its own or other securities; to hold, operate, reorganize, liquidate, sell or in any manner dispose of the whole or any part thereof; and in connection therewith, to assume or guarantee performance of any liabilities, obligations or contracts of such persons, firms, associations or corporations, and to conduct the whole or any part of any business thus acquired.

To lend money in furtherance of its corporate purposes and to invest and reinvest its funds from time to time to such extent, to such persons, firms, associations, corporations, governments or agencies or instrumentalities thereof, and on such terms and on such security, if any, as the Board of Directors of the corporation may determine.

To make contracts of guaranty and suretyship of all kinds and endorse or guarantee the payment of principal, interest or dividends upon, and to guarantee the performance of sinking fund or other obligations of, any securities, and to guarantee in any way permitted by law the performance of any of the contracts or other undertakings in which the corporation may otherwise be or become interested, of any persons, firm, association, corporation, government or agency or instrumentality thereof, or of any other combination, organization or entity whatsoever.

To borrow money without limit as to amount and at such rates of interest as it may determine; from time to time to issue and sell its own securities, including its shares of stock, notes, bonds, debentures, and other obligations, for such purposes and for such prices, now or hereafter permitted by the laws of the State of Delaware and by this certificate of incorporation, as the Board of Directors of the corporation may determine; and to secure any of its obligations by mortgage, pledge, or other encumbrance of all or any of its property, franchises and income.

To be a promoter or manager of other corporations of any type or kind; and to participate with others in any corporation, partnership, limited partnership, joint venture, or other association of any kind, or in

any transaction, undertaking or arrangement which the corporation would have power to conduct by itself, whether or not such participation involves sharing or delegation of control with or to others.

To draw, make, accept, endorse, discount, execute, and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures, and other negotiable or transferable instruments and evidences of indebtedness whether secured by mortgage or otherwise, as well as to secure the same by mortgage or otherwise, so far as may be permitted by the laws of the State of Delaware.

To purchase, receive, take, reacquire or otherwise acquire, own and hold, sell, lend, exchange, reissue, transfer or otherwise dispose of, pledge, use, cancel, and otherwise deal in and with its own shares and its other securities from time to time to such an extent and in such manner and upon such terms as the Board of Directors of the corporation shall determine; provided that the corporation shall not use its funds or property for the purchase of its own shares of capital stock when its capital is impaired or when such use would cause any impairment of its capital, except to the extent permitted by law.

To organize, as an incorporator, or cause to be organized under the laws of the State of Delaware, or of any other State of the United States of America, or of the District of Columbia, or of any commonwealth, territory, dependency, colony, possession, agency, or instrumentality of the United States of America, or of any foreign country, a corporation or corporations for the purpose of conducting and promoting any business or purpose for which corporations may be organized, and to dissolve, wind up, liquidate, merge or consolidate any such corporation or corporations or to cause the same to be dissolved, wound up, liquidated, merged or consolidated.

To conduct its business, promote its purposes, and carry on its operations in any and all of its branches and maintain offices both within and without the State of Delaware, in any and all States of the United States of America, in the District of Columbia, and in any or all commonwealths, territories, dependencies, colonies, possessions, agencies, or instrumentalities of the United States of America and of foreign governments.

To promote and exercise all or any part of the foregoing purposes and powers in any and all parts of the world, and to conduct its business in all or any of its branches as principal, agent, broker, factor, contractor, and in any other lawful capacity, either alone or through or in conjunction with any corporations, associations, partnerships, firms, trustees, syndicates, individuals, organizations, and other entities in any

part of the world, and, in conducting its business and promoting any of its purposes, to maintain offices, branches and agencies in any part of the world, to make and perform any contracts and to do any acts and things, and to carry on any business, and to exercise any powers and privileges suitable, convenient, or proper for the conduct, promotion, and attainment of any of the business and purposes herein specified or which at any time may be incidental thereto or may appear conducive to or expedient for the accomplishment of any of such business and purposes and which might be engaged in or carried on by a corporation incorporated or organized under the General Corporation Law of the State of Delaware, and to have and exercise all of the powers conferred by the laws of the State of Delaware upon corporations incorporated or organized under the General Corporation Law of the State of Delaware.

The foregoing provisions of this Article THIRD shall be construed both as purposes and powers and each as an independent purpose and power. The foregoing enumeration of specific purposes and powers shall not be held to limit or restrict in any manner the purposes and powers of the corporation, and the purposes and powers herein specified shall, except when otherwise provided in this Article THIRD, be in no wise limited or restricted by reference to, or inference from, the terms of any provision of this or any other Article of this certificate of incorporation; provided, that the corporation shall not conduct any business, promote any purpose, or exercise any power or privilege within or without the State of Delaware which, under the laws thereof, the corporation may not lawfully conduct, promote, or exercise.

FOURTH: 4.1 The total number of shares of all classes of capital stock which the corporation shall have authority to issue is one billion one hundred ten million (1,110,000,000 shares) of which ten million (10,000,000) shares shall be Preferred Stock, Class A without par value, issuable in one or more series, and one billion one hundred million (1,100,000,000) shares will be Common Stock, par value \$.10 per share.

4.2 The Board of Directors is hereby expressly authorized, at any time or from time to time, to divide any or all of the shares of Preferred Stock, Class A, into one or more series, and in the resolution or resolutions establishing a particular series, before issuance of any of the shares thereof, to fix and determine the number of shares and the designation of such series so as to distinguish it from the shares of all other series and classes, and to fix and determine the preferences, voting rights, qualifications, privileges, limitations, options, conversion rights, restrictions and other special or relative rights of the Preferred Stock, Class A, or of such series to the fullest extent now or hereafter permitted by the laws of the State of Delaware, including, but not limited to, the variations between different series in the following respects

(a) The distinctive designation of such series and the number of shares which shall constitute such series, which number may be increased or reduced (but not below the number of shares thereof then outstanding) from time to time by the Board of Directors;

(b) the annual dividend rate for such series, and the date or dates from which dividends shall commence to accrue;

(c) the price or prices at which, and the terms and conditions on which the shares of such series may be made redeemable;

(d) the purchase or sinking fund provision, if any, for the purchase or redemption of shares of such series;

(e) the preferential amount or amounts payable upon shares of such series in the event of the liquidation, dissolution or winding up of the corporation;

(f) the voting rights, if any, of shares of such series;

(g) the terms and conditions, if any, upon which shares of such series may be converted and the class or classes or series of shares of the corporation, or other securities, into which such shares may be converted;

(h) the relative terms, qualifications, privileges, limitations, options, restrictions, and special or relative rights and preferences, if any, of shares of such series as the Board of Directors may, at the time of such resolution or resolutions, lawfully fix and determine under the laws of the State of Delaware.

Unless otherwise provided in a resolution or resolutions establishing any particular series, the aggregate number of authorized shares of Preferred Stock, Class A, may be increased by an amendment of the Certificate of Incorporation approved solely by a majority vote of the outstanding shares of Common Stock (or solely with a lesser vote of the Common Stock, or solely by action of the Board of Directors, if permitted by law at the time).

All shares of any one series shall be alike in every particular, except with respect to the accrual of dividends prior to the date of issuance.

Series One Junior Participating Preferred Stock, Class A, shall have the voting powers, preferences and relative, participating, optional or other rights, if any, or the qualifications, limitations or restrictions as set forth on Exhibit A hereto.

4.3 Except for and subject to those rights expressly granted to the holders of Preferred Stock or any series thereof by resolution or resolutions adopted by the Board of Directors pursuant to Section 4.2 of this Article Fourth and except as may be provided by the laws of the State of Delaware, the holders of Common Stock shall have exclusively all other rights of shareholders.

4.4 Shares of Common Stock of the corporation may be issued from time to time for such consideration as may be fixed from time to time by the Board of Directors, but not less than the par value thereof; and any and all shares so issued, the full consideration for which shall have been paid and delivered, shall be deemed fully paid and non-assessable stock and not liable to any further call or assessment thereon.

FIFTH: The corporation is to have perpetual existence.

SIXTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

SEVENTH: For the management of the business and for the conduct of the affairs of the corporation, and in further definition, limitation and regulation of the powers of the corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided:

1. The management of the business and the conduct of the affairs of the corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in

the manner provided in, the By Laws. The phrase Whole Board and the phrase total number of directors shall be deemed to have the same meaning, to wit, the total number of directors which the corporation would have if there were no vacancies. No election of directors need be by written ballot.

2. The original By Laws of the corporation shall be adopted by the incorporator. Thereafter, the power to make, alter, or repeal, the By Laws, and to adopt any new By Law, except a By Law classifying directors for election for staggered terms, shall be vested in the Board of Directors.

3. Whenever the corporation shall be authorized to issue only one class of stock, each outstanding share shall entitle the holder thereof to notice of, and the right to vote at, any meeting of stockholders. Whenever the corporation shall be authorized to issue more than one class of stock, no outstanding share of any class of stock which is denied voting power under the provisions of the certificate of incorporation shall entitle the holder thereof to the right to vote at any meeting of stockholders except as the provisions of Paragraph (c)(2) of Section 242 of the General Corporation Law shall otherwise require; provided, that no share of any such class which is otherwise denied voting power shall entitle the holder thereof to vote upon the increase or decrease in the number of authorized shares of said class.

EIGHTH: The corporation shall, to the fullest extent permitted by Section 145 of the General Corporation Law of Delaware, as the same may be amended and supplemented, indemnify any and all persons whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section, and the indemnification provided for herein, shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By Law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

NINTH: From time to time any of the provisions of this certificate of incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the corporation by this certificate of incorporation are granted subject to the provisions of this Article NINTH.

TENTH: No director shall be personally liable to the corporation or its shareholders for monetary damages for any breach of fiduciary duty by such director as a director, except (i) for breach of the director's duty of loyalty

to the corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the General Corporation Law of Delaware is amended after approval by the shareholders of this article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the full extent permitted by the General Corporation Law of Delaware, as so amended.

Any repeal or modification of the foregoing paragraph by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

IN WITNESS WHEREOF, the corporation has caused this certificate to be signed by its officer thereunto duly authorized this third day of February, 1998.

COMPUTER ASSOCIATES INTERNATIONAL, INC.

By: /s/Michael McElroy

Name: Michael McElroy
Title: Secretary

EXHIBIT A

CERTIFICATE OF DESIGNATION
OF
SERIES ONE JUNIOR PARTICIPATING PREFERRED STOCK, CLASS A
OF
COMPUTER ASSOCIATES INTERNATIONAL, INC.

(Pursuant to Section 151 of the
Delaware General Corporation Law)

Computer Associates International, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the Corporation), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on June 18, 1991:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the Board of Directors or the Board) in accordance with the provisions of the Restated Certificate of Incorporation, as amended, of the Corporation, the Board of Directors hereby creates a series of Preferred Stock, Class A, without par value (the Preferred Stock) of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series One Junior Participating Preferred Stock, Class A

Section 1. Designation and Amount. The shares of such series shall be designated as Series One Junior Participating Preferred Stock, Class A (the Series One Preferred Stock) and the number of shares constituting the Series One Preferred Stock shall be Five Hundred Thousand (500,000). Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series One Preferred Stock to a number less than the number of share then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series One Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any other stock) ranking prior and superior to the Series One Preferred Stock with respect to dividends, the holders of shares

of Series One Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, dividends in an amount per share (rounded to the nearest cent), equal to 1,000 times the aggregate per share amount of all cash dividends declared on the Common Stock, par value \$.10 per share (the Common Stock), and 1,000 times the aggregate per

share amount (payable in kind) of all non cash dividends or other distributions declared on the Common stock, other than a dividend payable in shares of Common Stock, or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise). Any such dividend on the Preferred Stock shall be payable on the same date as any dividend payable with respect to the Common Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series One Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series One Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) The Board of Directors may fix a record date for the determination of holders of shares of Series One Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be the same date as the record date for the determination of shares of Common Stock entitled to receive payment of a dividend or distribution thereon and shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series One Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series One Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or

combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series One Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designation creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series One Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series One Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions. (A) Whenever semi-annual or quarterly dividends or other dividends or distributions payable on the Series One Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series One Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series One Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series One Preferred Stock, except dividends paid ratably on the Series One Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series One Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series One Preferred Stock.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series One Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Restated Certificate of Incorporation, or in any other Certificate of Designation creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation, dissolution or winding up of the Corporation, the holders of shares of Series One Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any assets of the Corporation to the holders of Common Stock, the amount of \$1,000.00 per share for each share of Series One Preferred Stock then held by them. Thereafter, the holders of shares of Series One Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series One Preferred Stock were entitled immediately prior to such event under the

preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) If the assets of the Corporation legally available for distribution to the holders of shares of Series One Preferred Stock upon liquidation, dissolution or winding up of the Corporation are insufficient to pay the full preferential amount set forth in the first sentence of paragraph (A) above, then the entire assets of the Corporation legally available for distribution to the holders of Series One Preferred Stock shall be distributed among such holders in proportion to the shares of Series One Preferred Stock then held by them.

(C) The foregoing rights upon liquidation, dissolution or winding up provided to the holders of Series One Preferred Stock shall be subject to the rights of the holders of any other series of Preferred Stock (or any other stock) ranking prior and superior to the Series One Preferred Stock upon liquidation, dissolution or winding up.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or other property, then in any such case each share of Series One Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchange. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series One Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series One Preferred Stock shall not be redeemable.

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation by its President and attested by its Secretary this 18th Day of June, 1991.

Company:

COMPUTER ASSOCIATES INTERNATIONAL, INC.

By: /s/Anthony W. Wang

Anthony W. Wang, President

ATTEST:

BY: /s/Belden A. Frease

Belden A. Frease, Secretary

BY-LAWS
OF
COMPUTER ASSOCIATES INTERNATIONAL, INC.

(As Amended, Effective as of January 19, 1999)

The registered office of the corporation in the State of Delaware shall be located at 1013 Centre Road, Wilmington, Delaware, New Castle County, 19805, and the resident agent of the corporation thereat shall be United States Corporation Company. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the corporation may require from time to time.

ARTICLE II. STOCKHOLDERS

Section 1. Annual Meeting. An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of Directors shall not be held on the day designated herein for any annual meeting of the stockholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the stockholders as soon thereafter as conveniently may be.

Section 2. Special Meeting. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called only by the President or by the Board of Directors.

Section 3. Place of Meeting. The Board of Directors may designate any place within or without the State of Delaware as the place of meeting for any annual meeting or special meeting. If no such designation is made, the place of meeting shall be as specified in the call of the meeting and if not so specified, then at the registered office of the corporation in the State of Delaware.

Section 4. Notice of Meeting. Written or printed notice stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered, unless otherwise provided in the DGCL, the certificate of incorporation of the Corporation, or these bylaws, not less than 10 nor more than 60 days before the date of

2

the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or of the officer or persons calling the meeting, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than 30 days or unless, after adjournment, a new record date is fixed for the adjourned meeting, in either of which cases notice of the adjourned meeting will be given to each stockholder of record entitled to vote at the meeting.

Section 5. Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date: (1) in

the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be more than 60 nor less than 10 days before the date of such meeting; (2) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than 10 days from the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (3) in the case of any other action, shall not be more than 60 days prior to such other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action of the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation in accordance with applicable law, or, if prior action by the Board of Directors is required by law, shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action; and (3) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. Any stockholder of record seeking to have the stockholders authorize or take

corporate action by written consent shall, by written notice to the secretary, request the board of directors to fix a record date. The board of directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the board of directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation as provided in Section 228(a) of the Delaware General Corporation Law.

Section 6. Voting Lists. The officer or agent having charge of the stock ledger of the corporation shall make, at least 10 days before each meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order with the address of and the number of shares held by each, which list, for a period of 10 days prior to such meeting, shall be kept on file at the place where the meeting is to be held or at a place specified in the notice of the meeting in the city where the meeting is to be held. Such list shall be subject to inspection by any stockholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholder during the whole time of the meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine such list or to vote at any meeting of stockholders.

Section 7. Quorum. A majority of the outstanding shares of the corporation entitled to vote, present in person or represented by proxy, shall constitute a quorum at a meeting of stockholders. If less than a majority of the outstanding shares are represented at a meeting, [the chairman of the meeting] may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally called. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. At all meetings of stockholders for the election of directors, a plurality of the votes cast shall be sufficient to elect. Unless otherwise provided by law, the certificate of incorporation or these bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders.

Section 8. Proxies. At all meetings of stockholders, a stockholder may vote by proxy (i) executed in writing by the stockholder or by his duly authorized attorney in fact; or (ii) by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission to the person

who will be the holder of the proxy or an agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder; or (iii) as otherwise permitted pursuant to Section 212 of the Delaware General Corporation Law. Such proxy shall be filed with the Secretary of the corporation before or at the time of the meeting. No proxy shall be valid after three years from the date of its execution, unless otherwise provided in the proxy.

Section 9. Voting of Shares. Unless otherwise provided in the certificate of incorporation of the Corporation, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of stockholders, as set forth in the Certificate of Incorporation. Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the by-laws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine. Shares of its own capital stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of any corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 10. Consent of Stockholders in Lieu of Meeting.

(a) Any action required to be taken at a meeting of the stockholders, or any other action which may be taken at a meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing setting forth the action so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. The Corporation shall give prompt notice of the taking of corporate action without a meeting by less than unanimous written consent to stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take the action were delivered to the Corporation in the manner provided in Section 228(c) of the Delaware General Corporation Law.

(b) Inspectors of Election; Procedures for Counting Consents. Within three (3) business days after receipt of the earliest dated consent delivered to the Corporation in the manner provided in Section 228(c) of the Delaware General Corporation Law or the determination by the Board of Directors of the Corporation that

the Corporation should seek corporate action by written consent, as the case may be, the Secretary shall engage nationally recognized independent inspectors of elections for the purpose of performing a ministerial review of the validity of the consents and revocations. The cost of retaining inspectors of election shall be borne by the Corporation. No action by written consent without a meeting shall be effective until such date as the inspectors certify to the Corporation that the consents delivered to the Corporation in accordance with this section represent at least the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and votes.

Consents and revocations shall be delivered to the inspectors upon receipt by the Corporation, the soliciting stockholders or their proxy solicitors or other designated agents. As soon as consents and revocations are received, the inspectors shall review the consents and revocations and shall maintain a count of the number of valid and unrevoked consents. The inspectors shall keep such count confidential and shall not reveal the count to the Corporation, the soliciting stockholder or their representatives or any other entity. As soon as practicable after the earlier of (i) sixty (60) days after the date of the earliest dated consent delivered to the Corporation in the manner provided in Section 228(c) of the Delaware General Corporation law or (ii) a written request therefor by the Corporation or the soliciting stockholders (whichever is soliciting consents), notice of which request shall be given to the party opposing the solicitation of consents, if any, which request shall state that the Corporation or soliciting stockholders, as the case may be, have a good faith belief that the requisite number of valid and unrevoked consents to authorize or take the action specified in the consents has been received in accordance with these Bylaws, the inspectors shall issue a preliminary report to the Corporation and the soliciting stockholders stating: (i) the number of valid consents; (ii) the number of valid revocations; (iii) the number of valid and unrevoked consents; (iv) the number of invalid consents; (v) the number of invalid revocations; (vi) whether, based on their preliminary count, the requisite number of valid and unrevoked consents has been obtained to authorize or take the action specified in the consents.

Unless the Corporation and the soliciting stockholders shall agree to a shorter or longer period, the Corporation and the soliciting stockholders shall have 48 hours to review the consents and revocations and to advise the inspectors and the opposing party in writing as to whether they intend to challenge the preliminary report of the inspectors. If no written notice of intention to challenge the preliminary report is received within 48 hours after the inspectors issuance of the preliminary report, the inspectors shall issue to the Corporation and the soliciting stockholders their final report containing the information from the inspectors determination with respect to whether the requisite number of valid and unrevoked consents was obtained to authorize and take the action specified in the consents. If the Corporation or the soliciting stockholders issue written notice of an intention to

challenge the inspectors preliminary report within 48 hours after the issuance of that report, a challenge session shall be scheduled by the inspectors as promptly as practicable. Following completion of the challenge session, the inspectors shall as promptly as practicable issue their final report to the soliciting stockholders and the Corporation, which report shall contain the information included in the preliminary report, plus all changes in the vote totals as a result of the challenge and a certification of whether the requisite number of valid and unrevoked consents was obtained to authorize or take the action specified in the consents. A copy of the final report of the inspectors shall be included in the book in which the proceedings of meetings of stockholders are recorded.

Section 11. Nominations of Directors.

(a) Only persons who are nominated in accordance with the procedures set forth in these by-laws shall be eligible to serve as Directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving of notice provided for in this bylaw, who shall be entitled to vote for the election of Directors at the meeting and who complies with the notice procedures set forth in this by-law.

(b) Nominations by stockholders shall be made pursuant to timely notice in writing to the Secretary of the corporation. To be timely, a stockholders notice shall be delivered to or mailed and received at the principal executive offices of the corporation (i) in the case of an annual meeting, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding years annual meeting; provided, however, that in the event that the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made, and (ii) in the case of a special meeting at which Directors are to be elected, not later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made. Such stockholders notice shall set forth (1) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such persons written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (II) as to the stockholder giving the notice (A) the name and address, as they appear on the corporations books, of such stockholder and (B) the class and number of shares of the corporation which are beneficially owned by such stockholder and also which are owned of record by such stockholder; and (III) as to the beneficial owner, if any, on

whose behalf the nomination is made, (A) the name and address of such person and (B) the class and number of shares of the corporation which are beneficially owned by such person. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish the Secretary of the corporation that information required to be set forth in the stockholders notice of nomination which pertains to the nominee.

(c) No person shall be eligible to serve as a Director of the corporation unless nominated in accordance with the procedures set forth in this bylaw. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this bylaw, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this bylaw.

Section 12. Notice of Stockholder Business.

(a) At an annual or special meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting (i) pursuant to the corporations notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by a stockholder of the corporation who is a stockholder of record at the time of giving of the notice provided for in this bylaw, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this bylaw.

(b) For business to be properly brought before a meeting by a stockholder pursuant to clause (iii) of paragraph (a) of this bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholders notice with respect to an annual meeting must be delivered to or mailed and received at the principal executive offices of the corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding years annual meeting; provided, however, that in the event that the date of the meeting is changed by more than 30 days from such anniversary date, notice by the stockholder to be timely must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made. To be timely, a stockholders notice with respect to a special meeting must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the meeting was mailed or public disclosure was made. A stockholders notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (A) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the

meeting, (B) the name and address, as they appear on the corporations books, of the stockholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, (C) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder of record and by the beneficial owner, if any, on whose behalf the proposal is made and (D) any material interest of such stockholder of record and the beneficial owner, if any, on whose behalf the proposal is made in such business.

(c) Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this bylaw. The Chairman of the meeting shall, if the fact warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures prescribed by these bylaws, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this bylaw, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this by law.

ARTICLE III. BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed by its Board of Directors.

Section 2. Number and Tenure. The Board of Directors shall consist of three or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders. Each Director shall hold office until the next annual meeting of stockholders and until his successor shall have been elected and shall have qualified.

Section 3. Annual and Regular Meetings. An annual meeting of the Board of Directors shall be held, without other notice than this bylaw, immediately after, and at the same place as, the annual meeting of stockholders. The Board of Directors may also provide, by resolution, the time and place, either within or without the State of Delaware, for the holding of other regular meetings without other notice than such resolution.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President, Secretary or any two Directors. The persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Delaware, as the place for holding any special meeting of the Board of Directors called by them.

Section 5. Notice. Notice of any special meeting of the Board of Directors shall be given at least forty-eight (48) hours prior thereto by written notice delivered personally or mailed to each Director at his business address or by telegram or facsimile transmission. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. If notice be given by facsimile, such notice shall be deemed to be delivered upon receipt of a facsimile delivery confirmation from the addressee's last known facsimile number. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 6. Quorum. A majority of the Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 7. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, provided, that any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all the members of the Board of Directors or such committee, as the case may be, consent thereto in writing or writings filed with the minutes of proceedings of the Board of Directors or such committee.

Section 8. Vacancies. Any vacancy occurring in the Board of Directors, including a vacancy resulting from enlargement of the Board, may be filled by the Directors by vote of a majority of the Directors then in office though less than a quorum of the Board of Directors, or by the plurality of the votes cast at a meeting of stockholders. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, or in the case of an enlargement of the board, until the next annual meeting of stockholders and until his successor shall have been elected and shall have qualified.

Section 9. Compensation. By resolution of the Board of Directors, the Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and with the exception of Directors who are also officers of the corporation may be paid a fixed sum for attendance at each meeting of the Board of Directors and/or a stated salary as a Director.

Section 10. Telephonic Meetings. Members of the Board of Directors, or any Committee thereof, may participate in a meeting of the Board or Committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section shall constitute presence in person at the meeting.

Section 11. Committees.

(a) Powers and Authority. The Corporation shall be governed by the provisions of 8 Del.C. 141(c)(2), as that statute may be amended from time to time, in respect to the powers and authority of any committee of the Board of Directors.

(b) Formation. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

(c) Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article III of these bylaws.

ARTICLE IV. OFFICERS

Section 1. Number. The officers of the corporation shall be a Chairman of the Board, President, one or more Vice-Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. One or more Assistant Secretaries and Assistant Treasurers and such other officers and assistant officers as may be deemed necessary may also be appointed from time to time by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. Election and Term of Office. The officers of the corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Vacancies. A vacancy of any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Chairman of the Board and Vice Chairman of the Board. The Board of Directors may appoint a Chairman of the Board and may designate the Chairman of the Board as Chief Executive Officer. If the Board of Directors appoints a Chairman of the Board, he shall perform such duties and possess such powers as are assigned to him by the Board of Directors. The Chairman of the Board shall preside at all meetings of the Board of Directors and the stockholders at which he is present. If the Board of Directors appoints a Vice Chairman of the Board, he shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties and possess such other powers as may from time to time be vested in him by the Board of Directors.

Section 6. President. The President shall be the Chief Operating Officer of the corporation. Unless the Board of Directors has designated the Chairman of the Board as Chief Executive Officer, the President shall also be the Chief Executive Officer of the corporation. The President shall, subject to the direction of the Board of Directors, have general charge and supervision of the business of the corporation, unless otherwise provided by the Board of Directors. The President shall, when present and in the absence of the Chairman of the Board and the Vice-Chairman of the Board, if one shall be appointed, preside at all meetings of the stockholders and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the corporation thereunto authorized by the Board of Directors, certificates for shares of the corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these by laws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 7. The Vice President. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. The Secretary. The Secretary shall: (a) keep the minutes of the stockholders and of the Board of Directors meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by laws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (d) keep a register of the post office address of each stockholder; (e) sign with the President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; and (f) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 9. The Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article V of these by laws; (b) have general charge of the stock transfer books of the corporation unless a transfer agent shall have been appointed; (c) sign with the President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; and (d) in general perform all the duties incident to the office of Treasurer and such other duties as may from time to time be assigned to him by the President or by the Board of Directors.

Section 10. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the President or a Vice-President certificates for shares of the corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The

Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such surety or sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors.

Section 11. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the corporation.

ARTICLE V. CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contract. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by or impressed with the facsimile signature of the President or Vice President and the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer, and signed manually or impressed with a facsimile signature by a Transfer Agent and/or a Registrar. All certificates for shares shall be

consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be canceled and no new certificates shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued thereof upon such terms and indemnity of the corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Treasurer of the corporation or, if appointed, the stock transfer agent of the corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the stock ledger of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

Section 3. Transfer Agents and Registrars. The Board of Directors may appoint one or more transfer agents and one or more registrars of transfer other than the corporation or an employee of the corporation, and may require that all stock certificates bear the certification or countersignature of any such transfer agent or registrar. If any stock certificate is so certified or countersigned with a manual signature by a transfer agent or by a registrar other than the corporation or an employee of the corporation, any other signature on the certificate may be a facsimile, and if any person whose facsimile signature has been placed upon a stock certificate as an officer, transfer agent or registrar of the corporation shall have ceased to be an officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

ARTICLE VII. FISCAL YEAR

The fiscal year of the corporation shall begin on the first day of April and end on the last day of March in each year.

ARTICLE VIII. SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation and the state of incorporation and the words, Corporate Seal.

ARTICLE IX. AMENDMENTS

Unless otherwise provided by the Certificate of Incorporation or these By Laws, these By Laws may be amended or repealed, or new By Laws may be adopted, (1) at any annual or special meeting of the stockholders, by the affirmative vote of 51% of the stockholders, present or in person or represented by proxy and entitled to vote

on such action; provided, however, that the notice of such meeting shall have been given as provided in these By Laws, which notice shall mention that amendment or repeal of these By Laws, or the adoption of new By Laws, is one of the purposes of such meeting; (2) by written consent of the stockholders pursuant to Section 10 of Article II; or (3) by action of the Board of Directors.

ARTICLE X. INDEMNIFICATION

To the fullest extent permitted by Section 145 of the Delaware General Corporation Law, the Corporation shall indemnify any director or officer of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether brought by a third party or by or in the right of the Corporation, by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer against expenses (including attorneys fees), liability, loss, judgment, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding.

Expenses (including attorneys fees) actually and reasonably incurred by a director or officer in defending any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, and whether brought by a third party or by or in the right of the Corporation, and in which the director or officer is made or threatened to be made a party by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer, shall be paid on behalf of the director or officer by the Corporation in advance of the final disposition of such action, suit, or proceeding and within 30 days of receipt by the secretary of the Corporation of (i) an application from such director or officer setting forth the basis for such indemnification, and (ii) if required by law at the time such application is made, an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that the director or officer is not entitled to be indemnified by the Corporation as authorized in this Article. The financial ability of any director or officer to make a repayment contemplated by this provision shall not be a prerequisite to the making of an advance. Expenses incurred by other representatives or employees of the Corporation who are not directors or officers of the Corporation may be paid upon terms and conditions, if any, as the Board of Directors deems appropriate.

Such indemnity and right to advancement of expenses shall inure to the benefit of the heirs, executors and administrators of any director or officer so indemnified pursuant to this Article. The right to indemnification and to advancement of expenses under this Article shall be a contract right. Such indemnification and advancement of expenses shall be in addition to any other rights to which those directors and officers seeking

indemnification and advancement of expenses may be entitled under any law, agreement, vote of stockholders, or otherwise.

Any repeal or amendment of this Article by the directors or stockholders of the Corporation or by changes in applicable law shall, to the extent permitted by applicable law, be prospective only, and shall not adversely affect any right to indemnification or advancement of expenses of a director or officer of the Corporation existing at the time of such repeal or amendment. In addition to the foregoing, the right to indemnification and advancement of expenses shall be to the fullest extent permitted by the General Corporation Law of the State of Delaware or any other applicable law and all amendments to such laws as hereafter enacted from time to time.

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