

BIODELIVERY SCIENCES INTERNATIONAL INC

Form S-3/A

January 18, 2019

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As filed with the Securities and Exchange Commission on January 18, 2019.

Registration No. 333-228292

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Amendment No. 1**  
**to**  
**FORM S-3**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**BIODELIVERY SCIENCES INTERNATIONAL, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware** **35-2089858**  
**(State or other jurisdiction of** **(I.R.S. Employer**  
**incorporation or organization)** **Identification Number)**  
**4121 ParkLake Avenue, Suite 225**

**Raleigh, NC 27612**

**(919) 582-9050**

**(Address, including zip code, and telephone number, including area code, of principal executive offices)**

**Herm Cukier**

**Chief Executive Officer**

**4131 ParkLake Avenue, Suite 225**

**Raleigh, NC 27612**

**(919) 582-9050**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*With copies to:*

**Robert E. Puopolo, Esq.**

**Goodwin Procter LLP**

**100 Northern Avenue**

**Boston, Massachusetts 02210**

**(617) 570-1000**

**Approximate date of commencement of proposed sale to the public:**

**From time to time after this registration statement becomes effective.**

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If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed	Proposed	Amount of Registration Fee
		Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	

**Primary Offering**

Common Stock, par value \$0.001 per share(1)

Preferred Stock, par value \$0.001 per share(2)

Debt Securities(3)

Warrants(4)

Units(5)

<b>Total Primary Offering</b>	\$75,000,000(6)	N.A.(7)	\$75,000,000(8)	\$9,090(9)(10)
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**Secondary Offering by Selling****Stockholder**

Common Stock, par value \$0.001 per share	12,222,223(11)(12)	\$4.07(13)	\$49,744,447.60	\$6,029.03(10)
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<b>Total</b>			\$124,744,447.60	\$15,119.03(10)
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- (1) Including such indeterminate amount of common stock as may be issued from time to time at indeterminate prices or upon conversion of debt securities and/or preferred stock registered hereby, or upon exercise of warrants registered hereby, as the case may be.
- (2) Including such indeterminate amount of preferred stock as may be issued from time to time at indeterminate prices or upon conversion of debt securities and/or preferred stock registered hereby, or upon exercise of warrants registered hereby, as the case may be.
- (3) Including such indeterminate principal amount of debt securities as may be issued from time to time at indeterminate prices or upon exercise of warrants registered hereby, as the case may be.
- (4) Including such indeterminate number of warrants or other rights, including without limitation share purchase or subscription rights, as may be issued from time to time at indeterminate prices.
- (5) Each unit will be issued under a unit agreement and will represent an interest in two or more securities, which may or may not be separable from one another.
- (6) The amount to be registered consists of up to \$75,000,000 of an indeterminate amount of common stock, preferred stock, debt securities, warrants and/or units. There is also being registered hereunder such currently indeterminate number of (i) shares of common stock or other securities of the registrant as may be issued upon conversion of, or in exchange for, convertible or exchangeable debt securities and/or preferred stock registered hereby or (ii) shares of preferred stock, common stock, debt securities or units as may be issued upon exercise of warrants registered hereby, as the case may be. Any securities registered hereunder may be sold separately or as units with the other securities registered hereunder.
- (7) The proposed maximum aggregate offering price per unit will be determined from time to time by the registrant in connection with the issuance by the registrant of the securities registered hereunder and is not specified as to each class of security pursuant to General Instruction II.D. of Form S-3 under the Securities Act.
- (8) Estimated solely for purposes of computing the registration fee. No separate consideration will be received for (i) common stock or other securities of the registrant that may be issued upon conversion of, or in exchange for, convertible or exchangeable debt securities and/or preferred stock registered hereby or (ii) preferred stock, common stock, debt securities or units that may be issued upon exercise of warrants registered hereby, as the case may be.
- (9) The registration fee has been calculated in accordance with Rule 457(o) under the Securities Act.
- (10) The registrant previously paid a registration fee of \$18,180 in connection with the initial filing of this registration statement on Form S-3.
- (11) Pursuant to Rule 416 under the Securities Act, the shares being registered hereunder include such unspecified number of each identified security as may be issuable with respect to the securities being registered hereunder as a result of stock splits, stock dividends or similar transactions and other adjustments.
- (12) Represents shares offered by the selling stockholder, to be described more fully in prospectus supplements to be filed.
- (13)

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Estimated solely for the purpose of calculating the registration fee and computed pursuant to Rule 457(c) under the Securities Act, and based upon the average of the high and low reported sales prices of the registrant's common stock on the Nasdaq Capital Market on January 14, 2019.

**This registration statement shall hereafter become effective in accordance with the provisions of Section 8(a) of the Securities Act of 1933.**

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**EXPLANATORY NOTE**

This registration statements contains a base prospectus which covers both (i) the offering, issuance and sale by us of up to \$75,000,000 in the aggregate of the securities identified above from time to time in one or more offerings and (ii) the offering and sale by the selling stockholder identified herein of up to 12,222,223 shares of common stock issuable upon conversion of our Series B Non-Voting Convertible Preferred Stock, par value \$0.001 per share, or the Series B Preferred Stock, held by the selling stockholder. The base prospectus immediately follows this explanatory note. The specific terms of any securities that we may offer pursuant to the base prospectus will be specified in a prospectus supplement to the base prospectus.

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion, Dated January 18, 2019**

**PROSPECTUS**

**\$75,000,000**

**Common Stock**

**Preferred Stock**

**Debt Securities**

**Warrants**

**Units**

**and**

**12,222,223 Shares of**

**Common Stock**

**Offered by the Selling Stockholder**

By this prospectus, we may offer and sell from time to time, in one or more series or classes, up to \$75,000,000 in aggregate principal amount of our common stock, preferred stock, debt securities, warrants and/or units. We may also offer securities as may be issuable upon conversion, redemption, repurchase, exchange or exercise of any securities registered hereunder, including any applicable anti-dilution provisions.

In addition, the selling stockholder may, from time to time in one or more offerings, offer and sell up to 12,222,223 shares of our common stock issuable upon conversion of our Series B Preferred Stock held by the selling stockholder. In the prospectus supplement relating to any sales by the selling stockholder, we will, among other things, identify the number of shares of our common stock that the selling stockholder will be selling.

This prospectus provides a general description of the securities we may offer. Each time we offer securities, we will provide specific terms of the securities offered in a supplement to this prospectus. The prospectus supplement may also add, update or change information contained in this prospectus. You should carefully read this prospectus and the applicable prospectus supplement, as well as any documents incorporated by reference, before you invest in any of the securities being offered.

Our common stock is listed on The Nasdaq Capital Market under the symbol BDSI. On January 17, 2019, the closing price for our common stock, as reported on The Nasdaq Capital Market, was \$4.28 per share. We or the selling stockholder may offer and sell these securities directly to investors, through agents designated from time to time or to or through underwriters or dealers. For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution in this prospectus. If any agents or underwriters are involved in the sale of any securities with respect to which this prospectus is being delivered, the names of such agents or underwriters and any applicable fees, commissions, discounts or over-allotment options will be set forth in a prospectus supplement. The price to the public of such securities and the net proceeds we expect to receive from such sale will also be set forth in a prospectus supplement. We will not receive any proceeds from the sale of securities by the selling stockholder.

**Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties referenced under the heading Risk Factors contained in this prospectus beginning on page 6 and any applicable prospectus supplement, and under similar headings in the other documents that are incorporated by reference into this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is \_\_\_\_\_, 2019.**



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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under this shelf registration process, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings for an aggregate offering price of up to \$75,000,000, and the selling stockholder may sell up to an aggregate amount of 12,222,223 shares of our common stock issuable upon conversion of our Series B Preferred Stock held by the selling stockholder in one or more offerings.

This prospectus provides you with a general description of the securities we and the selling stockholder may offer. Each time we and/or the selling stockholder sell securities, we will provide one or more prospectus supplements that will contain specific information about the terms of the offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and the accompanying prospectus supplement together with the additional information described under the heading **Where You Can Find More Information** beginning on page 34 of this prospectus.

You should rely only on the information contained in or incorporated by reference in this prospectus, any accompanying prospectus supplement or in any related free writing prospectus filed by us with the SEC. We have not authorized anyone to provide you with different information. This prospectus and the accompanying prospectus supplement do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in the accompanying prospectus supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. You should assume that the information appearing in this prospectus, any prospectus supplement, the documents incorporated by reference and any related free writing prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed materially since those dates.

Unless the context otherwise indicates, references in this prospectus to the company, we, us and our refer to BioDelivery Sciences International, Inc.

This prospectus contains trade names, trademarks and service marks of others, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or TM symbols.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus, including the documents that we incorporate by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but are not always, made through the use of words or phrases such as may, will, could, should, expects, intends, plans, anticipates, believes, estimates, predicts, and similar expressions, or the negative of these terms, or similar expressions. Accordingly, these statements involve estimates, assumptions, risks and uncertainties which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus, and in particular those factors referenced in the section Risk Factors.

This prospectus contains forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

our plans and expectations regarding the timing and outcome of research, development, commercialization, manufacturing, marketing and distribution efforts relating to our BEMA (as defined below) drug delivery technology platform and any of our approved products or product candidates;

the domestic and international regulatory process and related laws, rules and regulations governing our technologies and our approved and proposed products and formulations, including: (i) the timing, status and results of our or our commercial partners' filings with the U.S. Food and Drug Administration and its foreign equivalents, (ii) the timing, status and results of non-clinical work and clinical studies, including regulatory review thereof and (ii) the heavily regulated industry in which we operate our business generally;

our ability to enter into strategic partnerships for the development, commercialization, manufacturing and distribution of our products and product candidates;

our ability, or the ability of our commercial partners, to actually develop, commercialize, manufacture or distribute our products and product candidates, including for BELBUCA and BUNAVAIL, which we are self-commercializing;

our ability to generate commercially viable products and the market acceptance of our BEMA technology platform and our proposed products and product candidates;

our ability to finance our operations on acceptable terms, either through the raising of capital, the incurrence of convertible or other indebtedness or through strategic financing or commercialization partnerships;

our expectations about the potential market sizes and market participation potential for our approved or proposed products;

the protection and control afforded by our patents or other intellectual property, and any interest patents or other intellectual property that we license, of our or our partners' ability to enforce our rights under such owned or licensed patents or other intellectual property;

the outcome of ongoing or potential future litigation (and related activities, including *inter partes* reviews, *inter partes* reexaminations and Paragraph IV litigations) or other claims or disputes relating to our business, technologies, patents, products or processes;

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our expected revenues (including sales, milestone payments and royalty revenues) from our products or product candidates and any related commercial agreements of ours;

the ability of our manufacturing partners to supply us or our commercial partners with clinical or commercial supplies of our products in a safe, timely and regulatory compliant manner and the ability of such partners to address any regulatory issues that have arisen or may in the future arise;

our ability to retain members of our management team and our employees; and

competition existing today or that will likely arise in the future.

These forward-looking statements are neither promises nor guarantees of future performance due to a variety of risks and uncertainties and other factors more fully discussed in the Risk Factors section in this prospectus, the section of any accompanying prospectus supplement entitled Risk Factors and the risk factors and cautionary statements described in other documents that we file from time to time with the SEC. Given these uncertainties, readers should not place undue reliance on our forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made and are not guarantees of future performance. Except as may be required by applicable law, we do not undertake to update any forward-looking statements after the date of this prospectus or the respective dates of documents incorporated by reference herein or therein that include forward-looking statements.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to revise any forward-looking statements to reflect events or developments occurring after the date of this prospectus, even if new information becomes available in the future.

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**PROSPECTUS SUMMARY**

**Overview**

We are a specialty pharmaceutical company with a focus in the areas of pain management and addiction medicine. We have built a portfolio of products utilizing our novel and proprietary BioErodible MucoAdhesive (or BEMA) drug delivery technology, a small, erodible polymer film for application to the buccal mucosa (the lining inside the cheek), which we currently commercialize in the U.S. utilizing our own sales force while working in partnership with third parties to commercialize our products outside the U.S.

BELBUCA (buprenorphine) buccal film incorporates buprenorphine in our BEMA technology and was approved by the U.S. Food and Drug Administration, or the FDA, on October 26, 2015, for the management of pain severe enough to require daily, around the clock, long-term opioid treatment for which alternative treatment options are inadequate. BELBUCA is designated by the U.S. Drug Enforcement Agency, or the DEA, as a Schedule III product, meaning it has less abuse and addiction potential compared to Schedule II products such as morphine, oxycodone and hydrocodone. BELBUCA is also commercially available in Canada following market authorization from Health Canada in June 2017 and our subsequent exclusive agreement with Purdue Pharma (Canada) in July 2017 for the licensing and distribution rights of BELBUCA in Canada.

Along with BELBUCA, we utilize our sales force to commercialize BUNAVAIL (buprenorphine and naloxone) buccal film, which was approved by the FDA on June 6, 2014. BUNAVAIL utilizes our BEMA technology to deliver higher doses of buprenorphine along with the abuse deterrent, naloxone, for the treatment of opioid dependence and as part of a complete treatment plan to include counseling and psychosocial support.

Our third approved product, ONSOLIS (fentanyl buccal soluble film), is currently marketed outside the U.S. through partnerships, and we are currently assessing strategic options for the reintroduction of ONSOLIS to the U.S. market following the termination during 2017 of a licensing agreement with Collegium Pharmaceutical, Inc. (or Collegium).

**Company Information**

We were incorporated in the State of Indiana in 1997 and were reincorporated as a Delaware corporation in 2002. Our executive offices are located at 4131 ParkLake Avenue, Suite 225, Raleigh, North Carolina, and our telephone number is (919) 582-9050. Our website address is [www.bdsi.com](http://www.bdsi.com). We do not incorporate the information on or accessible through our website into this prospectus.

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**RISK FACTORS**

Investing in our securities involves a high degree of risk. You should carefully consider the risks described under the heading "Risk Factors" contained in the applicable prospectus supplement, and under similar headings in the other documents that are incorporated by reference into this prospectus, before deciding whether to purchase any of the securities being registered pursuant to the registration statement of which this prospectus is a part. Our business, financial condition or results of operations could be materially adversely affected by the materialization of any of these risks. The trading price of our securities could decline due to the materialization of any of these risks, and you may lose all or part of your investment. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations.

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**USE OF PROCEEDS**

We intend to use the net proceeds from the sale of any securities offered under this prospectus for general corporate purposes unless otherwise indicated in the applicable prospectus supplement. General corporate purposes may include costs to commercialize our products, research and development and clinical development costs to support the advancement of our product candidates and the expansion of our product candidate pipeline; funding for the hiring of additional personnel, capital expenditures and the costs of operating as a public company. We may temporarily invest the net proceeds in a variety of capital preservation instruments, including investment grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government, or may hold such proceeds as cash, until they are used for their stated purpose. We have not determined the amount of net proceeds to be used specifically for such purposes. As a result, management will retain broad discretion over the allocation of net proceeds.

We will not receive any proceeds from the sale by the selling stockholder of up to 12,222,223 shares of common stock issuable upon conversion of our Series B Preferred Stock held by the selling stockholder and covered by this prospectus.



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This prospectus also related to the possible resale by one of our stockholders, who we refer to in this prospectus as the selling stockholder, of up to 12,222,223 shares of our common stock issuable upon conversion of our Series B Preferred Stock held by the selling stockholder. In May 2018, we entered into a securities purchase agreement with the selling stockholder and certain other investors, or the Securities Purchase Agreement, pursuant to which we agreed to issue and sell an aggregate of 5,000 shares of Series B Preferred Stock. Each share of Series B Preferred Stock is convertible, from time to time at the option of the holder thereof, into a number of shares of our common stock determined by dividing \$10,000 by a conversion price of \$1.80 per share (subject to certain adjustments for stock splits and stock dividends).

In connection with the Securities Purchase Agreement, we entered into a registration rights agreement, or the Registration Agreement, with the selling stockholder pursuant to which we granted the selling stockholder certain registration rights for the sale of shares of common stock issuable upon the conversion of the Series B Preferred Stock.

The following table provides information regarding the selling stockholder and the number of shares the selling stockholder is offering under this prospectus. We have prepared this table based on information furnished to us by or on behalf of the selling stockholder. Under the rules of the SEC, beneficial ownership includes shares over which the indicated beneficial owner exercises voting or investment power. Beneficial ownership is determined under Section 13(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and generally includes voting or investment power with respect to securities, including any securities that grant a selling stockholder the right to acquire common stock within 60 days of December 31, 2018. Unless otherwise indicated in the footnotes below, we believe that the selling stockholder has sole voting and investment power with respect to all shares beneficially owned. The percentage ownership data is based on 70,810,339 shares of our common stock issued and outstanding as of January 18, 2019 and does not reflect the applicable beneficial ownership limitation described below. Therefore, the beneficial ownership of the selling stockholder is calculated and presented (for purposes of disclosure in this prospectus only) on a fully as converted basis. The number of shares of common stock beneficially owned by the selling stockholder is based on information provided by the selling stockholder as of January 18, 2019.

The shares may be sold by the selling stockholder, by those persons or entities to whom it transfers, donates, devises, pledges or distributes its shares or by other successors in interest. The information regarding shares beneficially owned after this offering assumes the sale of all shares offered by the selling stockholder. The selling stockholder may sell less than all of the shares listed in the table. In addition, the shares listed below may be sold pursuant to this prospectus or in privately negotiated transactions. Accordingly, we cannot estimate the number of shares the selling stockholder will sell under this prospectus.

Name of Selling Stockholder <sup>(1)</sup>	Common Stock Beneficially Owned			
	Shares Beneficially Owned before Offering		Maximum Number of Shares that may be Offered Pursuant to this Prospectus	Shares Beneficially Owned After Offering <sup>(2)</sup>
	Number	Percentage	Number	Percentage (%)
Broadfin Healthcare Master Fund, Ltd. <sup>(3)</sup>	12,222,223	17.26% <sup>(4)</sup>	12,222,223	

- (1) The business address of the selling stockholder is 300 Park Avenue, 25<sup>th</sup> Floor, New York, New York 10022. Additional information concerning the named selling stockholder or pledgees, donees, transferees or other successors-in-interest of the selling stockholder may be set forth in a prospectus supplement to this prospectus.

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- (2) We do not know when or in what amounts the selling stockholder may offer shares for sale. The selling stockholder may not sell any or all of the shares offered by this prospectus. Because the selling stockholder may offer all or some of the shares pursuant to this offering and because there are currently no agreements, arrangements or undertakings with respect to the sale of any of the shares, we cannot estimate the number of shares that will be held by the selling stockholder after completion of this offering. However, for purposes of this table, we have assumed that, after completion of this offering, none of the shares covered by this prospectus will be held by the selling stockholder.
- (3) Broadfin Capital, LLC, the investment manager of Broadfin Healthcare Master Fund, Ltd., or Broadfin, may be deemed to beneficially own the shares owned by Broadfin Healthcare Master Fund, Ltd. Kevin Kotler, the managing member of Broadfin Capital, LLC, may be deemed to beneficially own the shares owned by Broadfin Healthcare Master Fund, Ltd.
- (4) The Series B Preferred Stock owned by Broadfin is subject to a beneficial ownership limitation that prohibits Broadfin from converting its shares of Series B Preferred Stock into shares of common stock to the extent that, as a result of such conversion, Broadfin and its affiliates would beneficially own more than 9.98% of the total number of shares of common stock then issued and outstanding.

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**SECURITIES WE MAY OFFER**

This prospectus contains summary descriptions of the securities we may offer from time to time. In addition, the selling stockholder may sell up to an aggregate of 12,222,223 shares of our common stock issuable upon conversion of our Series B Preferred Stock held by the selling stockholder. This prospectus provides you with a general description of the securities we and the selling stockholder may offer. These summary descriptions are not meant to be complete descriptions of each security. The particular terms of any security will be described in the applicable prospectus supplement.

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**DESCRIPTION OF CAPITAL STOCK**

*The following description of our common stock and preferred stock, together with the additional information we include in any applicable prospectus supplements, summarizes the material terms and provisions of the common stock and preferred stock that we may offer under this prospectus. In addition, the selling stockholder may sell up to an aggregate of 12,222,223 shares of our common stock issuable upon conversion of our Series B Preferred Stock held by the selling stockholder. The following description of our capital stock does not purport to be complete and is subject to, and qualified in its entirety by, our amended and restated certificate of incorporation and amended and restated bylaws, which are exhibits to the registration statement of which this prospectus forms a part, and by applicable law. The terms of our common stock and preferred stock may also be affected by Delaware law.*

**General**

Our authorized capital stock consists of 125,000,000 shares of common stock and 5,000,000 shares of preferred stock. As of the date of this prospectus, our capital stock consists of 70,810,339 shares of issued and outstanding common stock, \$0.001 par value, 2,093,155 shares of outstanding Series A Preferred Stock, par value \$0.001 per share and 3,100 shares of outstanding Series B Preferred Stock, par value \$0.001 per share. These figures do not include securities that may be issued: (i) pursuant to outstanding warrants to purchase shares of our common stock, (ii) pursuant to outstanding options underlying shares of our common stock related to our Amended and Restated 2001 Incentive Plan or (iii) pursuant to outstanding options and restricted stock units underlying shares of our common stock related to our 2011 Equity Incentive Plan, as amended.

We, directly or through agents, dealers or underwriters designated from time to time, may offer, issue and sell, together or separately, up to \$75,000,000 in the aggregate of:

common stock;

preferred stock;

secured or unsecured debt securities consisting of notes, debentures or other evidences of indebtedness which may be senior debt securities, senior subordinated debt securities or subordinated debt securities, each of which may be convertible into equity securities;

warrants to purchase our securities;

rights to purchase our securities; or

units comprised of, or other combinations of, the foregoing securities.

We may issue the debt securities as exchangeable for or convertible into shares of common stock, preferred stock or other securities. The preferred stock may also be exchangeable for and/or convertible into shares of common stock, another series of preferred stock or other securities. The debt securities, the preferred stock, the common stock and the

warrants are collectively referred to in this prospectus as the securities. When a particular series of securities is offered, a supplement to this prospectus will be delivered with this prospectus, which will set forth the terms of the offering and sale of the offered securities.

### **Common Stock**

As of the date of this prospectus, there were 70,810,339 shares of common stock issued and 70,794,848 shares of common stock outstanding, held of record by approximately 122 stockholders. The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Subject to preferential rights with respect to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by our board of directors out of funds legally available therefore. In the event of our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and satisfaction of preferential rights of any outstanding preferred stock.

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Our common stock has no preemptive or conversion rights or other subscription rights. There are no sinking fund provisions applicable to the common stock. The outstanding shares of common stock are fully paid and non-assessable.

## **Preferred Stock**

Our certificate of incorporation, as amended, empowers our board of directors, without action by our shareholders, to issue up to 5,000,000 shares of preferred stock from time to time in one or more series, which preferred stock may be offered by this prospectus and supplements thereto. As of the date of this prospectus, we had 2,709,300 shares of preferred stock designated as Series A Non-Voting Convertible Preferred Stock, par value \$0.001 per share (the Series A Preferred Stock ), and had 2,093,155 shares of Series A Preferred Stock issued and outstanding and 5,000 shares of preferred stock designated as Series B Non-Voting Convertible Preferred Stock, par value \$0.001 per share (the Series B Preferred Stock ), and had 3,100 shares of Series B Preferred Stock issued and outstanding. Our board may fix the rights, preferences, privileges and restrictions of our authorized but undesignated preferred shares, including:

dividend rights and preferences over dividends on our common stock or any series of preferred stock;

the dividend rate (and whether dividends are cumulative);

conversion rights, if any;

voting rights;

rights and terms of redemption (including sinking fund provisions, if any);

redemption price and liquidation preferences of any wholly unissued series of any preferred stock and the designation thereof of any of them; and

to increase or decrease the number of shares of any series subsequent to the issue of shares of that series but not below the number of shares then outstanding.

You should refer to the prospectus supplement relating to the series of preferred stock being offered for the specific terms of that series, including:

the title of the series and the number of shares in the series;

the price at which the preferred stock will be offered;

the dividend rate or rates or method of calculating the rates, the dates on which the dividends will be payable, whether or not dividends will be cumulative or noncumulative and, if cumulative, the dates from which dividends on the preferred stock being offered will cumulate;

the voting rights, if any, of the holders of shares of the preferred stock being offered;

the provisions for a sinking fund, if any, and the provisions for redemption, if applicable, of the preferred stock being offered, including any restrictions on the foregoing as a result of arrearage in the payment of dividends or sinking fund installments;

the terms and conditions, if applicable, upon which the preferred stock being offered will be convertible into our common stock, including the conversion price, or the manner of calculating the conversion price, and the conversion period;

the terms and conditions, if applicable, upon which the preferred stock being offered will be exchangeable for debt securities, including the exchange price, or the manner of calculating the exchange price, and the exchange period;



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any listing of the preferred stock being offered on any securities exchange;

a discussion of any material federal income tax considerations applicable to the preferred stock being offered;

any preemptive rights;

the relative ranking and preferences of the preferred stock being offered as to dividend rights and rights upon liquidation, dissolution or the winding up of our affairs;

any limitations on the issuance of any class or series of preferred stock ranking senior or equal to the series of preferred stock being offered as to dividend rights and rights upon liquidation, dissolution or the winding up of our affairs; and

any additional rights, preferences, qualifications, limitations and restrictions of the series.

Upon issuance, the shares of preferred stock will be fully paid and nonassessable, which means that its holders will have paid their purchase price in full and we may not require them to pay additional funds.

Any preferred stock terms selected by our board of directors could decrease the amount of earnings and assets available for distribution to holders of our common stock or adversely affect the rights and power, including voting rights, of the holders of our common stock without any further vote or action by the stockholders. The rights of holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued by us in the future. The issuance of preferred stock could also have the effect of delaying or preventing a change in control of our company or make removal of management more difficult.

**Series A Non-Voting Convertible Preferred Stock**

In connection with our registered financing which closed on December 3, 2012, our board of directors designated 2,709,300 of the 5,000,000 authorized shares of preferred stock as our Series A Non-Voting Convertible Preferred Stock, par value \$.001 per share.

*Rank*

The Series A Preferred Stock rank:

senior to our common stock;

senior to any class or series of our capital stock hereafter created specifically ranking by its terms junior to the Series A Preferred Stock; and

junior to any class or series of our capital stock hereafter created specifically ranking by its terms senior to the Series A Preferred Stock,  
in each case, as to dividends or distributions of assets upon our liquidation, dissolution or winding up whether voluntarily or involuntarily.

*Conversion*

Each share of Series A Preferred Stock is convertible into one share of our common stock (subject to adjustment as provided in the certificate of designation for the Series A Preferred Stock) at any time at the option of the holder, except that a holder will be prohibited from converting shares of Series A Preferred Stock into shares of common stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own more than 9.98% of the total number of shares of our common stock then issued and outstanding, which percentage may be increased or decreased by on sixty-five days notice from the holder of Series A Preferred Stock to us.

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### *Liquidation Preference*

In the event of our liquidation, dissolution or winding up, holders of Series A Preferred Stock will receive a payment equal to \$.001 per share of Series A Preferred Stock before any proceeds are distributed to the holders of our common stock and in parity with our Series B Preferred Stock. After the payment of this preferential amount, and subject to the rights of holders of any class or series of our capital stock hereafter created specifically ranking by its terms senior to the Series A Preferred Stock, holders of Series A Preferred Stock (and holders of the Series B Preferred Stock) will participate ratably in the distribution of any remaining assets with the common stock and any other class or series of our capital stock hereafter created that participates with the common stock in such distributions.

### *Voting Rights*

Shares of Series A Preferred Stock generally have no voting rights, except as required by law and except that the consent of holders of a majority of the outstanding Series A Preferred Stock will be required to amend the terms of the Series A Preferred Stock or the certificate of designation for the Series A Preferred Stock.

### *Dividends*

Holders of Series A Preferred Stock are entitled to receive, and we are required to pay, dividends on shares of the Series A Preferred Stock equal (on an as-if-converted-to-common-stock basis) to and in the same form as dividends (other than dividends in the form of common stock) actually paid on shares of the common stock when, as and if such dividends (other than dividends in the form of common stock) are paid on shares of the common stock.

### *Redemption*

We are not obligated to redeem or repurchase any shares of Series A Preferred Stock. Shares of Series A Preferred Stock are not otherwise entitled to any redemption rights, or mandatory sinking fund or analogous fund provisions.

### *Listing*

There is no established public trading market for the Series A Preferred Stock, and we do not expect a market to develop. In addition, we do not intend to apply for listing of the Series A Preferred Stock on any national securities exchange or trading system.

### *Fundamental Transactions*

If, at any time that shares of Series A Preferred Stock are outstanding, we effect a merger or other change of control transaction, as described in the certificate of designation and referred to as a fundamental transaction, then a holder will have the right to receive, upon any subsequent conversion of a share of Series A Preferred Stock (in lieu of conversion shares) for each issuable conversion share, the same kind and amount of securities, cash or property as such holder would have been entitled to receive upon the occurrence of such fundamental transaction if such holder had been, immediately prior to such fundamental transaction, the holder of one share of common stock.

## **Series B Preferred Stock**

Our board of directors has designated 5,000 of the 5,000,000 authorized shares of preferred stock as our Series B Preferred Stock.

*Rank*

The Series B Preferred Stock rank:

par with our outstanding Series A Preferred Stock;

senior to our common stock;

	sale		188(1)
February 2, 2000	sale	39,314(2)	
February 2, 2000	sale	39,314(3)	
June 20, 2001	capital contribution	971,865(4)	

- (1) Represents sales of common stock by Tallulah, Ltd. Sam Wyly is the general partner of Tallulah, Ltd. and, as such, is deemed to have beneficial ownership of the shares held by it.
- (2) Represents the sale of common stock by the Andrew David Wyly Trust. Sam Wyly is the trustee of the trust and, as such, is deemed to have beneficial ownership of the shares held by it.
- (3) Represents the sale of common stock by the Christiana Parker Wyly Trust. Sam Wyly is the trustee of the trust and, as such, is deemed to have beneficial ownership of the shares held by it.
- (4) Represents the contribution to Ranger by Mr. Wyly of vested options to purchase common stock of Computer Associates.
- (5) Mr. Wyly filed a Form 4 with respect to Sterling Software, Inc. on April 10, 2000, which erroneously overstated his acquisition of beneficial ownership of Computer Associates common stock, indicating that he had acquired beneficial ownership of 452,681 shares of stock (in addition to options, which were reported correctly). The overstatement occurred because such form failed to take into account Mr. Wyly's resignation as trustee under certain trusts which actually owned such stock.

**Transactions in Computer Associates  
Common Stock by Charles Wyly**

<u>Date of Transaction</u>	<u>Nature of Transaction</u>	<u>Number of Shares of Computer Associates Common Stock</u>
April 19, 2001	sale	52,300(1)
April 19, 2001	sale	24,426(2)
April 19, 2001	sale	24,426(3)
April 19, 2001	sale	24,426(4)
April 19, 2001	sale	24,426(5)
June 20, 2001	capital contribution	507,060(6)

- (1) Represents a sale by Stargate, Ltd. The Charles J. Wyly, Jr. and Caroline D. Wyly Revocable Trust is the general partner of Stargate, Ltd. Mr. Charles Wyly is a co-trustee of The Charles J. Wyly, Jr. and Caroline D. Wyly Revocable Trust and exercised shared, indirect voting and investment power with respect to the sold shares.
- (2) Represents a sale by the Marta Caroline Wyly Trust, of which Charles Wyly is trustee. He exercised sole, direct voting and investment power with respect to the sold shares.
- (3) Represents a sale by the Charles Joseph Wyly III Trust, of which Charles Wyly is trustee. He exercised sole, direct voting and investment power with respect to the sold shares.
- (4) Represents a sale by the Emily Ann Wyly Trust, of which Charles Wyly is trustee. He exercised sole, direct voting and investment power with respect to the sold shares.
- (5) Represents a sale by the Jennifer Lynn Wyly Trust, of which Charles Wyly is trustee. He exercised sole, direct voting and investment power with respect to the sold shares.
- (6) Represents the contribution by Stargate, Ltd. to Ranger of vested options to purchase common stock of Computer Associates. The Charles J. Wyly, Jr. and Caroline D. Wyly Revocable Trust is the general partner of Stargate, Ltd. Mr. Charles Wyly is a co-trustee of The Charles J. Wyly, Jr. and Caroline D. Wyly Revocable Trust and exercised shared, indirect voting and investment power with respect to the

contributed options.

**Transactions in Computer Associates  
Common Stock by Dennis Mitchell Crumpler**

<u>Date of Transaction</u>	<u>Nature of Transaction</u>	<u>Number of Shares of Computer Associates Common Stock</u>
September 20, 2000	purchase	3,500(1)

- (1) Represents shares purchased by Crumpler Investment LP, of which CIMCO, LLC is the general partner. Mr. Crumpler is the manager of CIMCO, LLC and has beneficial ownership of the purchased shares.

**Arrangements, Interests and Transactions**

Except as listed below, no Participant is, or was within the past year, a party to any contract, arrangement or understanding with any person with respect to any securities of Computer Associates, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies.

Until June 20, 2001, Sam Wyly was a party to option agreements with Computer Associates. On June 20, 2001 Mr. Wyly contributed his options to Ranger, transferring the accompanying agreements.

On June 20, 2001, Stargate, Ltd. contributed 507,060 options to Ranger, transferring the accompanying agreements.

Ranger has entered into a letter agreement with each Ranger nominee other than Sam Wyly. The letter agreements indemnify the Ranger nominees against some losses and/or costs and expenses and provide them with compensation contingent upon election to Computer Associates' board of directors. The letter agreements are described in Ranger's proxy statement under the heading "Election of Directors."

Ranger GP Governance, L.L.C., Sam Wyly and Charles Wyly agreed to form Ranger to conduct this proxy campaign and to engage in other activities related to the promotion of good corporate governance. They have agreed to hold and vote the Computer Associates common stock over which they exercise voting authority in favor of the Ranger nominees. Ranger was formed on June 14, 2001.

Ranger has entered into a Partnership Account Agreement with Bear Stearns Securities Corp. under which it acquired beneficial ownership in the 100 shares of Computer Associates common stock that it presently holds.

Ranger has agreed to indemnify Bear Stearns Securities Corp. against costs and expenses incurred by it in connection with its ministerial functions related to Ranger's nomination of the Ranger nominees and its demand for information under Delaware law.

Tallulah, Ltd., of which Sam Wyly is the general partner, pledged common stock of Computer Associates to the Bank of America as collateral for a line of credit. The stock is no longer pledged and has been disposed of by Tallulah, Ltd. (as described above).

Stargate, Ltd. pledged common stock of Computer Associates to the Bank of America as collateral for a line of credit. The Charles J. Wyly, Jr. and Caroline D. Wyly Revocable Trust is the general partner of Stargate, Ltd. Charles Wyly is a co-trustee of The Charles J. Wyly, Jr. and Caroline D. Wyly Revocable Trust and exercises shared, indirect voting and investment power with respect to the shares held by Stargate, Ltd. The stock is no longer pledged.

No Participant, no associate of any Participant and no person who is a party to any arrangement or understanding pursuant to which a Ranger nominee is proposed to be elected has any arrangement or understanding with any person with respect to any future employment by Computer Associates or its affiliates or with respect to any future transactions to which Computer Associates or any of its affiliates will or may be a party.

Ranger, Ranger's general partner and Sam Wyly and Charles Wyly have interests in the solicitation of proxies in support of the Ranger nominees from either direct or indirect beneficial ownership of the common stock of Computer Associates. Participants who are Ranger nominees are expected to receive customary compensation from Computer Associates in exchange for their services as directors, if elected. The Ranger nominees also have an interest in the solicitation through the letter agreements described in Ranger's proxy statement under the heading "Election of Directors."

Except as described below, there has been no transaction or series of similar transactions since the beginning of Computer Associates' last completed fiscal year, and there is no currently proposed transaction or series of similar proposed transactions, to which Computer Associates or any of its subsidiaries was or is to be a party, in which the amount involved exceeds \$60,000 and in which any Participant or any associate of

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any Participant had, or will have, a direct or indirect material interest.

Tallulah, Ltd. ( Tallulah ), of which Sam Wyly is the general partner and holds 97% of the limited partnership interests, entered into a sublease with Computer Associates on April 1, 2000, pursuant to which Tallulah, Ltd. agreed to lease office space from Computer Associates for \$572,052 per year. The agreement was amended on October 8, 2000 to add additional office space, increasing the rent to \$1,004,414 per year. It expires on July 30, 2006.

On October 3, 2000, Tallulah purchased \$555,000 of furniture from Computer Associates.

On May 4, 2000, Tallulah purchased a split dollar life insurance policy on Sam Wyly from Computer Associates for \$643,000.

On January 25, 2001, Cheryl Wyly (Sam Wyly's wife) purchased one piece of art from Computer Associates for \$15,000.

On May 20, 2000, C&S Aviation, a limited liability company, purchased a Gulfstream III airplane from Southwest Beta, Inc., a subsidiary of Computer Associates, for \$10,575,000. Charles Wyly owns 51% of the membership interests and Sam Wyly owns 49% of the membership interests in C&S Aviation.

### **Additional Information About the Ranger Nominees**

No Ranger nominee presently holds any positions with Computer Associates. The Ranger nominees, if they are elected, are expected to elect Sam Wyly as chairman of Computer Associates' board of directors. Sam Wyly has consented to serve in that capacity. The Ranger nominees, if they are elected, are expected to elect Cece Smith as chair of the audit committee of Computer Associates' board of directors.

Other than the arrangements described in the preceding paragraph and the letter agreements described in Ranger's proxy statement under the heading Election of Directors, there is no arrangement or understanding between any Ranger nominee and any other person pursuant to which the Ranger nominee was selected as a nominee.

There is no family relationship (within the meaning of the federal securities laws) between any Ranger nominee and (i) any other Ranger nominee or (ii) any director of Computer Associates, executive officer of Computer Associates or person nominated by Computer Associates to become a director or executive officer.

Sam Wyly and Ranger have been named as defendants in a lawsuit filed by Computer Associates in the United States District Court for the Eastern District of New York on June 25, 2001. The lawsuit alleges breach of contract and violation of the disclosure provisions of the federal securities laws. Computer Associates seeks, among other things, injunctive and declaratory relief, as well as an order for specific performance, an order for corrective disclosure and unspecified compensatory damages. On July 9, 2001, Mr. Wyly and Ranger filed an answer, denying Computer Associates' claims. Other than the suit brought by Computer Associates, there is, and has been, no legal or other proceeding involving any Ranger nominee that is required to be disclosed under the federal proxy rules.

No Ranger nominee (i) has any business relationship that is required to be disclosed by the federal proxy rules; (ii) has had any such relationship since the beginning of Computer Associates' most recently completed fiscal year; or (iii) has, since the beginning of Computer Associates' last completed fiscal year, been indebted to Computer Associates or any of its subsidiaries in an amount that exceeds \$60,000.

No Ranger nominee and no associate of any Ranger nominee has received any compensation from Computer Associates as a director or executive officer of Computer Associates. Had the Ranger nominees been directors of Computer Associates and members of the compensation committee of Computer Associates' board of directors during Computer Associates' last completed fiscal year, there would have been no compensation committee interlocks within the meaning of the federal proxy rules.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

No Ranger nominee has failed to file reports related to Computer Associates that are required by Section 16(a) of the Securities Exchange Act of 1934, as amended.

**ANNEX B**

### **STOCK OWNERSHIP BY CERTAIN BENEFICIAL OWNERS**

The following table sets forth, based solely upon the definitive proxy statement filed by Computer Associates on July 18, 2001, certain information as to the beneficial ownership of the Company's common stock as of July 5, 2001 by the persons, other than members of the board of directors and management of the Company, known to the Company to own beneficially 5% or more of the outstanding common stock:

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Name And Address Of Beneficial Owner	Number Of Shares Beneficially Owned	Percent Of Class (Rounded)
Walter Haefner/Careal Holding AG Utoquai 49 8022 Zurich, Switzerland	123,087,500(1)	21.37%

- (1) According to a Schedule 13D/A filed on September 16, 1998, Walter Haefner, through Careal Holding AG, a company wholly-owned by Mr. Haefner, has sole voting power and sole dispositive power over 126,587,500 shares. According to a Form 4 filed in February 1999 by Mr. Haefner, he disposed of 3,500,000 of such shares.
- (2) According to a Schedule 13G filed on June 11, 2001 by FMR Corp. ( FMR ), FMR and certain controlling persons of FMR, have reported sole power to dispose or direct the disposition of 62,418,109 shares through the following wholly-owned subsidiaries: Fidelity Management & Research Company is the beneficial owner of 56,674,230 shares as a result of acting as investment advisor to various investment companies registered under the Investment Company Act of 1940; Fidelity Management Trust Company is the beneficial owner of 3,612,545 shares as a result of serving as investment manager under certain institutional accounts; Strategic Advisers, Inc., a provider of investment advisory services to individuals is the beneficial owner of 1,324 shares and Fidelity International Limited is the beneficial owner of 2,130,010 shares. FMR and certain controlling persons of FMR report having the sole power to vote or direct voting of 5,151,379 shares.

**BOARD AND MANAGEMENT OWNERSHIP**

The following table sets forth, based solely upon the definitive proxy statement filed by Computer Associates on July 18, 2001, certain information as to the beneficial ownership of the Company's common stock as of July 5, 2001 for (i) each director and nominee of the Company, including Charles B. Wang, the Chairman, Sanjay Kumar, President and Chief Executive Officer, and Russell M. Artzt, Executive Vice President-Research and Development; (ii) the two most highly compensated executive officers for the year ended March 31, 2001 (other than Messrs. Wang, Kumar, and Artzt); and (iii) all current directors and executive officers as a group (16 persons). Information with respect to beneficial ownership is based upon information furnished to the Company by each security holder. Except as otherwise noted, each person has reported sole voting and sole dispositive power with respect to the shares shown as beneficially owned.

Name Of Beneficial Owner	Number Of Shares Beneficially Owned(1)(2)	Percent Of Class
Directors and Nominees:		
Russell M. Artzt	2,441,200	*
Linus W. L. Cheung	13,500	*
Alfonse M. D. Amato		*
Willem F.P. de Vogel	71,052	*
Richard A. Grasso	62,250	*
Shirley Strum Kenny	13,000	*
Sanjay Kumar	4,534,278(3)	*
Roel Pieper	13,500	*
Lewis S. Ranieri		*
Charles B. Wang	34,422,542(4)	5.90%
Non-Directors:		
Stephen Richards	274,929	*
Ira H. Zar	603,760	*
All Directors and Executive Officers as a Group (16 persons)	42,814,353	7.26%

\* Represents less than 1% of the outstanding common stock.

- (1) Includes shares that may be acquired within 60 days after July 5, 2001 through the exercise of stock options as follows: Mr. Artzt, 1,219,275; Mr. D. Amato, 13,500; Mr. de Vogel, 54,000; Mr. Grasso, 47,250; Mr. Kumar, 1,201,518; Mr. Pieper, 13,500; Mr. Wang, 7,137,022; Mr. Richards, 273,423; Mr. Zar, 586,318; and all Directors and Executive Officers as a Group, 13,777,042.
- (2) Includes shares credited to the executives' accounts in the Company's tax-qualified profit-sharing plan as follows: Mr. Artzt, 21,023; Mr. Kumar, 33,832; Mr. Wang, 1,706; Mr. Richards, 707; Mr. Zar, 2,930; and all Directors and Executive Officers as a Group, 90,218.
- (3) Includes (i) 2,025 shares held in accounts for minor children for which Mr. Kumar serves as the custodian, (ii) 82,292 shares owned by a 501(c)(3) foundation of which Mr. Kumar serves as the trustee, (iii) 55,867 shares held in a trust for the benefits of descendants of Mr. Kumar of which Mr. Kumar's wife is a co-trustee, and accordingly shares voting and dispositive power, and (iv) an aggregate of 2,395,242 shares owned by Mr. Kumar that are pledged or deposited as collateral for available lines of credit and/or outstanding loans with UBS AG, which aggregate number of shares is in excess of the minimum number of shares that must be pledged or deposited as collateral based on

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the current outstanding loan balances and the current trading price of the Common Stock. Mr. Kumar disclaims beneficial ownership of the shares referenced in clauses (i), (ii) and (iii) of the first sentence of this note (3).

- (4) Includes (i) 180,652 shares owned directly and as trustee for a minor by Mr. Wang's spouse, an employee of a subsidiary of the Company, 2,919,013 shares subject to employee stock options held by Mr. Wang's spouse, which are exercisable within 60 days after July 5, 2001, and 1,355 shares credited to the account of Mr. Wang's spouse in the Company's tax-qualified profit-sharing plan, (ii) 4,680,465 shares owned by 501(c)(3) foundations of which Mr. Wang serves as a director, (iii) 9,086 shares owned as trustee for one of Mr. Wang's minor children, and (iv) an aggregate of 9,194,459 shares owned by Mr. Wang that are pledged or deposited as collateral for available lines of credit and/or outstanding loans with UBS AG and Bank America Securities, which aggregate number of shares is substantially in excess of the minimum number of shares that must be pledged or deposited as collateral based on the current outstanding loan balances and the current trading price of the Common Stock. Mr. Wang disclaims beneficial ownership of the shares referenced in clauses (i), (ii) and (iii) of the first sentence of this note (4).

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**Preliminary Copy. Subject to Completion. July 25, 2001.**

**GREEN PROXY CARD**

**APPENDIX**

**COMPUTER ASSOCIATES INTERNATIONAL, INC.**

**PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS  
AUGUST 29, 2001 AT 10:00 A.M.**

**THIS PROXY IS SOLICITED BY RANGER GOVERNANCE, LTD. AND  
NOT BY THE BOARD OF DIRECTORS OF COMPUTER ASSOCIATES INTERNATIONAL, INC.**

The undersigned stockholder of Computer Associates International, Inc. hereby appoints [Sam Wyly, and ], and each of them, as attorneys and proxies, each with power of substitution and revocation, to represent the undersigned at the Annual Meeting of Stockholders of Computer Associates International, Inc. to be held on August 29, 2001, and at any adjournment, postponement or rescheduling thereof, with authority to vote all shares held or owned by the undersigned in accordance with the directions indicated herein.

Receipt of the Proxy Statement is hereby acknowledged.

**This proxy, when properly executed, will cause your shares to be voted as you direct. If you return this proxy, properly executed, without specifying a choice, your shares will be voted in favor of the nominees identified on the reverse side and will abstain on items two and three.**

(Continued and to be signed on the reverse side)

See reverse side

**RANGER GOVERNANCE, LTD. RECOMMENDS A VOTE FOR THE NOMINEES LISTED BELOW.**

- 1. Election of Directors.

NOMINEES: Richard J. Agnich, Robert E. Cook, Dennis Mitchell Crumpler, Mark Cuban, Dixon Doll, Wendy L. Gramm, Stephen R. Perkins, Cece Smith, Elizabeth Ann VanStory and Sam Wyly



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“ **FOR** all nominees.      “ **WITHHOLD AUTHORITY** to vote for all nominees.      **FOR** all nominees, except vote withheld from the following nominee(s):

\_\_\_\_\_

2. Approval of the Computer Associates International, Inc. 2001 Stock Option Plan.

“ **FOR**                      “ **AGAINST**                      “ **ABSTAIN**

\_\_\_\_\_

Date \_\_\_\_\_, 2001

\_\_\_\_\_  
Signature (Please sign exactly as your name appears to the left)

\_\_\_\_\_  
Additional Signature (if held jointly)

\_\_\_\_\_  
Title

Please sign exactly as your name appears above. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person. The signer hereby revokes all proxies previously given by the signer to vote at the 2001 Annual Meeting of Stockholders of Computer Associates International, Inc., and any adjournment, postponement or rescheduling thereof.