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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	
Plaintiff,	
-against-	**04 Civ. 4104 (ILG)**
SANJAY KUMAR, and STEPHEN RICHARDS,	**COMPLAINT**
Defendants.	

Plaintiff Securities and Exchange Commission ("Commission"), for its Complaint against Sanjay Kumar ("Kumar") and Stephen Richards ("Richards") (Kumar and Richards are collectively the "Defendants") alleges as follows:

PRELIMINARY STATEMENT

1. While Kumar served as President and Chief Operating Officer ("COO") and Richards served as Senior Vice President ("SVP") and Head of North American Sales at Computer Associates International, Inc. ("CA"), they each participated in a widespread practice that resulted in the improper recognition of revenue by CA, one of the world's largest software companies. During at least the Fourth Quarter of fiscal year ("FY") 1998 through the Second Quarter of FY2001 (January 1, 1998 through September 30, 2000), CA prematurely recognized

revenue from software contracts that had not yet been executed by both CA and its customer, in violation of Generally Accepted Accounting Principles ("GAAP"). Through the conduct of various senior executives and other employees, including Kumar and Richards, CA held its books open for several days after the end of each quarter to prematurely record in that quarter revenue from contracts that were not executed by customers or CA until several days or more after the expiration of the quarter (the "Extended Quarters Practice"). CA often concealed this practice by using licensing contracts that falsely bore preprinted signature dates for the last day of the quarter that had just expired, rather than the subsequent dates on which the contracts actually were executed.

2. Kumar, as CA's President and COO, helped orchestrate and further CA's improper revenue recognition by (1) deciding with other CA executives to extend CA's fiscal quarters until CA had reached a predetermined revenue target based on Wall Street estimates; (2) in at least FY2000, helping CA obtain various contracts after quarter end, including backdated contracts, while knowing, or recklessly disregarding the fact that, CA would prematurely recognize the revenue from those contracts; and (3) signing false Forms 10-K and 10-Q filed with the Commission while knowing, or recklessly disregarding the fact that, those filings were materially false and misleading.

3. Richards, as the head of the Sales Department in FY2000 and FY2001, and as Senior Sales Manager in FY1998 and FY1999, furthered CA's Extended Quarters Practice by (1) participating with other CA executives in the practice of extending CA's fiscal quarters until CA had reached a predetermined revenue target; (2) instructing and allowing subordinates to negotiate and obtain contracts after quarter end while knowing, or recklessly disregarding, the fact that CA would improperly recognize the revenue from those contracts; and (3) knowingly,

or recklessly, failing to alert CA's Finance or Sales Accounting Departments that CA salespersons under Richards were obtaining contracts with backdated signature dates after quarter-end.

4. As a result of this improper Extended Quarters Practice, CA made material misrepresentations and omissions about its revenue and earnings in Commission filings and other public statements from at least the Fourth Quarter of FY1998 through the Second Quarter of FY2001. For the First, Second, Third and Fourth Quarters of FY2000, respectively, CA inflated its properly recorded revenue by approximately 25%, 53%, 46%, and 22% by improperly including prematurely recognized revenue from contracts not executed by CA or CA's customers by the quarter's end. From the Fourth Quarter of FY1998 through the Second Quarter of FY2001, CA prematurely recognized over $3.3 billion in revenue from at least 363 contracts that CA's customer or CA signed after the quarter close. CA's reported revenues and earnings per share from the Fourth Quarter of FY1998 through the Fourth Quarter of FY2000 appeared to meet or exceed the consensus estimates of Wall Street analysts, but CA failed to disclose that those reported results improperly included prematurely recognized revenue and did not comply with GAAP. After CA substantially refrained from recognizing revenue prematurely from contracts that its customers had signed after quarter end during the First Quarter of FY2001, the company missed its earnings estimate and CA's stock price dropped over 43% in a single day. Until September 2000, CA continued to recognize revenue from contracts that CA signed after quarter end.

VIOLATIONS

5. By virtue of the conduct alleged in this Complaint: Kumar and Richards, directly or indirectly, singly or in concert, have engaged in acts, practices and courses of business that

constitute violations of Section 17(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77q(a); and Sections 10(b) and 13(b)(5) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78j(b), 78m(b)(5); and Rules 10b-5 and 13b2-1, 17 C.F.R. §§ 240.10b-5, and 240.13b2-1; and Kumar and Richards, pursuant to Section 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), are each also liable for aiding and abetting CA's violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(a), 78(m)(b)(2)(A) and 78(m)(b)(2)(B), and Rules 10b-5, 12b-20, 13a-1 and 13a-13, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-13 thereunder.

6. Unless Kumar and Richards are permanently restrained and enjoined by this Court, they each will again engage in the acts, practices, and courses of business set forth in this Complaint and in acts, practices, and courses of business of similar type and object. By this action, the Commission seeks judgment, among other things: (a) permanently enjoining defendants Kumar and Richards from engaging in the acts, practices and courses of business alleged herein, pursuant to Section 20(b) of the Securities Act, 15 U.S.C. §77t(b), and Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d); (b) requiring defendants Kumar and Richards each to disgorge any and all ill-gotten gains together with prejudgment interest; (c) requiring Kumar and Richards to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d) and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3); and (d) barring defendants Kumar and Richards each from serving as an officer or director of any publicly held company pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

JURISDICTION AND VENUE

7. The Commission brings this action pursuant to the authority conferred upon it by Section 20 of the Securities Act, 15 U.S.C. § 77t, and Section 21 of the Exchange Act, 15 U.S.C. § 78u, seeking to restrain and enjoin permanently the Defendants from engaging in the acts, practices, and courses of business alleged herein, and seeking civil penalties and other relief.

8. The Defendants, directly and indirectly, have used the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the transactions, acts, practices, and courses of business alleged herein.

9. Certain of these transactions, acts, practices and courses of business occurred in the Eastern District of New York, including conduct by the Defendants while at CA's corporate headquarters in Islandia, New York.

10. Accordingly, this Court has jurisdiction over this action, and venue is proper in this district, pursuant to Section 20 of the Securities Act, 15 U.S.C. § 77t; and Sections 21 and 27 of the Exchange Act, 15 U.S.C. §§ 78u and 78aa.

DEFENDANTS

11. **Kumar**, 42, resides in Oyster Bay, New York, and is CA's former Chairman and Chief Executive Officer ("CEO"). He joined CA in August 1987 when CA acquired UCCEL Corporation. Since that time, Kumar took positions of increasing responsibility, including: Vice-President, Planning (November 1988-March 1989); SVP, Planning (April 1989-December 1992); Executive Vice-President, Operations (January 1993-December 1993); President and COO (January 1994-July 2000); CEO (August 2000) and Chairman (November 2002). On April 21, 2004, Kumar resigned as CEO, Chairman, and a member of CA's board, taking the new

position of Chief Software Architect. On June 4, 2004, Kumar resigned from his new position of Chief Software Architect.

12. **Richards**, age 39, resides in Locust Valley, New York. Richards received a Bachelor of Business degree from Avondale College in Australia in 1987 and then worked for Ernst & Whinney performing audits for three months in Sydney, Australia before joining CA in 1988. CA promoted Richards through the CA sales force in the Australia-New Zealand area, and in April 1998, CA promoted Richards to head one of CA's four North America sales regions, a position based in CA's headquarters in Islandia, New York. In April 1999, CA promoted Richards to head of the North America Sales division. In April 2000, CA promoted Richards to head of Worldwide Sales. As the executive in charge of North America Sales in FY2000, Richards supervised four sales groups. Richards resigned from CA on or about April 26, 2004.

OTHER RELEVANT ENTITY

13. **CA** is a Delaware corporation headquartered in Islandia, New York. CA's fiscal year concludes at the end of each March, such that, for example, CA's FY2000 ended on March 31, 2000. According to CA's Form 10-K Annual Report for the fiscal year ended March 31, 2004 ("2004 10-K"), CA "design[s], market[s], and license[s] computer software products that allow businesses to efficiently run and manage critical aspects of their IT technology." CA is one of the largest computer software companies in the world; according to its 2004 10-K, more than 95% of the Fortune 500® companies use its software products. CA's common stock trades on the New York Stock Exchange and is registered pursuant to Section 12(b) of the Exchange Act, 15 U.S.C. §78l(b).

CA'S ACCOUNTING FRAUD

14. Between at least the Fourth Quarter of FY1998 through the Second Quarter of FY2001, CA engaged in a widespread practice that allowed for the premature recognition of revenue from software licensing agreements. Pursuant to this practice, which is referred to in this Complaint as the "Extended Quarters Practice," CA personnel recorded, into the just-elapsed fiscal quarter, revenue from software contracts that were not finalized and signed by both CA and its customers until days or weeks after that quarter ended. Reporting revenue in this fashion was improper because it violated GAAP, which required that license agreements be fully executed by both CA and its customers by quarter end before recognizing revenue. CA's reported revenue and earnings per share appeared to meet or exceed Wall Street analysts' expectations, when – in truth and fact – those results were based in part on revenue that CA recognized prematurely and in violation of GAAP. During at least the Fourth Quarter of FY1998 through the Second Quarter of FY2001, Kumar, as President and COO and Richards as head of the Sales Department, or a Senior Sales Manager, helped CA engage in these improper revenue recognition practices.

15. In 2003, CA announced that the Audit Committee of its Board of Directors was conducting an investigation into the timing of revenue recognition at the company. In a press release dated October 8, 2003, CA announced the preliminary results of that investigation. Quoting the chair of the Audit Committee, that press release stated, among other things, that:

> The Audit Committee's investigation is continuing, but we have determined that CA recognized certain revenue prematurely in the fiscal year ending March 31, 2000. The committee found that a number of software contracts in that fiscal year appear to have been signed after the end of the quarter in which revenues associated with such contracts had been recognized. Those

> revenues should have been recognized in the quarter in which the contract was signed.

In that same press release, CA announced that CA had asked for and received the resignations of those who, according to CA, "oversaw sales accounting during the relevant time."

16. On April 26, 2004, CA filed with the Commission a Form 8-K ("Form 8-K") stating, among other things that:

> The Audit Committee's investigation found accounting irregularities that led to material misstatements of the Company's financial reports for fiscal years 2000 and 2001, and prior periods. The effect of prior period errors which have an impact on fiscal year 2000 have been considered as part of this restatement. The Audit Committee believes that several factors contributed to the improper recognition of revenue in these periods, including a practice of holding the financial period open after the end of the fiscal quarters, providing customers with contracts with preprinted signature dates, late countersignatures by Company personnel, backdating of contracts, and not having sufficient controls to ensure the proper accounting under SOP 97-2. In addition, the Audit Committee found that certain former executives and other personnel were engaged in the practice of "cleaning up" contracts by, among other things, removing fax time stamps before providing agreements to the outside auditors. These same executives and personnel also misled the Company's outside counsel, the Audit Committee and its counsel and accounting advisers regarding these accounting practices.

17. Also in the Form 8-K, CA announced that it was restating over $2.2 billion in revenue that CA had improperly recognized in FY2000 and FY2001.

<u>Improper Revenue Recognition at CA</u>

18. During the time period relevant to this Complaint, which is from at least the Fourth Quarter of FY1998 through the Second Quarter of FY2001, CA derived its income primarily from licensing software and providing maintenance for that software. CA's software operated and maintained powerful "mainframe" computers, those generally used by businesses and other

organizations. Prior to October 2000, CA's contract and licensing model involved entering into long-term licensing contracts, some as long as seven years in duration. Under that business model, customers paid an initial licensing fee for the software, plus subsequent licensing fees for the right to use the software in subsequent years. In addition, customers paid CA for ongoing maintenance such as technical support. Customers often entered into long-term contracts and spread out the licensing and maintenance fees over the term of the contract.

19. For contracts under its pre-October 2000 business model, GAAP allowed CA to recognize all the license revenue called for during the duration of the contract up front, during the fiscal quarter in which the software was shipped and the contract was executed and final. SOP 97-2, which the American Institute of Certified Public Accountants adopted in October 1997,[1] requires the following before revenue can be recognized from a software sale:

- evidence of an arrangement;
- delivery;
- fixed and determinable fees; and
- ability to collect.

When a software company uses contracts requiring signatures by the software company and its customer, then SOP 97-2 provides that both signatures – the software company and the customer – are required as "evidence of an arrangement" before the software company may recognize revenue. During the period relevant to this Complaint, including but not limited to the Fourth

[1] SOP 97-2 was preceded by SOP 91-1 (software revenue recognition), which became effective for financial statements issued after March 15, 1992 (for fiscal years beginning after December 15, 1991). According to SOP 91-1, para. 50, a software company can only recognize revenue if there is persuasive evidence of an agreement, and evidence of an agreement is usually provided by a signed contract. Thus, in addition to being inconsistent with SOP 97-2, CA's Extended Quarters Practice was inconsistent with SOP 91-1.

Quarter of CA's FY1998 through the Second Quarter of CA's FY2001, all of CA's license agreements required signatures by both CA and the customer.

20. During at least the Fourth Quarter of FY1998 through the Second Quarter of FY2001, CA violated GAAP, including SOP 97-2 and SOP 91-1, by recording into fiscal quarters that had expired software contracts that were not executed – and for which "evidence of an arrangement" did not exist – until a subsequent quarter. This Extended Quarters Practice resulted in CA's premature recognition of revenue. As a consequence, CA made material misrepresentations and omissions of fact concerning CA's revenues and earnings for the Fourth Quarter of FY1998 through the Second Quarter of FY2001 in various public documents and in connection with the offer, purchase and sale of securities. CA's reported results for at least the Fourth Quarter of FY1998 through the Fourth Quarter of FY2000 appeared to meet or exceed the revenue and earnings estimates of outside analysts when, in fact, those reported results did not comply with GAAP and were false and misleading.

21. Specifically, the misrepresentations and omissions CA made about its revenue and earnings per share include the following:

a. In its Form 8-K, which was not an audited Restatement, CA admits that the Extended Quarters Practice resulted in CA prematurely recognizing substantial percentages of revenue for all quarters of FY2000 and the first two quarters of FY2001. Below is a chart which illustrates the impact of the premature revenue recognition in those fiscal quarters:

Fiscal Quarter	GAAP Value of Revenue Properly Recorded[2]	GAAP Value of Contracts that CA Signed After Quarter End	GAAP Value of Contracts that Clients Signed After Quarter End	GAAP Value of Revenue Improperly Accelerated and Recorded	Percentage that Properly Recorded Revenue was Inflated by Improperly Accelerated Revenue
Q1 FY2000	$977,165,281	$122,230,689	$122,604,030	$244,834,719	25%
Q2 FY2000	$1,047,256,904	$90,099,723	$467,643,373	$557,743,096	53%
Q3 FY2000	$1,239,902,741	$170,450,718	$401,646,541	$572,097,259	46%
Q4 FY2000	$1,748,131,031	$179,493,620	$199,375,348	$378,868,969	22%
Q1 FY2001	$1,135,600,000	$126,740,000	$15,660,000	$142,400,000	13%
Q2 FY2001	$1,462,040,000	$214,720,000	$4,240,000	$218,960,000	15%

b. The greatest amount of prematurely recognized revenue as a result of the Extended Quarters Practice occurred in FY2000, particularly in the Third Quarter, followed by the Second, Fourth and First Quarters of that Fiscal Year. If CA had not improperly recognized revenue in each of those fiscal quarters, CA would not have met analysts' revenue and earnings estimates. The following is a chart which shows the impact of the Extended Quarters Practice on CA's earnings per share in the four quarters of FY2000 and the extent of the material misstatements and misrepresentations in the Forms 10-Q and Form 10-K that CA filed with the Commission which reported each quarterly result, and related public statements made by CA:

[2] The amounts in this column do not include the effect of rebooking revenue improperly accelerated in prior quarters.

Quarter	Total Revenue Properly Recorded[3]	Total Revenue Improperly Recorded	Analyst earnings per share ("EPS") Estimate	Announced EPS	EPS without Improper Revenue	Overstatement of EPS
Q1 FY2000	$977 million	$244 million	$.47	$.49[4]	$.29	$.20
Q2 FY2000	$1.047 billion	$557 million	$.59	$.60	$.05	$.55
Q3 FY2000	$1.240 billion	$572 million	$.90	$.91[5]	$.31	$.60
Q4 FY2000	$1.748 billion	$378 million	$1.13	$1.13[6]	$.82	$.31

c. In addition to misstating the results for the Fourth Quarter of FY2000, CA's Form 10-K for FY2000 also was inaccurate and misleading as it (a) repeated false statements about quarterly results as reported in the Forms 10-Q for the First, Second and Third Quarters, including quarterly revenue and earnings per share; (b) contained false statements about the Company's revenue and earnings per share for the Fourth Quarter of FY2000; (c) contained false statements about the Company's annual revenue and earnings results; and (d) failed to disclose the Extended Quarter's Practice.

d. In CA's Form 10-K for FY2000, the Company listed the quarterly results for each of the four fiscal quarters. The results for each quarter include the revenue and earnings per share. For the First, Second and Third Quarter this information is the same as is listed in the

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3 The amounts in this column do not include the effect of rebooking revenue improperly accelerated in prior quarters.

4 In its Form 10-Q for the First Quarter of FY2000, CA represented that it had lost $.80 per share on a diluted basis for that quarter. In its July 20, 1999 press release, CA represented that its first quarter operating earnings per share was $.49 on a diluted basis, excluding certain amortization expenses and a $646 million charge related to CA's purchase of another company.

5 In its Form 10-Q for the Third Quarter of FY2000, CA represented that its earnings per share for that quarter amounted to $.72 on a diluted basis. In its January 26, 2000 press release, CA represented that its third quarter operating earnings per share was $.91 on a diluted basis, excluding acquisition related amortization charges and a one-time non-cash asset write-down of $37 million.

6 In its Form 10-K for FY2000, CA represented that its earnings per share for the Fourth Quarter of FY2000 amounted to $.70 on a diluted basis. In its May 15, 2000 press release, CA represented that its fourth quarter operating earnings per share was $1.13 on a diluted basis, excluding certain acquisition related amortization charges and a one-time non-cash charge.

Forms 10-Q that the Company filed, and, as discussed above, is inaccurate and misleading. The Company also listed quarterly results for the Fourth Quarter stated above. As discussed above this information is false and misleading.

e. CA also misstated the Company's annual earnings per share for FY2000. Because the $378 million in contract revenue referenced above was not only improper revenue for the Fourth Quarter of FY2000, but also for FY2000 as a whole, CA's revenue for the year should have been listed as $5.725 billion, not $6.103 billion, an overstatement of over 6.6%. Without the improperly recognized revenue, CA's true diluted annual earnings per share would have been $2.96 per share, not $3.28 per share as announced.[7] CA's improper revenue recognition resulted in an overstatement of $0.32 per share, or 10.81%. Without the improperly recognized revenue, CA would have missed earnings estimates of $3.28 per share.

f. In its Form 10-K for FY2000, CA also failed to make a statement necessary to make statements made not misleading. Specifically, CA failed to disclose that in order to achieve its reported revenue results, CA had held open fiscal quarters, and its entire fiscal year had also been extended to allow for additional contracts.

g. Based on the substantial percentages of improperly recognized revenue in the First and Second Quarter of FY2001, CA's Forms 10-Q for each of those quarters and its Form 10-K for FY2001 were materially false and misleading.

h. CA's Extended Quarters practice also resulted in significant contracts being improperly recorded as revenue in fiscal quarters from the Fourth Fiscal Quarter of 1998 through

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[7] In its Form 10-K for FY2000, CA represented that its earnings per share for FY2000 amounted to $1.25 on a diluted basis. In its May 15, 2000 press release, CA represented that its operating earnings per share for FY2000 was $3.28 on a diluted basis, excluding certain amortization charges.

each quarter of FY1999. Below is a chart showing the impact of CA's Extended Quarters practice in various fiscal quarters in FY1998 and FY1999.

Fiscal Quarter	GAAP Value of Revenue Properly Recorded[8]	GAAP Value of Contracts that CA Signed After Quarter End	GAAP Value of Contracts that Clients Signed After Quarter End	GAAP Value of Revenue Improperly Accelerated and Recorded	Percentage that Properly Recorded Revenue was Inflated by Improperly Accelerated Revenue
Q4 FY1998	$1,419,690,000	$0	$47,310,000	$47,310,000	3%
Q1 FY1999	$912,140,000	$67,890,000	$66,970,000	$134,860,000	15%
Q2 FY1999	$922,760,000	$221,990,000	$71,250,000	$293,240,000	32%
Q3 FY1999	$975,230,000	$316,110,000	$69,660,000	$385,770,000	40%
Q4 FY1999	$1,282,290,000	$300,020,000	$46,690,000	$346,710,000	27%

As with FY2000, the improper revenue recognized by CA in the above-referenced fiscal quarters in FY1998, FY1999, and FY2001 caused CA's Forms 10-Q and Forms 10-K which corresponded to those reporting periods to be materially false and misleading.

i. In addition, CA repeated the misstatements it made in its Commission filings by incorporating them by reference in a Form S-4, filed on February 22, 2000, and an amended Form S-4, filed on March 13, 2000, regarding CA's acquisition of another public company. Each of the Forms S-4 stated that they incorporated by reference, among other things, CA's Form 10-K for FY1999 and Forms 10-Q for the quarters ending June 30, 1999, September 30, 1999 and December 31, 1999, thus repeating by reference the false statements specified above.[9]

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8 The amounts in this column do not include the effect of rebooking revenue improperly accelerated in prior quarters.

9 CA also filed two Forms S-8 which repeated by reference the misstatements made in the Forms 10-Q for the quarters ending September 30, 1999 and December 31, 1999. The first such Form S-8, filed with the

22. The premature recognition of revenue at CA during at least the Fourth Quarter of FY1998 through the Second Quarter of FY2001 was the result of a systemic, intentional practice by certain CA personnel. To implement and conceal this Extended Quarters Practice, CA personnel employed a variety of improper techniques, many of which rendered the company's books and records false and misleading. Indicia of this are:

a. Some employees at CA called the Extended Quarters Practice the "35-day month" practice, because generally most quarters were extended by at least 3 business days, although some quarterly extensions lasted longer.

b. Sometimes, CA had its customers execute contracts bearing pre-printed dates from the just expired quarter even though the customer did not actually sign the contract until days or weeks into the new quarter.

c. Other times, even when the customer signed the contract before quarter end, CA did not execute the contract until the following quarter.

23. CA substantially stopped prematurely recognizing revenue for software contracts signed after quarter end by CA's customers during the First Quarter of FY2001 (quarter ended June 30, 2000). That quarter, CA missed its Wall Street earnings estimates. CA issued a press release on July 3, 2000 stating that it would miss the analysts' estimates, specifically citing the fact that the company did not complete several large contracts that they had hoped to conclude before the close of the quarter. This was only the second time in CA's then recent history that CA missed Wall Street's estimates. The next trading day, July 5, 2000, CA's stock dropped over

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Commission on February 28, 2000, concerned the year 2000 employee stock purchase plan; the second, filed March 21, 2000, concerned stock incentive plans that had existed at several companies that CA had acquired. Each of these Forms S-8 incorporated by reference its Form 10-K for FY1999, all filings made under Section 13(a) of the Exchange Act since March 31, 1999 (which includes the Forms 10-Q for the quarters ending June 30, 1999, September 30, 1999 and December 31, 1999, and future filed periodic reports including the FY2000 and FY2001

43% from $51.12 to $28.50 as the market reacted to the news. Subsequent days of trading brought negligible gains.

24. CA continued to prematurely recognize revenue from contracts that CA signed after quarter end (although, with a few exceptions, the customer did sign contract by quarter end) for the first two quarters of FY2001, after which that practice substantially stopped.

25. CA profited from its accounting fraud by inflating its stock price when it acquired another public company in a stock swap merger.

DEFENDANTS' ROLES IN CA'S ACCOUNTING FRAUD

Kumar's Misconduct

26. During the period relevant to this Complaint, including, but not limited to, the Fourth Quarter of FY1998 through the Second Quarter of FY2001, Kumar was CA's President and COO. As President and COO, Kumar helped CA improperly recognize revenue during at least January 1998 through October 2000. Specifically, Kumar (1) oversaw the Extended Quarters Practice and decided with other CA executives to extend CA's fiscal quarters until CA had reached a predetermined revenue target based on Wall Street estimates; (2) in at least FY2000, helped CA obtain various contracts after quarter end, including backdated contracts, while knowing, or recklessly disregarding the fact that, CA would prematurely recognize the revenue from those contracts; and (3) signed Forms 10-K and 10-Q filed with the Commission while knowing, or recklessly disregarding the fact that, those filings contained materially false and misleading revenue and earnings results.

Forms 10-K and the Forms 10-Q for the quarters ending June 30, 2000 and September 30, 2000), thus repeating the false statements contained in those filings.

Kumar Oversaw and Implemented the Extended Quarters Practice

27. During the period of the fraud, Kumar, as President and COO, oversaw CA's worldwide sales force, and reported the Company's quarterly results to CA's Board of Directors before the Company publicly reported the results.

28. It was important to Kumar that CA meet or beat its earnings estimates each fiscal quarter. At the beginning of each fiscal quarter in at least FY2000, Kumar, Richards, and Ira Zar ("Zar"), then CA's Chief Financial Officer, met to determine how much revenue CA needed to obtain to meet or exceed analysts' consensus earnings estimates for that quarter.

29. Kumar kept track of how close CA was to obtaining its quarterly results. Kumar tracked contracts on a "real-time" spreadsheet or program, that was only on Kumar's computer, and that allowed Kumar to see which contracts had been completed and which had not. Additionally, Kumar and other CA senior staff used internally generated "Status Reports" and "Missing Reports" to keep track of the sales force's progress in consummating particular contracts during the quarter. Senior management, including Kumar, each quarter received, from data in CA's computerized Total Order Processing System, Status Reports identifying particular license agreements that the Company needed to consummate to achieve and surpass the quarterly targets, and charting the status of those expected contracts. At the end of the quarter and, separately, during the early days of the new quarter, senior management, including Kumar, received Missing Reports identifying, from the Status Reports, the particular contracts that were not yet finalized, or that had been finalized the preceding day. Through the Status Reports and Missing Reports, senior management could identify, as the quarter drew to a close and ended, specific contracts that the sales force still needed to finalize for CA to meet its revenue and earnings per share targets.

30. Kumar determined how long to keep CA's quarters open and ordered employees to continue to obtain contracts after quarter end while knowing, or recklessly disregarding, that CA would improperly recognize revenue from those contracts.

31. Kumar, Richards, and Zar met at the end of each quarter – and continued to meet daily after the end of the quarter – to discuss how CA was doing relative to analysts' estimates and to determine how much longer to keep CA's books open. These meetings typically consisted of Zar reporting how much revenue CA had obtained for the prior quarter and whether that was enough to meet earnings estimates. If CA did not have enough revenue to meet analysts' estimates, the three executives then decided to keep the quarter open another day to try to obtain more contracts to get enough revenue to meet those estimates. Kumar, Richards and Zar repeated this process until CA had enough revenue to meet its estimates, at which point they closed the quarter.

32. Kumar often called David Kaplan ("Kaplan"), then head of CA's Financial Reporting Department, after the quarter had ended and informed him that Kumar was working to get CA tens of millions of dollars in additional revenue for the prior quarter.

33. Kumar called salespeople, including CA Sales Manager A and CA Sales Manager B, after the end of a fiscal quarter to pressure them to close deals. During these calls, Kumar often said things such as "we're short," meaning CA was short of its sales forecasts for the prior quarter, and it might not have enough revenue to meet its earnings estimates. Kumar told CA Sales Manager B to keep the "right date," meaning an incorrect prior quarter end date, on contracts negotiated after quarter end.

Kumar Signed Several Backdated or Misdated Contracts in FY2000 and Participated in Obtaining Other Improper Contracts

34. Kumar directly participated in obtaining backdated or misdated contracts. In FY2000, Kumar signed two contracts which he knew, or recklessly disregarded, would result in CA improperly recognizing revenue in the quarters that had just ended. He also helped CA obtain other backdated contracts.

a. **Company 1.** In July 1999, Kumar signed a contract dated June 30, 1999, between CA and Company 1, which resulted in CA improperly recognizing $18 million of GAAP revenue in the First Quarter of FY2000, ended June 30, 1999. Kumar obtained the Company 1 contract by traveling to France to negotiate the deal. The Company 1 contract is in the form of a letter from Kumar to Company 1 dated June 30, 1999, with a counter signature on the letter by Company 1's representative, above the preprinted date of June 30, 1999. In fact, however, Kumar did not actually sign and send the letter until July 1999, after the First Quarter had ended.

b. **Company 2.** In January 2000, Kumar signed a CA contract with Company 2, which he knew was misleadingly dated to create the false impression that the parties had signed it on December 31, 1999. The Company 2 contract was one of the largest contracts in CA's history, and Kumar was aware of its significance to CA's quarterly results. The Company 2 contract contains a preprinted statement above the signature lines stating that "the parties hereto have duly executed this December 31, 1999 Amendment." In fact, neither Kumar nor the signatory from Company 2 executed that contract until on or about January 6, 2000. CA improperly recognized $180 million of GAAP revenue from the Company 2 contract in the Third Quarter of FY2000, ended December 31, 1999.

35. In addition to signing the two contracts above which were backdated or misdated, Kumar participated in obtaining other contracts which customers executed after the fiscal quarter and which were backdated. Kumar knew, or recklessly disregarded the fact that, CA improperly recognized the revenue from such contracts.

a. **Company 3.** In April 2000, CA executed a contract with Company 3. The Company 3 contract was backdated to March 31, 2000 and resulted in CA improperly recognizing $13 million of GAAP revenue in the Fourth Quarter of FY2000, ended March 31, 2000. Kumar was involved in obtaining this contract. Among other things, an April 6, 2000 email from CA Sales Manager C to Kumar and Richards regarding the contract with Company 3, states that Company 3 "technically can't backdate the signature block," because "the new company wasn't formed until 4/1/00" but that the company might "'do us [CA] a favor' and sign the contract, leaving the signature date block blank." Another email demonstrates that Kumar was aware when the contract finally came in. An email to Kumar on April 7, 2000 from CA Sales Manager C announced, "The Eagle has landed . . $11.9M GAAP . . . $19.7M lifecycle . . . contract addendum and P.O. . . I'm taking my kids shopping tomorrow – on you!" to which Kumar replied, "Shopping is on me."

b. **Company 4.** In October 1999, CA executed a contract with Company 4. The Company 4 contract was backdated to September 30, 1999 and resulted in CA improperly recognizing $65 million of GAAP revenue in the Second Quarter of FY2000, ended September 30, 1999. The contract between Company 4 and CA was not signed until October 6, 1999 because, as Kumar was aware, Company 4 refused to sign the contract until after CA signed a separate agreement. Kumar executed that separate agreement on October 6, 1999.

c. **Company 5.** In October 1999, CA executed a contract with Company 5. The Company 5 contract was backdated to September 30, 1999 and resulted in CA improperly recognizing over $14 million of GAAP revenue in the Second Quarter of FY2000, ended September 30, 1999. Kumar, together with Richards, called CA Sales Manager D in October 1999 to pressure that salesperson to close a contract with Company 5 from which CA recognized revenue in September 1999. Both Kumar and Richards knew that CA recognized the revenue from the contract in September 1999.

d. **Company 6.** In October 1999, CA executed a contract with Company 6. The Company 6 contract was backdated to September 30, 1999 and resulted in CA improperly recognizing $97 million of GAAP revenue in the Second Quarter of FY2000, ended September 30, 1999. Company 6 did not execute the contract until at least October 4, 1999. CA Sales Manager B, who was involved in obtaining the Company 6 contract, was at CA's headquarters in New York in October 1999 when the executed contract from Company 6 first arrived at CA. CA Sales Manager B showed the contract to Kumar to demonstrate fulfillment of the sales manager's sales commitment for the prior quarter.

e. **Company 7.** In April 2000, CA executed a contract with Company 7. The Company 7 contract was backdated to March 31, 2000 and resulted in CA improperly recognizing $16 million of GAAP revenue in the Fourth Quarter of FY2000, ended March 31, 2000. CA obtained the contract with Company 7 after Kumar, in early April 2000, instructed CA Sales Manager B to quickly complete a deal with Company 7. Kumar also asked CA Sales Manager B if there were any other contracts that the sales manager could quickly obtain. CA Sales Manager B understood from Kumar that CA needed the additional contracts for the fiscal quarter that had just ended on March 31, 2000. Prior to the sudden instruction from Kumar, CA

Sales Manager B had not planned to negotiate a contract with Company 7 at that time. CA Sales Manager B was able to quickly obtain, in April 2000, the backdated contract from Company 7 by offering “unlimited MIPS,” or unlimited usage, a contract term that required Kumar’s personnal approval.

Kumar Signed False and Misleading Forms 10-K and 10-Q

36. Kumar, as COO or director, signed CA’s Forms 10-K and 10-Q for FY1998 through FY2001 while knowing, or recklessly disregarding the fact, that (1) those forms contained false statements regarding CA’s compliance with GAAP and CA’s recorded revenue and earnings for the Fourth Quarter of FY1998 through the Second Quarter of FY2001; and (2) CA reported revenue in various fiscal quarters from the Fourth Quarter of FY1998 through the Second Quarter of FY2001 from contracts which were executed by customers or CA after those fiscal quarters ended.

Kumar Obstructed the Investigations of CA’s Outside Counsel, CA’s Audit Committee, the Commission and Other Government Agencies

37. Before Zar met with CA’s outside counsel and counsel to the Audit Committee of CA’s Board of Directors, who were investigating the Extended Quarters Practice, he spoke to Kumar because he was concerned the government might discover CA’s improper accounting. Kumar provided Zar with several false ways to explain the appearance of the Extended Quarters Practice, including saying that: the practice existed only to process contracts as they came in from the field; that CA sometimes commissioned a salesperson in one quarter for a deal completed in the next quarter, but CA properly recognized the revenue from the contract in the later quarter; and only minor terms or conditions of a contract sometimes were changed after the end of the quarter. Kumar also requested that Zar find other answers that could provide an

innocent, but false, explanation for any appearance of wrongdoing. Kumar falsely told CA's outside counsel that CA only "extended quarters" for the purpose of paying salespersons commissions, not for the purpose of recognizing revenue from contracts. Kumar did this to mislead CA's attorneys and ultimately the government's investigation.

38. Kumar also made false statements to the government in a proffer session on November 5, 2003. Kumar falsely stated that he did not learn where CA stood with respect to meeting quarterly estimates until fifteen days after each quarter ended. Kumar also falsely stated in his proffer that he did not know of the Extended Quarters Practice

39. Kumar received ill-gotten gains from his fraudulent conduct through compensation that he received from CA.

Richards' Misconduct

40. During the period relevant to this Complaint, including but not limited to the Fourth Quarter of FY1998 through the Second Quarter of FY2001, Richards was a Senior Sales Manager or the head of the Sales Department at CA. As a Senior Sales Manager, and later as head of the Sales Department, Richards helped CA improperly recognize revenue during at least January 1998 through September 2000. Specifically, Richards: (1) participated with other CA executives in the practice of extending CA's fiscal quarters until CA had reached a predetermined revenue target; (2) instructed and allowed subordinates to negotiate and obtain contracts after quarter end while knowing, or recklessly disregarding the fact that, CA would improperly recognize the revenue from those contracts; and (3) failed to alert CA's Finance or Sales Accounting Departments that CA salespersons under Richards were obtaining contracts with backdated signature dates after quarter end.

Richards Participated in the Extended Quarters Practice

41. Richards coordinated with other CA executives to extend quarters so that CA could obtain the additional contract revenue it needed to meet Wall Street earning estimates, and knew that these actions inflated CA's stock price.

42. Richards met with Zar and Kumar at the start of a new quarter to determine the amount of revenue needed to meet Wall Street expectations, and then again at the end of the quarter in order to determine how long to hold open CA's books to insure CA met those estimates. During the quarter, and also after quarter end, Richards provided Kumar with daily updates on his progress towards meeting the predetermined revenue figures.

43. Richards kept an Excel spreadsheet on his computer that had a running tally of how his sales force was doing relative to the quarterly sales goals. The spreadsheet identified customer names and contract values, and indicated "In" when a customer had signed a contract. Using this spreadsheet, along with Missing Reports and Status Reports, Richards tracked which contracts were completed and which contracts were not completed on a daily basis.

44. Richards kept in close communication with his sales force, and sales executives promptly reported by telephone to him the signing of a contract by a customer. Many contracts came in five or more days after the end of the quarter. As Richards closely tracked these contracts, he knew that clients signed some contracts after quarter end.

45. Richards knew, or recklessly disregarded the fact, that the revenue from the contracts that CA customers executed after the quarter end would be recognized as revenue by the Finance Department in the quarter just ended. As stated above, Richards met with Zar and Kumar at the end of quarters to discuss how CA was doing relative to Wall Street estimates and to determine how much longer to keep CA's books open. Additionally, Richards also coordinated with

Kaplan, in the first few days of a new quarter to determine that CA had enough revenue to meet estimates, to alert Kaplan as to which additional contracts were signed during those first few days, and to insure Kaplan had those contracts included on Kaplan's computer generated financial spreadsheets.

Richards Pressured CA's Sales Force to Obtain Contracts After Quarter End, Knowing that CA Would Recognize Revenue From Them in the Prior Quarter

46. Richards ordered his sales force to bring in additional revenue after quarter end so that CA could count it for the prior quarter and meet analyst estimates. Richards communicated with his sales force on a regular basis. Richards knew the progress of contract negotiations, and whether negotiations were taking place after the end of a quarter, because he was tracking the progress of such negotiations. Subordinates told Richards within twenty-four to forty-eight hours if a customer had executed a large contract.

47. Even if his salespersons negotiated contracts after the end of a quarter, Richards instructed them to have clients execute contracts with a date of the end of the prior quarter. Richards and others at CA instructed salespeople to put preprinted dates on all of the contract drafts throughout negotiations with customers. This preprinted date was typically the last day of the end of a quarter. Upon conclusion of the negotiations, Richards did not allow his salesperson or the customer to change the preprinted signature dates to conform to the actual dates on which the parties signed the contract. Richards took no steps to alert anyone in Finance or Sales Accounting that the dates on various contracts that salespeople obtained after quarter end were incorrect. Richards knew from his experience as an auditor at Ernst & Whinney that false dates on contracts could mislead CA's auditors.

48. During the first few days of a new quarter, if CA had missed its numbers for the quarter just ended, Richards called his salespeople and asked if they could quickly put together a

contract. Often, Richards' sales force was able to complete contracts after the end of the quarter, at his request. These contracts bore the date of the last day of the just ended quarter. If the contract arrived at CA's offices with the actual signature date after the end of the prior quarter, Richards had the salesperson go back to the customer to resign the contract with the "correct" date, i.e., the last day of the just ended quarter. Richards told salespersons responsible for such "mistakes" that he needed another contract because CA could not count the contract with the actual signature date for the prior quarter.

49. Richards knew that CA had had a widespread practice of allowing salespersons several business days after a quarter end to complete contracts for the prior quarter, and instructed CA salespersons, including CA Sales Manager E, to follow this practice.

50. Richards knew, or recklessly disregarded, that CA improperly recognized revenue from several contracts he oversaw, including the following contracts:

a. **Company 5.** In October 1999, CA executed a contract with Company 5. The Company 5 contract was backdated to September 30, 1999 and resulted in CA improperly recognizing over $14 million of GAAP revenue in the Second Quarter of FY2000, ended September 30, 1999. Richards called CA Sales Manager D in October 1999 and pressured the salesperson to close the contract.

b. **Company 8.** In January 2000, CA executed a contract with Company 8. The Company 8 contract was backdated to December 31, 1999 and resulted in CA improperly recognizing over $37 million of GAAP revenue in the Third Quarter of FY2000, ended December 31, 1999. Richards called CA Sales Manager D in early January 2000, stating that CA had fallen short of its Wall Street earnings estimates for the quarter ended December 31, 1999. Richards asked CA Sales Manager D if CA Sales Manager D had any contracts "in the pipeline" that could be finalized and counted for the quarter ended December 1999. CA Sales Manager D quickly negotiated a contract with Company 8, and backdated the contract to appear as though the client had signed it in December 1999.

c. **Company 9.** In January 2000, CA executed a contract with Company 9. The Company 9 contract was backdated to December 31, 1999 and resulted in CA improperly recognizing $18 million of GAAP revenue in the Third Quarter of FY2000, ended December 31, 1999. Richards called CA Sales Manager F in early January 2000, stating that CA needed more revenue for the quarter just ended. The salesperson negotiated a contract with Company 9 and backdated the contract to make it appear as though the client had signed it in December 1999.

d. **Company 10.** In April 2000, CA executed a contract with Company 10. The Company 10 contract was backdated to March 31, 2000 and resulted in CA improperly recognizing over $28 million of GAAP revenue in the Fourth Quarter of FY2000, ended March 31, 2000. In early April 2000, Richards called CA Sales Manager F frequently to check on the status of the contract, and told CA Sales Manager F to "get it done," that Kumar needed the contract finalized, that the company was "short," and the contract was "critical." CA Sales Manager F understood from Richards that the contract had to have a March date, and that the revenue from the contract would be recognized in the quarter just ended.

e. **Company 3.** In April 2000, CA executed a contract with Company 3. The Company 3 contract was backdated to March 31, 2000 and resulted in CA improperly recognizing $13 million of GAAP revenue in the Fourth Quarter of FY2000, ended March 31, 2000. This customer was uncomfortable signing a contract with an incorrect date, but agreed with CA Sales Manager C to leave the date blank. Although the contract was signed in April

2000, Richards told CA Sales Manager C to place the incorrect date of "March 31, 2000" on the contract. CA Sales Manager C followed Richards instructions and backdated the contract.

51. CA held a "kick-off" sales meeting in Las Vegas, Nevada in April, 2000. Richards called subordinates at the meeting, including CA Sales Manager C, and pressed them to complete contracts for the prior quarter.

Richards Obstructed the Investigations of CA's Outside Counsel, CA's Audit Committee, the Commission and Other Government Agencies

52. Richards made false statements to the government about key facts during the government's investigation. Specifically, Richards falsely denied knowing that his sales force's practice of obtaining contracts with false signature dates resulted in CA recording revenue in the incorrect fiscal quarter. Richards also falsely denied discussing with Kumar, or anyone else, in the final days of a quarter, whether CA was going to be able to reach its earnings estimates. Richards also denied that Zar or anyone else told him in the days after quarter end that CA needed to get more revenue; rather, he claimed that during FY1999 and FY2000, he first learned whether CA had reached its revenue and earnings estimates each fiscal quarter at the same time that the public did.

53. Richards also made false statements in an interview with CA's outside counsel, by denying that he knew when CA recognized revenue from contracts and falsely claiming that CA had a policy that for a contract to be recognized as revenue in a particular quarter the contract had to be signed by the customer and delivered to CA in that quarter. By making false statements to CA's outside counsel, Richards knew he was obstructing CA's internal investigation, as well as obstructing the government's investigation.

54. Richards received ill-gotten gains from his fraudulent conduct through compensation that he received from CA.

FIRST CLAIM FOR RELIEF

Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a)

55. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 54.

56. Kumar and Richards, directly or indirectly, singly or in concert, by use of the means or instruments of transportation or communication in interstate commerce, or of the mails, in the offer or sale of CA's securities, knowingly or recklessly, have, (a) employed, are employing or are about to employ, devices, schemes and artifices to defraud; (b) made untrue statements of material fact, or have omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged, are engaging and are about to engage in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of CA securities and upon other persons, including in CA's filings for FY1998 through FY2001, including the Forms 10-K for FY1999, FY2000, and FY2001, Forms 10-Q for FY1999 and FY2000, the Fourth Quarter of FY1998 and First and Second Quarters of FY2001, and Forms S-4 and S-8, and in other public statements.

57. By reason of the foregoing, Kumar and Richards, singly or in concert, directly or indirectly, have violated, and unless enjoined will again violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

SECOND CLAIM FOR RELIEF

Section 10(b) of the Exchange Act, 15. U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder

58. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 54.

59. Kumar and Richards, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of CA securities, knowingly or recklessly, have: (a) employed, are employing or are about to employ, devices, schemes and artifices to defraud; (b) made, are making or are about to make untrue statements of material fact, or have omitted, are omitting, or are about to omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged, are engaging and are about to engage in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of CA securities and upon other persons, including in CA's filings for FY1998 through FY2001, including the Forms 10-K for FY1999, FY2000, and FY2001, Forms 10-Q for FY1999 and FY2000, the Fourth Quarter of FY1998 and First and Second Quarters of FY2001, and Forms S-4 and S-8, and in other public statements.

60. By reason of the foregoing, Kumar and Richards, singly or in concert, directly or indirectly, have violated, and unless enjoined will again violate, Section 10(b) of the Exchange Act, 15. U.S.C. § 78j(b), and Rule 10b-5, 17 C.F. R. § 240.10b-5, thereunder.

THIRD CLAIM FOR RELIEF

Violations of Section 13(b)(5) of The Exchange Act, 15 U.S.C. § 78m(b)(5), and Rule 13b2-1, 17 C.F.R. § 240.13b2-1, thereunder

61. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 54.

62. Exchange Act Section 13(b)(5) states that no person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls or knowingly falsify any book, record, or account described in Exchange Act Section 13(b)(2). Exchange Act Rule 13b2-1 prohibits any person from directly or indirectly, falsifying or causing to be falsified, an issuer's books and records.

63. By reason of the foregoing, Kumar and Richards have violated, and unless enjoined, will again violate Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), and Rule 13b2-1, 17 C.F.R. § 240.13b2-1, thereunder.

FOURTH CLAIM FOR RELIEF

Aiding and Abetting Liability for CA's Violations of Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B) of the Exchange Act, 15 U.S.C. 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B), and Rules 10b-5, 12b-20, 13a-1, and 13a-13, and 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-13 thereunder

64. The Commission realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 54.

65. CA, directly or indirectly, singly or in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of CA securities, knowingly or

recklessly, has: (a) employed, is employing or about to employ, devices, schemes and artifices to defraud; (b) made, is making or is about to make untrue statements of material fact, or has omitted, is omitting, or is about to omit to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged, is engaging and is about to engage in transactions, acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of CA securities and upon other persons. CA made untrue statements of material fact in, among other things, Commission filings in FY1998 through FY2001, including the Forms 10-K for FY1999, FY2000, and FY2001, Forms 10-Q for FY1999 and FY2000, the Fourth Quarter of FY1998 and First and Second Quarters of FY2001, and Forms S-4 and S-8, and in other public statements.

66. By reason of the foregoing, CA, singly or in concert, directly or indirectly, has violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5, thereunder.

67. Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder require issuers of registered securities to file with the Commission factually accurate annual and quarterly reports. Exchange Act Rule 12b-20 provides that in addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made not misleading.

68. By reason of the foregoing, CA violated Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13, thereunder.

69. Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(A) requires issuers to make and keep books, records and accounts which in reasonable detail, accurately and favorably reflect the transactions and dispositions of assets of the issuer.

70. Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(B), requires, among other things, that issuers maintain a system of internal accounting controls that permit the preparation of financial statements in conformity with GAAP.

71. By reason of the foregoing, CA has violated sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B).

72. Pursuant to Section 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), Kumar and Richards aided and abetted CA's violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B) and Rules 10b-5, 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-13, and unless enjoined, will again violate these provisions of the Exchange Act and Rules thereunder. Kumar and Richards knowingly provided substantial assistance to CA by, among other things, engaging in the conduct alleged in paragraphs 1 to 54 above.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests a Final Judgment:

I.

Permanently enjoining Kumar and Richards, and their agents, servants, employees and attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from (a) future violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a); and Sections 10(b) and 13(b)(5) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78m(b)(5); and Rules 10b-5 and 13b2-1, 17 C.F.R. §§

240.10b-5, 240.13b2-1; and (b) aiding and abetting CA's violations of Sections 10(b), 13(a) and 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§ 78j(b), 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B) and Rules 10b-5, 12b-20, 13a-1 and 13a-13, 17 C.F.R. §§ 240.10b-5, 240.12b-20, 240.13a-1, and 240.13a-13 thereunder.

II.

Ordering Kumar and Richards to disgorge any and all the ill-gotten gains they received as a result of their violations of the federal securities laws, and to pay prejudgment interest on all such gains.

III.

Ordering Kumar and Richards to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

IV.

Permanently barring Kumar and Richards from serving as an officer or director of a publicly held company pursuant to Section 20(e) of the Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2).

V.

Granting such other and further relief as the Court may deem just and proper.

Dated: New York, New York
September 21, 2004

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