

SYMANTEC CORP

FORM 10-Q (Quarterly Report)

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Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended October 3, 2008
- or
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period from to

Commission File Number 000-17781

Symantec Corporation

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

Delaware
*(State or other jurisdiction of
incorporation or organization)*

**20330 Stevens Creek Blvd.,
Cupertino, California**
(Address of principal executive offices)

77-0181864
*(I.R.S. employer
identification no.)*

95014-2132
(Zip Code)

Registrant's telephone number, including area code:
(408) 517-8000

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

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

- Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

Shares of Symantec common stock, \$0.01 par value per share, outstanding as of October 31, 2008:
836,013,435 shares.

SYMANTEC CORPORATION
FORM 10-Q
Quarterly Period Ended October 3, 2008
TABLE OF CONTENTS

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
Item 1. <i>Financial Statements</i>	3
Condensed Consolidated Balance Sheets as of October 3, 2008 and March 28, 2008	3
Condensed Consolidated Statements of Income for the three and six months ended October 3, 2008 and September 28, 2007	4
Condensed Consolidated Statements of Cash Flows for the six months ended October 3, 2008 and September 28, 2007	5
Notes to Condensed Consolidated Financial Statements	6
Item 2. <i>Management's Discussion and Analysis of Financial Condition and Results of Operations</i>	25
Item 3. <i>Quantitative and Qualitative Disclosures about Market Risk</i>	39
Item 4. <i>Controls and Procedures</i>	39
PART II. OTHER INFORMATION	
Item 1. <i>Legal Proceedings</i>	40
Item 1A. <i>Risk Factors</i>	40
Item 2. <i>Unregistered Sales of Equity Securities and Use of Proceeds</i>	40
Item 4. <i>Submission of Matters to a Vote of Security Holders</i>	40
Item 6. <i>Exhibits</i>	42
Signatures	43
EX-10.03	
EX-10.05	
EX-31.01	
EX-31.02	
EX-32.01	
EX-32.02	

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SYMANTEC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	October 3, 2008 (Unaudited)	March 28, 2008 *
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,262,157	\$ 1,890,225
Short-term investments	42,485	536,728
Trade accounts receivable, net	645,179	758,200
Inventories	26,590	34,138
Deferred income taxes	196,273	193,775
Other current assets	258,495	316,852
Total current assets	3,431,179	3,729,918
Property and equipment, net	942,754	1,001,750
Acquired product rights, net	526,143	648,950
Other intangible assets, net	1,141,443	1,243,524
Goodwill	11,323,506	11,207,357
Investment in joint venture	133,073	150,000
Other long-term assets	65,120	55,291
Long-term deferred income taxes	58,781	55,304
Total assets	<u>\$17,621,999</u>	<u>\$18,092,094</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 210,027	\$ 169,631
Accrued compensation and benefits	344,051	431,345
Current deferred revenue	2,337,237	2,661,515
Income taxes payable	50,196	72,263
Short-term borrowing	—	200,000
Other current liabilities	228,906	264,832
Total current liabilities	3,170,417	3,799,586
Convertible senior notes	2,100,000	2,100,000
Long-term deferred revenue	375,989	415,054
Long-term deferred tax liabilities	194,728	219,341
Long-term income taxes payable	491,612	478,743
Other long-term liabilities	95,961	106,187
Total liabilities	6,428,707	7,118,911
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	—	—
Common stock	8,357	8,393
Additional paid-in capital	9,121,142	9,139,084
Accumulated other comprehensive income	182,580	159,792
Retained earnings	1,881,213	1,665,914
Total stockholders' equity	11,193,292	10,973,183
Total liabilities and stockholders' equity	<u>\$17,621,999</u>	<u>\$18,092,094</u>

* Derived from audited financials

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Six Months Ended	
	October 3, 2008	September 28, 2007	October 3, 2008	September 28, 2007
	(Unaudited)			
	(In thousands, except earnings per share data)			
Net revenues:				
Content, subscriptions, and maintenance	\$1,180,715	\$ 1,117,165	\$2,471,707	\$ 2,203,683
Licenses	337,295	301,924	696,625	615,744
Total net revenues	1,518,010	1,419,089	3,168,332	2,819,427
Cost of revenues:				
Content, subscriptions, and maintenance	212,070	205,572	430,644	415,238
Licenses	10,398	9,892	18,845	21,130
Amortization of acquired product rights	86,602	89,062	171,563	178,422
Total cost of revenues	309,070	304,526	621,052	614,790
Gross profit	1,208,940	1,114,563	2,547,280	2,204,637
Operating expenses:				
Sales and marketing	596,983	595,162	1,259,802	1,163,692
Research and development	219,049	221,057	450,484	446,635
General and administrative	84,838	86,405	177,604	172,250
Amortization of other purchased intangible assets	55,651	56,926	111,030	113,851
Restructuring	9,790	9,578	26,795	28,578
Impairment of assets	26,204	86,546	26,204	86,546
Total operating expenses	992,515	1,055,674	2,051,919	2,011,552
Operating income	216,425	58,889	495,361	193,085
Interest income	12,302	19,179	30,290	40,000
Interest expense	(6,712)	(6,617)	(16,281)	(12,908)
Other income (expense), net	(8,782)	1,965	(8,843)	3,231
Income before income taxes and loss from joint venture	213,233	73,416	500,527	223,408
Provision for income taxes	62,414	23,048	156,835	77,834
Loss from joint venture	10,746	—	16,927	—
Net income	\$ 140,073	\$ 50,368	\$ 326,765	\$ 145,574
Earnings per share — basic	\$ 0.17	\$ 0.06	\$ 0.39	\$ 0.16
Earnings per share — diluted	\$ 0.16	\$ 0.06	\$ 0.38	\$ 0.16
Weighted-average shares outstanding — basic	838,489	875,662	838,537	883,652
Weighted-average shares outstanding — diluted	852,334	892,759	853,174	901,683

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	October 3, 2008	September 28, 2007
	(Unaudited)	
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	\$ 326,765	\$ 145,574
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	411,567	417,493
Stock-based compensation expense	89,495	81,734
Impairment of assets	25,870	86,546
Deferred income taxes	(917)	(103,900)
Income tax benefit from the exercise of stock options	17,929	17,268
Excess income tax benefit from the exercise of stock options	(16,007)	(13,529)
Loss from joint venture	16,927	—
Realized and other than temporary impairment loss on investments	2,330	—
Other	11,235	3,076
Net change in assets and liabilities, excluding effects of acquisitions:		
Trade accounts receivable, net	99,884	118,986
Inventories	5,945	10,497
Accounts payable	(986)	7,647
Accrued compensation and benefits	(81,905)	(418)
Deferred revenue	(228,632)	(229,013)
Income taxes payable	(51,477)	131,436
Other assets	72,683	50,404
Other liabilities	(38,839)	(41,523)
Net cash provided by operating activities	661,867	682,278
INVESTING ACTIVITIES:		
Purchase of property and equipment	(125,339)	(138,029)
Proceeds from sales of property and equipment	39,547	—
Cash payments for business acquisitions, net of cash and cash equivalents acquired	(186,826)	(852,286)
Purchases of available-for-sale securities	(172,891)	(640,570)
Proceeds from sales of available-for-sale securities	667,693	498,386
Net cash provided by (used in) investing activities	222,184	(1,132,499)
FINANCING ACTIVITIES:		
Repurchase of common stock	(399,894)	(899,984)
Net proceeds from sales of common stock under employee stock benefit plans	185,537	130,220
Repayment of short-term borrowing	(200,000)	—
Excess income tax benefit from the exercise of stock options	16,007	13,529
Repayment of other long-term liability	(3,716)	(7,604)
Tax payments related to restricted stock issuance	(14,830)	(3,050)
Net cash used in financing activities	(416,896)	(766,889)
Effect of exchange rate fluctuations on cash and cash equivalents	(95,223)	46,440
Increase (decrease) in cash and cash equivalents	371,932	(1,170,670)
Beginning cash and cash equivalents	1,890,225	2,559,034
Ending cash and cash equivalents	<u>\$2,262,157</u>	<u>\$ 1,388,364</u>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

SYMANTEC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The condensed consolidated financial statements of Symantec Corporation (“we,” “us,” and “our” refer to Symantec Corporation and all of its subsidiaries) as of October 3, 2008 and March 28, 2008 and for the three and six months ended October 3, 2008 and September 28, 2007 have been prepared in accordance with the instructions for Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, therefore, do not include all information and notes normally provided in audited financial statements. In the opinion of management, the condensed consolidated financial statements contain all adjustments, consisting only of normal recurring items, except as otherwise noted, necessary for the fair presentation of our financial position and results of operations for the interim periods. The condensed consolidated balance sheet as of March 28, 2008 has been derived from the audited consolidated financial statements, however it does not include all disclosures required by generally accepted accounting principles. These condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 28, 2008. The results of operations for the three and six months ended October 3, 2008 are not necessarily indicative of the results to be expected for the entire fiscal year. All significant intercompany accounts and transactions have been eliminated.

We have a 52/53-week fiscal accounting year. Unless otherwise stated, references to three and six months ended in this report relate to fiscal periods ended October 3, 2008 and September 28, 2007. The three months ended October 3, 2008 and September 28, 2007 both consisted of 13 weeks. The six months ended October 3, 2008 consisted of 27 weeks while the six months ended September 28, 2007 consisted of 26 weeks.

Significant accounting policies

Effective July 4, 2008, we adopted Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards No. 157 (“SFAS No. 157”). Fair Value Measurements for all of our financial assets and liabilities are recognized or disclosed at fair value on a recurring and nonrecurring basis (FASB Staff Position (“FSP”). FAS No 157-1 eliminates leasing transactions from scope and FSP FAS No. 157-2 defers the effective date for one year for nonfinancial assets and liabilities measured at fair value on a nonrecurring basis). See Note 2 of the Notes to the Condensed Consolidated Financial Statements for further discussion.

Other than this change, there have been no changes in our significant accounting policies during the six months ended October 3, 2008 as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 28, 2008.

Recent accounting pronouncements

In June 2008, the FASB issued Emerging Issues Task Force (“EITF”) Issue No. 07-5, *Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity’s Own Stock*. EITF Issue No. 07-5 provides guidance on evaluating whether an equity-linked financial instrument (or embedded feature) is indexed to the company’s own stock, including evaluating the instrument’s contingent exercise and settlement provisions. EITF Issue No. 07-5 is effective for fiscal years beginning after December 15, 2008. We are currently assessing the impact of EITF Issue No. 07-5 on our consolidated financial statements.

In May 2008, the FASB issued FSP Accounting Principles Board (“APB”) No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. The FSP will require the issuer of convertible debt instruments with cash settlement features to separately account for the liability and equity components of the instrument. The debt will be recognized at the present value of its cash flows discounted using the issuer’s nonconvertible debt borrowing rate at the time of issuance. The equity component will be recognized as the difference between the proceeds from the issuance of the note and the fair value of the liability. The FSP will also require an accretion as interest expense of the resultant debt discount over

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the expected life of the debt. The transition guidance requires retrospective application to all periods presented, and does not grandfather existing instruments. The guidance will be effective for fiscal years beginning after December 15, 2008, and interim periods within those years. Upon adoption of the FSP, we expect the increase in non-cash interest expense recognized on our consolidated financial statements to be significant.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets*. The position amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement of Financial Accounting Standards (“SFAS”) No. 142, *Goodwill and Other Intangible Assets*. The position applies to intangible assets that are acquired individually or with a group of other assets and in business combinations and asset acquisitions. FSP 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We do not expect the adoption of FSP No. 142-3 to have a material impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. SFAS No. 161 requires disclosures of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. We do not expect the adoption of SFAS No. 161 to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin (“ARB”) No. 51*. The standard changes the accounting for noncontrolling (minority) interests in consolidated financial statements including the requirements to classify noncontrolling interests as a component of consolidated stockholders’ equity, to identify earnings attributable to noncontrolling interests reported as part of consolidated earnings, and to measure the gain or loss on the deconsolidated subsidiary using the fair value of a noncontrolling equity investment. Additionally, SFAS No. 160 revises the accounting for both increases and decreases in a parent’s controlling ownership interest. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. We do not expect the adoption of SFAS No. 160 to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. This standard changes the accounting for business combinations by requiring that an acquiring entity measures and recognizes identifiable assets acquired and liabilities assumed at the acquisition date fair value with limited exceptions. The changes include the treatment of acquisition related transaction costs, the valuation of any noncontrolling interest at the acquisition date fair value, the recording of acquired contingent liabilities at acquisition date fair value and the subsequent re-measurement of such liabilities after acquisition date, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals subsequent to the acquisition date, and the recognition of changes in the acquirer’s income tax valuation allowance. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. If the current level of acquisitions activity continues, we expect the implementation of SFAS No. 141R to have a material impact on our consolidated financial statements when it becomes effective. The accounting treatment related to pre-acquisition uncertain tax positions will change when SFAS No. 141R becomes effective, which will be in first quarter of our fiscal year 2010. At such time, any changes to the recognition or measurement of uncertain tax positions related to pre-acquisition periods will be recorded through income tax expense, where currently the accounting treatment would require any adjustment to be recognized through the purchase price.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements and is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FSP No. 157-2, *The Effective Date of FASB Statement No. 157*, which

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. These nonfinancial items include assets and liabilities such as reporting units measured at fair value in a goodwill impairment test and nonfinancial assets acquired and liabilities assumed in a business combination. Effective March 29, 2008, we adopted SFAS 157 for financial assets and liabilities recognized at fair value on a recurring basis. The partial adoption of SFAS 157 for financial assets and liabilities did not have a material impact on our consolidated financial position, results of operations or cash flows. In October 2008, the FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. FSP No. FAS 157-3 provides examples to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP No. FAS 157-3 is effective upon issuance. We do not expect the adoption of the FSP to have a material impact on our consolidated financial statements. See Note 2 for information and related disclosures regarding our fair value measurements.

Note 2. Financial Instruments

We measure financial assets and liabilities at fair value based upon exit price, representing the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. SFAS No. 157 (as impacted by FSP Nos. 157-1, 157-2 and 157-3) establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

- *Level 1:* Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- *Level 3:* Unobservable inputs reflecting our own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy:

	As of October 3, 2008			Total
	Level 1	Level 2	Level 3	
	(In thousands)			
Assets:				
Cash equivalents:				
Money market funds	\$403,459	\$ —	\$ —	\$ 403,459
Bank securities and deposits	—	39,578	—	39,578
Government notes	—	249,964	—	249,964
Commercial paper	—	482,574	—	482,574
Short-term investments:				
Asset-backed securities	—	21,985	—	21,985
Corporate notes	—	17,659	—	17,659
Equity investments(1)	2,841	—	—	2,841
Deferred compensation plan assets(2)	—	13,035	—	13,035
	<u>\$406,300</u>	<u>\$824,795</u>	<u>\$ —</u>	<u>\$1,231,095</u>

- (1) Equity investments relate to our investments in the securities of other public companies. Such investments are included in Short-term investments.
- (2) Deferred compensation plan assets are fund-of-funds and consist primarily of corporate equity securities. Such assets are included in Other current assets.

Certain financial assets and liabilities are not included in the table above because they are measured at fair value on a nonrecurring basis. These assets and liabilities include our non-public equity investments, convertible senior notes and bond hedge (including the derivative call option).

The effective date of FSP FAS No. 157-2 for measuring fair value of nonfinancial assets and liabilities which are recognized or disclosed at fair value on a nonrecurring basis is the fiscal year starting April 4, 2009 and interim periods within that fiscal year. This deferral applies to us for such items as nonfinancial assets and liabilities initially measured at fair value in a business combination but not measured at fair value in subsequent periods, nonfinancial long-lived and intangible asset groups measured at fair value for an impairment assessment, reporting units measured at fair value in the first step of a goodwill impairment test, and nonfinancial restructuring liabilities.

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 3. Balance Sheet Information

	As of	
	October 3, 2008	March 28, 2008
	(In thousands)	
<i>Property and equipment, net:</i>		
Computer hardware and software	\$ 979,678	\$ 925,156
Office furniture and equipment	216,210	292,306
Buildings	417,159	492,857
Leasehold improvements	303,749	276,116
	<u>1,916,796</u>	<u>1,986,435</u>
Less: accumulated depreciation and amortization	<u>(1,052,434)</u>	<u>(1,079,468)</u>
	864,362	906,967
Land	<u>78,392</u>	<u>94,783</u>
Property and equipment, net	<u>\$ 942,754</u>	<u>\$ 1,001,750</u>

Note 4. Comprehensive Income

The components of comprehensive income are as follows:

	Three Months Ended		Six Months Ended	
	October 3, 2008	September 28, 2007	October 3, 2008	September 28, 2007
	(In thousands)			
Net income	\$140,073	\$ 50,368	\$326,765	\$ 145,574
Other comprehensive income:				
Reclassification adjustment relating to the legal liquidation of foreign entities	(188)	—	(4,824)	—
Change in cumulative translation adjustment, net of tax	25,144	4,207	28,339	12,301
Change in unrealized gain (loss) on available-for-sale securities, net of tax	<u>(1,013)</u>	<u>1,882</u>	<u>(727)</u>	<u>580</u>
Total other comprehensive income	<u>23,943</u>	<u>6,089</u>	<u>22,788</u>	<u>12,881</u>
Comprehensive income	<u>\$164,016</u>	<u>\$ 56,457</u>	<u>\$349,553</u>	<u>\$ 158,455</u>

The reclassification adjustment relates to the realization of a foreign exchange translation adjustment relating to the legal liquidation of foreign entities.

Accumulated other comprehensive income as of October 3, 2008 and March 28, 2008 primarily consisted of foreign currency translation adjustments, net of taxes.

Note 5. Acquisitions

nSuite Purchase

On August 8, 2008, we completed the acquisition of nSuite Technologies, Inc. (“nSuite”), a Massachusetts-based provider of connection broker technology. The acquisition complements our endpoint virtualization portfolio and strategy. The connection broker technology of nSuite is utilized in an endpoint virtualization platform to validate users, perform basic security functions, connect users with the correct applications and manage the transfer

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

of virtual resources within the data center. In exchange for all voting equity interests, we purchased nSuite for \$20 million, which included acquisition related costs. Cash was used to fund the transaction, and no equity interests were issued. Of the aggregate purchase price, \$5 million was allocated to identified intangible assets, primarily developed technology, and the remaining \$15 million resulted in goodwill. Goodwill, all of which was deductible for tax purposes, resulted primarily from our expectation of synergies from the integration of nSuite's product offerings with our product offerings. The results of operations for nSuite, since the date of acquisition, are included as part of the Security and Compliance segment. Supplemental proforma information for nSuite is not material and was therefore not included.

AppStream Purchase

On April 18, 2008, we completed the acquisition of AppStream, Inc. ("AppStream"), a Palo Alto, California-based provider of endpoint virtualization software. AppStream was acquired to complement our endpoint management and virtualization portfolio and strategy. AppStream's application streaming technology provides an on-demand delivery mechanism that leverages application virtualization to enable greater flexibility and control. In exchange for all voting equity interests, we purchased AppStream for \$53 million, which included acquisition related costs. Cash was used to fund the transaction, and no equity interests were issued. Of the aggregate purchase price, \$15 million was allocated to tangible assets, \$11 million to identified intangible assets, primarily developed technology, and the remaining \$27 million resulted in goodwill. Goodwill, none of which was deductible for tax purposes, resulted primarily from our expectation of synergies from the integration of AppStream's product offerings with our product offerings. The results of operations for AppStream, since the date of acquisition, are included as part of the Security and Compliance segment. Supplemental proforma information for AppStream is not material and is therefore not included.

SwapDrive Purchase

On June 6, 2008, we completed the acquisition of SwapDrive, Inc. ("SwapDrive"), a Washington D.C.-based provider of online storage products. SwapDrive was acquired to strengthen and expand the Norton consumer portfolio by leveraging online backup and storage platform technologies. In exchange for all voting equity interests, we purchased SwapDrive for \$124 million, which included acquisition related costs. Cash was used to fund the transaction, and no equity interests were issued. Of the aggregate purchase price, \$6 million was allocated to tangible assets and \$40 million was allocated to identified intangible assets, primarily developed technology and customer relationships, and the remaining \$78 million resulted in goodwill. Goodwill resulted primarily from our expectation of synergies from the integration of SwapDrive's product offerings with our product offerings. Goodwill is expected to be deductible in the State of California for tax purposes. The results of operations for SwapDrive, since the date of acquisition, are included as part of the Consumer Products segment. Supplemental proforma information for SwapDrive was not material and is therefore not included.

Note 6. Investment in Joint Venture

On February 5, 2008, Symantec formed Huawei-Symantec, Inc. ("joint venture") with a subsidiary of Huawei Technologies Co., Ltd. ("Huawei"). The joint venture is domiciled in Hong Kong with principal operations in Chengdu, China. We contributed cash of \$150 million, licenses related to certain intellectual property and other intangible assets in exchange for 49% of the outstanding common shares of the joint venture. The joint venture will develop, manufacture, market and support security and storage appliances to global telecommunications carriers and enterprise customers. Huawei contributed its telecommunications storage and security business assets, engineering, sales and marketing resources, personnel, and licenses related to intellectual property in exchange for a 51% ownership interest in the joint venture.

The contribution of assets to the joint venture was accounted for at its carrying value. The historical carrying value of the assets contributed by Symantec comprised a significant portion of the net assets of the joint venture. As

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

a result, our carrying value of the investment in the joint venture exceeded our proportionate share in the underlying net assets of the joint venture by approximately \$73 million upon formation of the joint venture. As the contributions for both Symantec and Huawei were recorded at historical carrying value by the joint venture, this basis difference is attributable to the contributed identified intangible assets. The basis difference is being amortized over a weighted-average period of 9 years, the estimated useful lives of the underlying identified intangible assets to which the basis difference is attributed.

We account for our investment in the joint venture under the equity method of accounting. Under this method, we record our proportionate share of the joint venture's net income or loss based on the quarterly financial statements of the joint venture. We record our proportionate share of net income or loss one quarter in arrears. In determining our share of the joint venture's net income or loss, we adjust the joint venture's reported results to recognize the amortization expense associated with the basis difference. For the six months ended October 3, 2008, we recorded a loss of approximately \$17 million related to our share of the joint venture's net loss, including the amortization of the basis difference described above, for the joint venture's period ended June 30, 2008. This loss is included in the accompanying Condensed Consolidated Statements of Income under the caption "Loss from joint venture." The carrying value of our investment in the joint venture as of October 3, 2008 was approximately \$133 million.

Summarized unaudited statement of operations information for the joint venture and the calculation of our share of the joint venture's loss are as follows:

	Three Months Ended June 30, 2008	For the Period from February 5, 2008 to June 30, 2008
	(In thousands)	
Net revenues	\$ 455	\$ 469
Gross margin	(188)	(386)
Net loss, as reported by the joint venture	\$ (17,780)	\$ (27,598)
Symantec's ownership interest	49%	49%
Symantec's proportionate share of net loss	(8,712)	(13,523)
Adjustment for amortization of basis difference	(2,034)	(3,404)
Loss from joint venture	<u>\$ (10,746)</u>	<u>\$ (16,927)</u>

Note 7. Goodwill, Acquired Product Rights, and Other Intangible Assets*Goodwill*

In accordance with SFAS No. 142, we allocate goodwill to our reporting units, which are the same as our operating segments. Goodwill is allocated as follows:

	Consumer Products	Security and Compliance	Storage and Server Management	Services	Total Company
	(In thousands)				
Balance as of March 28, 2008	\$102,810	\$4,080,717	\$ 6,665,734	\$358,096	\$11,207,357
Goodwill acquired through business combinations(1)	78,421	42,929	—	—	121,350
Goodwill adjustments(2)	—	(2,851)	(2,350)	—	(5,201)
Operating segment reclassification(3)	—	(84,376)	—	84,376	—
Balance as of October 3, 2008	<u>\$181,231</u>	<u>\$4,036,419</u>	<u>\$ 6,663,384</u>	<u>\$442,472</u>	<u>\$11,323,506</u>

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (1) Reflects goodwill of approximately \$78 million in the Consumer Products segment resulting from the SwapDrive acquisition, and approximately \$27 million and \$15 million in the Security and Compliance segment resulting from the acquisition of AppStream and nSuite respectively. See Note 5 for further details.
- (2) Reflects adjustments made to goodwill of prior acquisitions as a result of tax adjustments, primarily related to stock-based compensation.
- (3) In the first quarter of fiscal year 2009, we moved Altiris services from the Security and Compliance segment to the Services segment. As a result of this reclassification, the above adjustment was made in accordance with SFAS No. 142.

Goodwill is tested for impairment on an annual basis during the March quarter, or earlier if indicators of impairment exist. Based on our review as of October 3, 2008, no indicators of impairment were identified for our Goodwill, Acquired Product Rights, or Other Intangible Assets.

Acquired product rights, net

Acquired product rights subject to amortization are as follows:

	As of October 3, 2008			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Life
	(In thousands)			
Developed technology	\$1,705,025	\$(1,213,173)	\$ 491,852	2 years
Patents	75,595	(41,304)	34,291	3 years
	<u>\$1,780,620</u>	<u>\$(1,254,477)</u>	<u>\$ 526,143</u>	<u>2 years</u>

	As of March 28, 2008			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Life
	(In thousands)			
Developed technology	\$1,655,895	\$(1,045,383)	\$ 610,512	2 years
Patents	71,313	(32,875)	38,438	3 years
	<u>\$1,727,208</u>	<u>\$(1,078,258)</u>	<u>\$ 648,950</u>	<u>2 years</u>

During the three months ended October 3, 2008 and September 28, 2007, amortization expense for acquired product rights was \$87 million and \$89 million, respectively. During the six months ended October 3, 2008 and September 28, 2007, amortization expense for acquired product rights was \$172 million and \$178 million, respectively. Amortization of acquired product rights is included in Cost of revenues in the Condensed Consolidated Statements of Income.

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Amortization expense for acquired product rights, based upon our existing acquired product rights and their current useful lives as of October 3, 2008, is estimated to be as follows (*in thousands*):

Remainder of fiscal 2009	\$173,955
2010	210,512
2011	79,657
2012	37,307
2013	13,198
Thereafter	11,514
Total	<u>\$526,143</u>

Other intangible assets, net

Other intangible assets are as follows:

	As of October 3, 2008			
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Weighted-Average Remaining Life</u>
	(In thousands)			
Customer base	\$1,670,523	\$ (631,120)	\$ 1,039,403	5 years
Trade name	125,310	(45,353)	79,957	7 years
Norton tradename	22,083	—	22,083	Indefinite
Partnership agreements	2,300	(2,300)	—	Fully amortized
	<u>\$1,820,216</u>	<u>\$ (678,773)</u>	<u>\$ 1,141,443</u>	5 years

	As of March 28, 2008			
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>	<u>Weighted-Average Remaining Life</u>
	(In thousands)			
Customer base	\$1,661,683	\$ (526,512)	\$ 1,135,171	5 years
Tradename	125,203	(38,933)	86,270	7 years
Norton tradename	22,083	—	22,083	Indefinite
Partnership agreements	2,300	(2,300)	—	Fully amortized
	<u>\$1,811,269</u>	<u>\$ (567,745)</u>	<u>\$ 1,243,524</u>	6 years

During the three months ended October 3, 2008 and September 28, 2007, amortization expense for other intangible assets was \$56 million and \$57 million, respectively. During the six months ended October 3, 2008 and September 28, 2007, amortization expense for other intangible assets was \$111 million and \$114 million, respectively. Amortization of other intangible assets is included in Operating expenses in the Condensed Consolidated Statements of Income.

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Amortization expense for other intangible assets, based upon our existing other intangible assets and their current useful lives as of October 3, 2008, is estimated to be as follows (*in thousands*) :

Remainder of fiscal 2009	\$ 110,984
2010	220,254
2011	219,492
2012	217,413
2013	215,446
Thereafter	135,771
Total(1)	<u>\$1,119,360</u>

(1) The Norton tradename has an indefinite life and is not subject to amortization.

Note 8. Line of Credit

In July 2006, we entered into a five-year \$1 billion senior unsecured revolving credit facility that expires in July 2011. Borrowings under the facility bear interest, at our option, at either a rate equal to the bank's base rate or a rate equal to LIBOR plus a margin based on our leverage ratio, as defined in the credit facility agreement. In connection with the credit facility, we must maintain certain covenants, including a specified ratio of debt to earnings before interest, taxes, depreciation, and amortization, as well as various other non-financial covenants.

On November 29, 2007, we borrowed \$200 million under this credit agreement to partially finance our acquisition of Vontu with an interest rate of 4.7075% per annum due and payable quarterly. During the first quarter of fiscal 2009, we repaid the entire Line of Credit principal amount of \$200 million plus accrued interest of \$3 million. Total interest expense associated with this borrowing was approximately \$6 million. As of October 3, 2008, we were in compliance with all required covenants, and there was no outstanding balance on the credit facility.

Note 9. Assets Held for Sale

In accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, ("SFAS No. 144") land and buildings held for sale are classified on our Condensed Consolidated Balance Sheets as Other current assets. The following table summarizes the changes in assets held for sale:

	<u>As of March 28, 2008</u>	<u>Added Properties</u>	<u>Sold Properties</u> (In thousands)	<u>Adjustments</u>	<u>As of October 3, 2008</u>
Assets held for sale	\$ 39,568	\$ 53,346	\$(38,203)	\$ 335	\$ 55,046

SFAS No. 144 provides that a long-lived asset classified as held for sale should be measured at the lower of its carrying amount or fair value less cost to sell and thus we have recorded an impairment loss of \$26 million during the second quarter of fiscal 2009. We believe that these sales will be completed no later than the second quarter of fiscal 2010.

During the three months ended October 3, 2008, we sold two of our properties previously classified as assets held for sale for cash proceeds of \$40 million. The gain and loss on the sales were not significant.

Note 10. Stock repurchases

For the three months ended October 3, 2008, we repurchased 9.3 million shares of our common stock at prices ranging from \$19.92 to \$22.64 per share for an aggregate amount of \$200 million. For the six months ended October 3, 2008, we repurchased 19.0 million shares of our common stock at prices ranging from \$19.35 to \$22.64

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

per share for an aggregate amount of \$400 million. As of October 3, 2008, an aggregate of \$600 million remained authorized for future repurchases from the June 14, 2007 stock repurchase plan.

Note 11. Earnings Per Share

The components of earnings per share are as follows:

	Three Months Ended		Six Months Ended	
	October 3, 2008	September 28, 2007	October 3, 2008	September 28, 2007
	(In thousands, except per share data)			
Earnings per share — basic:				
Net income	\$140,073	\$ 50,368	\$326,765	\$ 145,574
Earnings per share — basic	\$ 0.17	\$ 0.06	\$ 0.39	\$ 0.16
Weighted average outstanding common shares	838,489	875,662	838,537	883,652
Earnings per share — diluted:				
Net income	\$140,073	\$ 50,368	\$326,765	\$ 145,574
Earnings per share — diluted	\$ 0.16	\$ 0.06	\$ 0.38	\$ 0.16
Weighted average outstanding common shares	838,489	875,662	838,537	883,652
Shares issuable from assumed exercise of options	12,313	15,952	12,715	16,799
Dilutive impact of restricted stock and restricted stock units	1,532	1,145	1,621	1,232
Dilutive impact of assumed conversion of Senior Notes using the treasury stock method(1)	—	—	301	—
Total shares for purposes of calculating diluted earnings per share	<u>852,334</u>	<u>892,759</u>	<u>853,174</u>	<u>901,683</u>

(1) See Note 9 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 28, 2008 for an explanation of the impact of the Senior Notes on Earnings per share - diluted.

The following potential common shares were excluded from the computation of diluted earnings per share, as their effect would have been anti-dilutive:

	Three Months Ended		Six Months Ended	
	October 3, 2008	September 28, 2007	October 3, 2008	September 28, 2007
	(In thousands)			
Stock options	47,158	64,828	49,409	64,972
Restricted stock units	96	10	60	13
	<u>47,254</u>	<u>64,838</u>	<u>49,469</u>	<u>64,985</u>

For the three and six months ended October 3, 2008 and September 28, 2007, the effect of the convertible senior notes, warrants issued and options purchased in connection with the convertible senior notes were excluded for the reasons discussed in Note 9 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 28, 2008.

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 12. Stock-based Compensation

We currently have in effect certain stock purchase plans, stock award plans, and equity incentive plans, as described in detail in Note 15 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 28, 2008. These plans were amended in several respects during the second quarter of fiscal 2009. At our 2008 Annual Meeting held in September 2008, our stockholders approved (a) the amendment of our 2004 Equity Incentive Plan to reserve an additional 50,000,000 shares of the Company's common stock for issuance thereunder, and (b) the adoption of our 2008 Employee Stock Purchase Plan including the reservation of 20,000,000 shares of common stock became reserved for issuance thereunder, with the first purchase period thereunder to commence on February 16, 2009. The 2008 Employee Stock Purchase Plan replaces the 1998 Employee Stock Purchase Plan, as amended, which terminates pursuant to its terms on January 1, 2009 subject to completion of the final purchase period under the 1998 Employee Stock Purchase Plan on February 15, 2009.

The following table sets forth the total stock-based compensation expense recognized in our Condensed Consolidated Statements of Income for the three and six months ended October 3, 2008 and September 28, 2007.

	Three Months Ended		Six Months Ended	
	October 3, 2008	September 28, 2007	October 3, 2008	September 28, 2007
	(In thousands, except earnings per share data)			
Cost of revenues — Content, subscriptions, and maintenance	\$ 3,298	\$ 3,542	\$ 6,142	\$ 6,953
Cost of revenues — Licenses	942	957	1,734	1,942
Sales and marketing	18,172	13,957	37,532	28,421
Research and development	14,026	14,842	27,153	29,008
General and administrative	8,210	7,692	16,934	15,410
Total stock-based compensation	44,648	40,990	89,495	81,734
Tax benefit associated with stock-based compensation expense	13,310	10,484	25,385	19,712
Net effect of stock-based compensation expense on net income	<u>\$ 31,338</u>	<u>\$ 30,506</u>	<u>\$ 64,110</u>	<u>\$ 62,022</u>
Net effect of stock-based compensation expense on earnings per share — basic	<u>\$ 0.04</u>	<u>\$ 0.03</u>	<u>\$ 0.08</u>	<u>\$ 0.07</u>
Net effect of stock-based compensation expense on earnings per share — diluted	<u>\$ 0.04</u>	<u>\$ 0.03</u>	<u>\$ 0.08</u>	<u>\$ 0.07</u>

As of October 3, 2008, total unrecognized compensation cost adjusted for estimated forfeitures, related to unvested stock options, Restricted Stock Units ("RSUs"), and Restricted Stock Agreements ("RSAs"), was \$112 million, \$141 million, and \$0.4 million, respectively, which is expected to be recognized over the remaining weighted-average vesting periods of 2.4 years for stock options, 2.4 years for RSUs, and 0.3 years for RSAs.

The weighted-average fair value per option granted during the six months ended October 3, 2008 and September 28, 2007, including assumed options, was \$5.30 and \$6.20, respectively. The total intrinsic value of options exercised during the six months ended October 3, 2008 and September 28, 2007, including assumed options, was \$97 million and \$89 million, respectively.

The weighted-average fair value per RSU granted during the six months ended October 3, 2008 and September 28, 2007, including assumed RSUs, was \$19.96 and \$19.44, respectively. The fair value of RSUs granted for the six months ended October 3, 2008 and September 28, 2007 was \$181 million and \$68 million,

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

respectively. The total fair value of RSUs that vested during the six months ended October 3, 2008 and September 28, 2007, including assumed RSUs, was \$49 million and \$12 million, respectively.

Note 13. Restructuring

Our restructuring costs consist of severance, benefits, facilities and other costs. Severance and benefits generally include severance, stay-put or one-time bonuses, outplacement services, health insurance coverage, effects of foreign currency exchange and legal costs. Facilities costs generally include rent expense less expected sublease income, lease termination costs, asset abandonment costs and the effects of foreign currency exchange. Other costs include relocation and transition costs and consulting services. Restructuring expenses generally do not impact a particular reporting segment and are included in the “Other” reporting segment.

2008 Restructuring Plan

In fiscal 2008, management approved and initiated a restructuring plan (the “2008 Plan”) to reduce costs, outsource certain back office functions, implement management structure changes, optimize the business structure and discontinue certain products. Projects within the 2008 Plan began in the third quarter of fiscal 2008. Severance payments related to the 2008 Plan are expected to be completed in fiscal 2010 and excess facility obligations are to be paid through the first quarter of fiscal 2012. Costs during the six months ended October 3, 2008 were \$15 million related to severance and benefit costs, \$2 million related to facilities costs and \$6 million related to other associated costs. Total remaining costs of the 2008 Plan, consisting of severance, benefits, excess facilities and other costs, are estimated to range between approximately \$55 million and \$85 million.

2007 Restructuring Plans

In fiscal 2007, management entered into restructuring plans to consolidate facilities and reduce operating costs. As part of the plan, we consolidated certain facilities and exited facilities related to earlier acquisitions. Excess facilities obligations are expected to be paid through the second quarter of fiscal 2010. Future costs for exited facilities associated with these events are not expected to be significant.

Prior and Acquisition-Related Restructuring Plans

2006 Restructuring Plans

In fiscal 2006, management entered into restructuring plans to reduce operating costs and consolidate facilities. Restructuring liabilities related to these events as of October 3, 2008 are \$3 million primarily related to excess facilities and are expected to be paid through the fourth quarter of fiscal 2018.

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Acquisition-Related Restructuring Plans

Restructuring liabilities related to acquisitions as of October 3, 2008 were \$6 million, consisting primarily of excess facilities obligations. Of the \$6 million restructuring liability, \$3 million relates to the Vontu acquisition and \$3 million relates to the Veritas acquisition. These amounts are expected to be paid through the first quarter of fiscal 2013 and 2014, respectively. Costs during the six months ended October 3, 2008 were not significant and primarily represent adjustments to previously recorded costs. Further severance and benefit costs are not expected to be recognized in future periods.

	Restructuring Liability				October 3, 2008	Cumulative Incurred to Date
	March 28, 2008	Costs, Net of Adjustments(1)	Cash Payments	Non-Cash Settlements		
(In thousands)						
2008 Restructuring Plan:						
Severance	\$ 16,337	\$ 15,439	\$(23,052)	\$ —	\$ 8,724	\$ 57,064
Facilities	1,031	2,337	(1,254)	—	2,114	3,620
Asset impairments	—	1,769	—	(1,769)	—	1,769
Other(2)	—	5,509	(5,509)	—	—	5,509
2007 Restructuring Plans:						
Severance	20	1,189	(946)	—	263	86,361
Facilities	2,585	(379)	(2,137)	—	69	9,594
Prior & Acquisition Restructuring Plans:						
Severance	—	—	—	—	—	32,536
Facilities	10,647	931	(2,906)	—	8,672	22,042
Purchase price adjustments						3,786
Total	<u>\$ 30,620</u>	<u>\$ 26,795</u>	<u>\$(35,804)</u>	<u>\$ (1,769)</u>	<u>\$ 19,842</u>	
Balance Sheet:						
Other current liabilities	\$ 24,062				\$ 14,557	
Other long-term liabilities	6,558				5,285	
	<u>\$ 30,620</u>				<u>\$ 19,842</u>	

(1) Total net adjustments or reversals during the six months ended October 3, 2008 were not significant.

(2) Other consists mainly of legal fees which were expensed as incurred.

Note 14. Income Taxes

The effective tax rate was approximately 29% and 31% for the three month periods and 31% and 35% for the six months ended October 3, 2008 and September 28, 2007, respectively. The effective tax rates for all periods reflect the benefits of lower-taxed foreign earnings, domestic manufacturing tax incentives, and research and development credit, offset by state income taxes and non-deductible stock-based compensation. We recognized a \$7 million tax benefit in the September 2008 quarter as a result of the IRS agreement on the treatment of the 2005 dividend from a Veritas international subsidiary. That agreement permitted us to apply \$110 million of a \$130 million payment to the outstanding 2000-2001 transfer pricing matter, thereby reducing accumulated interest accrued for that matter. We recognized an additional \$5 million tax benefit in the September 2008 quarter from favorable prior year items, including the retroactive reinstatement of the U.S. federal research and development credit. Further, the tax expense for the six months ended October 3, 2008 includes a \$5 million tax benefit related to a favorable Irish settlement that was recorded in the June 2008 quarter. The September 2007 quarter includes a full 40% tax benefit related to the write-down of intangible and tangible assets related to the Storage and Server Management segment (formerly the Data Center Management segment).

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We file income tax returns in the U.S. on a federal basis and in many U.S. state and foreign jurisdictions. Our two most significant tax jurisdictions are the U.S. and Ireland. Our tax filings remain subject to examination by applicable tax authorities for a certain length of time following the tax year to which those filings relate. Our 2000 through 2007 tax years remain subject to examination by the IRS for U.S. federal tax purposes, and our 2003 through 2007 tax years remain subject to examination by the appropriate governmental agencies for Irish tax purposes. Other significant jurisdictions include California and Japan. As of October 3, 2008, we are under examination by the IRS, for the Veritas U.S. federal income taxes for the 2002 through 2005 tax years.

On March 29, 2006, we received a Notice of Deficiency from the IRS claiming that we owe additional taxes, plus interest and penalties, for the 2000 and 2001 tax years based on an audit of Veritas. The incremental tax liability asserted by the IRS was \$867 million, excluding penalties and interest. On June 26, 2006, we filed a petition with the U.S. Tax Court protesting the IRS claim for such additional taxes. The IRS answered our petition on August 30, 2006, at which point the dispute was docketed for trial. In the March 2007 quarter, we agreed to pay \$7 million out of \$35 million originally assessed by the IRS in connection with several of the lesser issues covered in the assessment. The IRS also agreed to waive the assessment of penalties. During July 2008, we completed the trial phase of the Tax Court case, which dealt with the remaining issue covered in the assessment. At trial, the IRS changed its position with respect to this remaining issue, which decreased the remaining amount at issue from \$832 million to \$545 million, excluding interest. In October 2008, we filed our post-trial brief with the U.S. Tax Court.

We strongly believe the IRS' position with regard to this matter is inconsistent with applicable tax laws and existing Treasury regulations, and that our previously reported income tax provision for the years in question is appropriate. If, upon resolution, we are required to pay an amount in excess of our provision for this matter, based upon current accounting authority, the incremental amounts due would be accounted for principally as additions to the cost of Veritas purchase price. Any incremental interest accrued subsequent to the date of the Veritas acquisition would be recorded as an expense in the period the matter is resolved.

The accounting treatment related to pre-acquisition unrecognized tax benefits will change when SFAS No. 141R becomes effective, which will be in the first quarter of our fiscal year 2010. At such time, any changes to the recognition or measurement of unrecognized tax benefits related to pre-acquisition periods will be recorded through income tax expense, where currently the accounting treatment would require any adjustment to be recognized through the purchase price as an increase or decrease to goodwill.

In July 2008, we reached an agreement with the IRS concerning our eligibility to claim a lower tax rate on a distribution made from a Veritas foreign subsidiary prior to the July 2005 acquisition. The distribution was intended to be made pursuant to the American Jobs Creation Act of 2004, and therefore eligible for a 5.25% effective U.S. federal rate of tax, in lieu of the 35% statutory rate. The final impact of this agreement is not yet known since this relates to the taxability of earnings that are otherwise the subject of the tax years 2000-2001 transfer pricing dispute which in turn is being addressed in the U.S. Tax Court. To the extent that we owe taxes as a result of the transfer pricing dispute, we anticipate that the incremental tax due from this negotiated agreement will decrease. We currently estimate that the most probable outcome from this negotiated agreement will be \$13 million or less, for which an accrual has already been made. As previously disclosed in Form 10-K for the fiscal year ended March 28, 2008, we made a payment of \$130 million to the IRS for this matter in May 2006. We have applied \$110 million of this payment as a deposit on the outstanding transfer pricing matter for the tax years 2000-2001.

We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions. Considering these facts, we do not currently believe there is a reasonable possibility of any significant change to our total unrecognized tax benefits within the next twelve months.

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 15. Litigation

See Note 14 for a discussion of our tax litigation with the IRS relating to the 2000 and 2001 tax year of Veritas.

On July 7, 2004, a purported class action complaint entitled Paul Kuck, et al. v. Veritas Software Corporation, et al. was filed in the United States District Court for the District of Delaware. The lawsuit alleges violations of federal securities laws in connection with Veritas' announcement on July 6, 2004 that it expected results of operations for the fiscal quarter ended June 30, 2004 to fall below earlier estimates. The complaint generally seeks an unspecified amount of damages. Subsequently, additional purported class action complaints have been filed in Delaware federal court, and, on March 3, 2005, the Court entered an order consolidating these actions and appointing lead plaintiffs and counsel. A consolidated amended complaint ("CAC"), was filed on May 27, 2005, expanding the class period from April 23, 2004 through July 6, 2004. The CAC also named another officer as a defendant and added allegations that Veritas and the named officers made false or misleading statements in press releases and SEC filings regarding the company's financial results, which allegedly contained revenue recognized from contracts that were unsigned or lacked essential terms. The defendants to this matter filed a motion to dismiss the CAC in July 2005; the motion was denied in May 2006. In April 2008, the parties filed a stipulation of settlement, which if approved by the Court will resolve the matter. On July 31, 2008, the Court held a final approval hearing and, on August 5, 2008, the Court entered an order approving the settlement. An objector to the fees portion of the settlement has lodged an appeal. As of March 28, 2008, we have recorded an accrual in the amount of \$21.5 million for this matter and, pursuant to the terms of the settlement, we established a settlement fund of \$21.5 million on May 1, 2008.

After Veritas announced in January 2003 that it would restate its financial results as a result of transactions entered into with AOL Time Warner in September 2000, numerous separate complaints purporting to be class actions were filed in the United States District Court for the Northern District of California alleging that Veritas and some of its officers and directors violated provisions of the Securities Exchange Act of 1934. The complaints contain varying allegations, including that Veritas made materially false and misleading statements with respect to its 2000, 2001 and 2002 financial results included in its filings with the SEC, press releases and other public disclosures. A consolidated complaint entitled In Re VERITAS Software Corporation Securities Litigation was filed by the lead plaintiff on July 18, 2003. On February 18, 2005, the parties filed a Stipulation of Settlement in the class action. On March 18, 2005, the Court entered an order preliminarily approving the class action settlement. Pursuant to the terms of the settlement, a \$35 million settlement fund was established on March 25, 2005. Veritas' insurance carriers provided for the entire amount of the settlement fund. In July 2007, the Court of Appeals vacated the settlement, finding that the notice of settlement was inadequate. The matter was returned to the District Court for further proceedings, including reissuance of the notice, and the District Court again approved the settlement and dismissed the matter.

We are also involved in a number of other judicial and administrative proceedings that are incidental to our business. Although adverse decisions (or settlements) may occur in one or more of the cases, it is not possible to estimate the possible loss or losses from each of these cases. The final resolution of these lawsuits, individually or in the aggregate, is not expected to have a material adverse effect on our financial condition or results of operations.

Note 16. Segment Information

During the first quarter of fiscal 2009, we changed our reporting segments to better align our operating structure. Altiris services that were formerly included in the Security and Compliance segment were moved to the Services segment. This move is a result of operational changes in our Services segment and the continued integration of our Altiris business. We revised the segment information for the prior year to conform to the new presentation. As of October 3, 2008, our five operating segments are:

- *Consumer Products.* Our Consumer Products segment focuses on delivering our Internet security, PC tuneup, and backup products to individual users and home offices.

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- *Security and Compliance.* Our Security and Compliance segment focuses on providing large, medium, and small-sized businesses with solutions for compliance and security management, endpoint security, messaging management, and data protection management software solutions that allow our customers to secure, provision, and remotely access their laptops, PCs, mobile devices, and servers.
- *Storage and Server Management.* Our Storage and Server Management segment focuses on providing enterprise and large enterprise customers with storage and server management, backup, and data protection solutions across heterogeneous storage and server platforms.
- *Services.* Our Services segment provides customers with leading IT risk management services and solutions to manage security, availability, performance and compliance risks across multi-vendor environments. In addition, our services including managed security services, consulting, education, and threat and early warning systems, help customers optimize and maximize the value of their Symantec technology investments.
- *Other.* Our Other segment is comprised of sunset products and products nearing the end of their life cycle. It also includes general and administrative expenses; amortization of acquired product rights, other intangible assets, and other assets and charges, such as acquired in-process research and development, stock-based compensation, restructuring and certain indirect costs that are not charged to the other operating segments.

Our reportable segments are the same as our operating segments. The accounting policies of the segments are described in our Annual Report on Form 10-K for the fiscal year ended March 28, 2008. There are no intersegment sales. Our chief operating decision maker evaluates performance based on direct profit or loss from operations before income taxes not including nonrecurring gains and losses, foreign exchange gains and losses, and miscellaneous other income and expenses. Except for goodwill, as disclosed in Note 7, the majority of our assets are not discretely identified by segment. The depreciation and amortization of our property, equipment, and leasehold improvements are allocated based on headcount, unless specifically identified by segment.

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Segment information

The following table presents a summary of our operating segments:

	<u>Consumer Products</u>	<u>Security and Compliance</u>	<u>Storage and Server Management</u>	<u>Services</u>	<u>Other</u>	<u>Total Company</u>
	(\$ in thousands)					
Three months ended October 3, 2008:						
Net revenues	\$ 437,654	\$ 400,992	\$ 572,309	\$106,624	\$ 431	\$1,518,010
Percentage of total net revenues	29%	26%	38%	7%	0%	100%
Operating income (loss)	235,303	62,427	307,716	680	(389,701)	216,425
Operating margin of segment	54%	16%	54%	1%	*	
Depreciation and amortization expense	4,401	6,367	12,630	2,830	185,283	211,511
Three months ended September 28, 2007:						
Net revenues	\$ 433,508	\$ 388,522	\$ 507,957	\$ 88,774	\$ 328	\$1,419,089
Percentage of total net revenues	31%	27%	36%	6%	0%	100%
Operating income (loss)	226,372	49,148	151,375	(14,126)	(353,880)	58,889
Operating margin of segment	52%	13%	30%	(16)%	*	
Depreciation and amortization expense	1,783	6,332	14,989	2,778	178,166	204,048
Three months ended period over period comparison:						
Operating income (loss)	\$ 8,931	\$ 13,279	\$ 156,341	\$ 14,806	\$ (35,821)	\$ 157,536
Operating income percentage year over year change	4%	27%	103%	*	10%	
Six months ended October 3, 2008:						
Net revenues	\$ 909,985	\$ 846,639	\$ 1,187,465	\$223,337	\$ 906	\$3,168,332
Percentage of total net revenues	29%	27%	37%	7%	0%	100%
Operating income (loss)	510,808	143,587	614,056	(2,779)	(770,311)	495,361
Operating margin of segment	56%	17%	52%	(1)%	*	
Depreciation and amortization expense	6,008	13,002	26,208	5,734	360,615	411,567
Six months ended September 28, 2007:						
Net revenues	\$ 857,258	\$ 776,191	\$ 1,013,537	\$171,872	\$ 569	\$2,819,427
Percentage of total net revenues	30%	28%	36%	6%	0%	100%
Operating income (loss)	460,159	109,250	373,991	(32,742)	(717,573)	193,085
Operating margin of segment	54%	14%	37%	(19)%	*	
Depreciation and amortization expense	3,391	13,180	30,357	5,424	365,141	417,493
Six months ended period over period comparison:						
Operating income (loss)	\$ 50,649	\$ 34,337	\$ 240,065	\$ 29,963	\$ (52,738)	\$ 302,276
Operating income percentage year over year change	11%	31%	64%	92%	7%	

* Percentage not meaningful

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 17. Subsequent Events

On October 6, 2008, we completed the acquisition of PC Tools, an Australia-based provider of innovative software products designed to protect the privacy and security of computer users. The aggregate purchase price was approximately \$250 million in cash. Should PC Tools meet certain bookings and expense targets within six months of the acquisition date, we would increase the purchase price by up to \$30 million.

On October 8, 2008, we announced the signing of a definitive agreement to acquire MessageLabs, a United Kingdom-based provider of online messaging and Web security services. We expect to acquire MessageLabs for a purchase price of approximately \$695 million in cash based on exchange rates as of October 8, 2008, subject to foreign currency adjustments, payable in approximately £310 million and \$154 million. The acquisition is expected to close by the end of the third quarter of fiscal 2009.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements and Factors That May Affect Future Results

The discussion below contains forward-looking statements, which are subject to safe harbors under the Securities Act of 1933, as amended, or the Securities Act, and the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include references to our ability to utilize our deferred tax assets, as well as statements including words such as "expects," "plans," "anticipates," "believes," "estimates," "predicts," "projects," and similar expressions. In addition, statements that refer to projections of our future financial performance, anticipated growth and trends in our businesses and in our industries, the anticipated impacts of acquisitions, and other characterizations of future events or circumstances are forward-looking statements. These statements are only predictions, based on our current expectations about future events and may not prove to be accurate. We do not undertake any obligation to update these forward-looking statements to reflect events occurring or circumstances arising after the date of this report. These forward-looking statements involve risks and uncertainties, and our actual results, performance, or achievements could differ materially from those expressed or implied by the forward-looking statements on the basis of several factors, including those that we discuss in Risk Factors, set forth in Part I, Item 1A, of our annual report on Form 10-K for the fiscal year ended March 28, 2008. We encourage you to read that section carefully.

OVERVIEW

Our Business

Symantec is a global leader in providing security, storage and systems management solutions to help businesses and consumers secure and manage their information. We provide customers worldwide with software and services that protect, manage and control information risks related to security, data protection, storage, compliance, and systems management. We help our customers manage cost, complexity and compliance by protecting their IT infrastructure as they seek to maximize value from their IT investments.

We have a 52/53-week fiscal accounting year. Unless otherwise stated, references to three and six month ended periods in this report relate to fiscal periods ended October 3, 2008 and September 28, 2007. The October 3, 2008 and September 28, 2007 quarters both consisted of 13 weeks. The six months ended October 3, 2008 consisted of 27 weeks while the six months ended September 28, 2007 consisted of 26 weeks.

Our Operating Segments

Our operating segments are significant strategic business units that offer different products and services, distinguished by customer needs. Since the March 2008 quarter, we have operated in five operating segments: Consumer Products, Security and Compliance, Storage and Server Management, Services, and Other. During the first quarter of fiscal 2009, we changed our reporting segments to better align our operating structure. Altiris services that were formerly included in the Security and Compliance segment were moved to the Services segment. This move is a result of operational changes in our Services segment and the continued integration of our Altiris business. We revised the segment information for the prior year to conform to the new presentation. For further descriptions of our operating segments, see Note 16 of the Notes to Condensed Consolidated Financial Statements in this quarterly report. Our reportable segments are the same as our operating segments.

Financial Results and Trends

Our net income was \$140 million and \$327 million, for the three and six months ended October 3, 2008, respectively, as compared to our net income of \$50 million and \$146 million for the three and six months ended September 28, 2007, respectively. The higher net income for the fiscal 2009 periods as compared to the same period last year was primarily due to higher revenues in each fiscal 2009 period.

Revenue for the three and six months ended October 3, 2008 was 7% and 12% higher than revenue for the three and six months ended September 28, 2007, respectively. During the three and six months ended October 3, 2008, we delivered revenue growth across all of our geographic regions as compared to the same periods last year and

experienced revenue growth in all of our segments. In addition to the foreign currency effects described below, we believe our increased revenue was largely driven by continued demand for our products as a result of the proliferation of structured and unstructured data, the need to simplify and standardize data center infrastructures, the convergence of endpoint security and management, and increased adoption of our Consumer Products suites. Our revenue growth is also attributable to increased awareness of Internet-related security threats around the world and demand for storage solutions. While we reported increased revenue year over year, we are not immune to macroeconomic conditions. For example, if the challenging economic conditions affecting global markets continue or deteriorate further, we may experience slower or negative revenue growth and our business and operating results might suffer. Our expectation is that currency changes may have a negative impact on year-to-year revenue and deferred revenue in the coming quarter. In light of these economic conditions, we will continue to align our cost structure with our revenue expectations.

Weakness in the U.S. dollar compared to foreign currencies positively impacted our international revenue growth by approximately \$51 million and \$153 million, respectively, during the three and six month periods ended October 3, 2008 as compared to the same periods last year, although this impact has been less than we experienced in recent quarters due to a relative strengthening of the U.S. dollar compared to foreign currencies during the September 2008 quarter. We are unable to predict the extent to which revenues in future periods will be impacted by changes in foreign currency exchange rates. If international sales become a greater portion of our total sales in the future, changes in foreign exchange rates may have a potentially greater impact on our revenues and operating results.

Critical Accounting Estimates

Income Taxes

The section entitled “Income Taxes” in our Critical Accounting Estimates section of our Form 10-K for fiscal year 2008 is hereby updated as follows:

In July 2008, we reached an agreement with the Internal Revenue Service (“IRS”) concerning our eligibility to claim a lower tax rate on a distribution made from a Veritas foreign subsidiary prior to the July 2005 acquisition. The distribution was intended to be made pursuant to the American Jobs Creation Act of 2004, and therefore eligible for a 5.25% effective U.S. federal rate of tax, in lieu of the 35% statutory rate. The final impact of this agreement is not yet known since this relates to the taxability of earnings that are otherwise the subject of the tax years 2000-2001 transfer pricing dispute which in turn is being addressed in the U.S. Tax Court. To the extent that we owe taxes as a result of the transfer pricing dispute, we anticipate that the incremental tax due from this negotiated agreement will decrease. We currently estimate that the most probable outcome from this negotiated agreement will be \$13 million or less, for which an accrual has already been made. As previously disclosed in Form 10-K for the fiscal year ended March 28, 2008, we made a payment of \$130 million to the IRS for this matter in May 2006. We applied \$110 million of this payment as a deposit on the outstanding transfer pricing matter for the tax years 2000-2001.

Fair Value of Financial Instruments

Beginning in the first fiscal quarter of 2009, the assessment of fair value for our financial instruments is based on the provisions of SFAS No. 157. SFAS No. 157 establishes a fair value hierarchy that is based on three levels of inputs and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

As of October 3, 2008, our financial instruments measured at fair value on a recurring basis included \$1.2 billion of assets. Our cash equivalents, which primarily consist of commercial paper, money market funds and government notes, total \$1.1 billion which is 93% of our total financial instruments measured at fair value on a recurring basis.

As of October 3, 2008, \$406 million were classified as Level 1, \$403 million (33% of total financial instruments fair valued on a recurring basis) of which represent investments in money market funds. These were classified as Level 1 because their valuations were based on quoted prices for identical securities in active markets. Determining fair value for Level 1 instruments generally does not require significant management judgment.

As of October 3, 2008, \$825 million were classified as Level 2, \$483 million and \$249 million (60% together of total financial instruments fair valued on a recurring basis) of which represent investments in commercial paper and government notes, respectively. These were classified as Level 2 because their valuations were based on pricing models with all significant inputs derived from or corroborated by observable market prices for identical securities in markets with insufficient volume or infrequent transactions (less active markets). Level 2 inputs also generally include non-binding market consensus prices that are corroborated by observable market data; quoted prices for similar instruments; model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities or quoted prices for similar assets or liabilities. The level of judgment and subjectivity involved with Level 2 instruments generally includes:

- Determining which instruments are most similar to the instrument being priced and identifying a sample of similar securities based on the coupon rates, maturity, issuer, credit rating, and instrument type, and subjectively selecting an individual security or multiple securities that are deemed most similar to the security being priced. For most of our financial instruments classified as Level 2 at October 3, 2008, identical securities were used for determining fair value.
- Determining whether a market is considered active. An assessment of an active market for marketable securities generally takes into consideration trading volume for each instrument type or whether a trading market exists for a given instrument. Our Level 2 financial instruments were so classified due to either low trading activity in active markets or no active market existed. Where no active market existed, amortized cost was used and was assumed to equate to fair value because of the short maturities.
- Determining which model-derived valuations to use in determining fair value. When observable market prices for identical securities or similar securities are not available, we may price marketable securities using: non-binding market consensus prices that are corroborated with observable market data; or pricing models, such as discounted cash flow approaches, with all significant inputs derived from or corroborated with observable market data. In addition, the credit ratings for issuers of debt instruments in which we are invested could change, which could lead to lower fair values. During the second quarter of 2009, the fair value of \$22 million of fixed-income securities was determined using benchmark pricing models for identical or similar securities.

As of October 3, 2008, we have no financial instruments with unobservable inputs as classified in Level 3 under the SFAS No. 157 hierarchy. Level 3 instruments generally would include unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities. The determination of fair value for Level 3 instruments requires the most management judgment and subjectivity.

Other than these changes, there have been no changes in our critical accounting estimates during the six months ended October 3, 2008 as compared to the critical accounting estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended March 28, 2008.

RESULTS OF OPERATIONS

Total Net Revenues

	Three Months Ended				Six Months Ended			
	October 3, 2008	September 28, 2007	Change in \$	%	October 3, 2008	September 28, 2007	Change in \$	%
	(\$ in thousands)							
Net revenues	\$1,518,010	\$ 1,419,089	\$98,921	7%	\$3,168,332	\$ 2,819,427	\$348,905	12%

Net revenues increased for the three months ended October 3, 2008 as compared to the same period last year primarily due to \$73 million in increased sales related to our Storage Foundation, Net Backup, Cluster Server and Information Risk Management products. The increase in demand for these product lines is driven by continued demand for products related to the standardization and simplification of data center infrastructures, demand for

products related to archiving solutions and the proliferation of structured and unstructured data. In addition, we realized revenues of approximately \$20 million for the three months ended October 3, 2008 from sales of products gained from our fiscal 2008 acquisitions for which there is no comparable revenue in the same period last year.

The increase in revenues for the six months ended October 3, 2008 as compared to the same period last year is primarily due to \$171 million in increased sales related to our Storage Foundation, Net Backup, and core Consumer products. The increase in demand for these product lines is driven by continued demand for products related to the standardization and simplification of data center infrastructures, the proliferation of structured and unstructured data, and increased adoption of our Consumer Products suites. We realized net revenues of approximately \$35 million for the six months ended October 3, 2008 from the contribution of sales of products acquired from our fiscal 2008 acquisitions for which there is no comparable revenue in the same period last year. In addition, revenues for the six months ended October 3, 2008 benefited from additional amortization of deferred revenue of approximately \$75 million as a result of the July 4, 2008 quarter being comprised of 14 weeks as compared to 13 weeks for the same period last year.

The revenue increases for the three and six months ended October 3, 2008 discussed above are further described in the segment discussions that follow.

Content, subscriptions, and maintenance revenues

	Three Months Ended				Six Months Ended			
	October 3, 2008	September 28, 2007	Change in		October 3, 2008	September 28, 2007	Change in	
			\$	%			\$	%
	(\$ in thousands)							
Content, subscriptions, and maintenance revenues	\$1,180,715	\$ 1,117,165	\$63,550	6%	\$2,471,707	\$ 2,203,683	\$268,024	12%
Percentage of total net revenues	78%	79%			78%	78%		

Content, subscriptions, and maintenance revenues increased for the three and six months ended October 3, 2008 as compared to the same periods last year primarily due to an increase of \$61 million and \$223 million, respectively, in revenue related to enterprise products and services. This increase in enterprise product and services revenue is largely attributable to demand for our Storage Foundation, Net Backup, Backup Exec, Cluster Server and Information Risk Management products, and consulting services as a result of increased demand for security and storage solutions. This increased demand was driven by the proliferation of structured and unstructured data, and increasing sales of services in conjunction with our license sales as a result of our focus on offering our customers a more comprehensive IT solution. To a lesser extent, content, subscriptions, and maintenance revenues for the six months ended October 3, 2008 benefited from an additional week of deferred revenue amortization as a result of the July 4, 2008 quarter being comprised of 14 weeks compared to 13 weeks for the same period last year.

Licenses revenues

	Three Months Ended				Six Months Ended			
	October 3, 2008	September 28, 2007	Change in		October 3, 2008	September 28, 2007	Change in	
			\$	%			\$	%
	(\$ in thousands)							
Licenses revenues	\$337,295	\$ 301,924	\$35,371	12%	\$696,625	\$ 615,744	\$80,881	13%
Percentage of total net revenues	22%	21%			22%	22%		

Licenses revenues increased for the three and six months ended October 3, 2008 as compared to the same periods last year primarily due to an increase of \$39 million and \$63 million, respectively, in revenue related to our Storage Foundation and Net Backup products. These increases are a result of increased demand for storage solutions driven by the proliferation of structured and unstructured data.

*Net revenue and operating income by segment**Consumer Products segment*

	Three Months Ended				Six Months Ended			
	October 3,	September 28,	Change in		October 3,	September 28,	Change in	
	2008	2007	\$	%	2008	2007	\$	%
	(\$ in thousands)							
Consumer Products revenues	\$437,654	\$ 433,508	\$4,146	1%	\$909,985	\$ 857,258	\$52,727	6%
Percentage of total net revenues	29%	31%			29%	30%		
Consumer Products operating income	\$235,303	\$ 226,372	\$8,931	4%	\$510,808	\$ 460,159	\$50,649	11%
Percentage of Consumer Products revenues	54%	52%			56%	54%		

Consumer Products revenues increased for the three and six months ended October 3, 2008 as compared to the same period last year primarily due to an increase of \$82 million and \$180 million, respectively, in revenue from our new Consumer Products suite and to a lesser extent by a favorable impact of foreign currencies in relation to the U.S. dollar. This revenue increase is due to the increased electronic order demand for Norton 360 offset by declining retail sales during fiscal 2008. The revenue from our consumer products is generally recognized ratably over the 12 months after the product is sold. This increase is partially offset by aggregate decreases for the three and six months ended October 3, 2008 as compared to the same period last year of \$76 million and \$127 million, respectively, in revenue from our Norton Internet Security and Norton AntiVirus products. This decrease results from our customers' continued migration to our Norton 360 product, which offers broader protection and backup features to address the rapidly changing threat environment. Our electronic orders include sales derived from OEMs, subscriptions, upgrades, online sales, and renewals. Revenue from electronic orders (which includes sales of the aforementioned products) grew by \$32 million and \$95 million, respectively, for the three and six months ended October 3, 2008 as compared to the same period last year. Electronic orders constituted 79% and 78% of Consumer Products revenues for the three and six months ended October 3, 2008 as compared to 72% and 72%, respectively, for the same periods last year.

Operating income for this segment increased for the three and six months ended October 3, 2008 as compared to the same periods last year as revenue growth exceeded the growth in total expenses. Total expenses in our Consumer Products segment decreased for the three month ended October 3, 2008 by \$5 million and increased for the six months ended October 3, 2008 by \$2 million as compared to the same periods last year. Our operating expenses for the three and six months ended October 3, 2008 benefited from our continued cost containment measures.

Security and Compliance segment

	Three Months Ended				Six Months Ended			
	October 3,	September 28,	Change in		October 3,	September 28,	Change in	
	2008	2007	\$	%	2008	2007	\$	%
	(\$ in thousands)							
Security and Compliance revenues	\$400,992	\$ 388,522	\$12,470	3%	\$846,639	\$ 776,191	\$70,448	9%
Percentage of total net revenues	26%	27%			27%	28%		
Security and Compliance operating income	\$ 62,427	\$ 49,148	\$13,279	27%	\$143,587	\$ 109,250	\$34,337	31%
Percentage of Security and Compliance revenues	16%	13%			17%	14%		

Security and Compliance revenues increased for the three and six months ended October 3, 2008 as compared to the same periods last year by \$12 million and \$70 million, respectively, in revenue as a result of increased demand for endpoint management, increased demand for archiving solutions, and the successful integration of acquired products into our product portfolio.

Operating income for the Security and Compliance segment increased, as revenue growth exceeded the growth in total expenses for the segment. Total expenses from our Security and Compliance segment decreased for the three months ended October 3, 2008 as compared to the same period last year by \$1 million. This was primarily as a result of continued cost containment measures. Total expenses increased for the six months ended October 3, 2008 as compared to the same period last year by \$36 million. This was primarily due to higher overall sales and R&D expenses in addition to the inclusion of the Vontu acquisition in this segment.

Storage and Server Management segment

	Three Months Ended				Six Months Ended			
	October 3, 2008	September 28, 2007	Change in		October 3, 2008	September 28, 2007	Change in	
			\$	%			\$	%
	(\$ in thousands)							
Storage and Server Management revenues	\$572,309	\$ 507,957	\$ 64,352	13%	\$1,187,465	\$ 1,013,537	\$173,928	17%
Percentage of total net revenues	38%	36%			37%	36%		
Storage and Server Management operating income	\$307,716	\$ 151,375	\$156,341	103%	\$ 614,056	\$ 373,991	\$240,065	64%
Percentage of Storage and Server Management revenues	54%	30%			52%	37%		

Storage and Server Management revenues increased for the three and six months ended October 3, 2008 as compared to the same period last year by \$66 million and \$176 million, respectively, in revenue driven by increased demand for products related to the standardization and simplification of data center infrastructures, increased demand for products supporting high availability and disaster recovery and due to the proliferation of structured and unstructured data.

Operating income for the Storage and Server Management segment increased for the three and six months ended October 3, 2008 as compared to the same period last year, as revenue growth exceeded the growth in total expenses for the segment. Total expenses in our Storage and Server Management segment decreased for the three and six months ended October 3, 2008 as compared to the same periods last year by \$92 million and \$66 million, respectively. These decreases primarily related to the asset impairment on the Application Performance Management (“APM”) business divestiture of \$87 million that occurred in the quarter ended September 28, 2007. Also, our operating expenses for the three and six months ended October 3, 2008 benefited from our continued cost containment measures.

Table of Contents

Services segment

	Three Months Ended				Six Months Ended			
	October 3, 2008	September 28, 2007	Change in		October 3, 2008	September 28, 2007	Change in	
			\$	%			\$	%
	(\$ in thousands)							
Services revenues	\$106,624	\$ 88,774	\$17,850	20%	\$223,337	\$ 171,872	\$51,465	30%
Percentage of total net revenues	7%	6%			7%	6%		
Services operating income (loss)	\$ 680	\$ (14,126)	\$14,806	*	\$ (2,779)	\$ (32,742)	\$29,963	92%
Percentage of Services revenues	1%	(16)%			(1)%	(19)%		

* Percentage not meaningful

Services revenues increased for the three and six months ended October 3, 2008 as compared to the same period last year primarily due to an increase in consulting services and Business Critical Services of \$14 million and \$42 million, respectively, as a result of increased demand for more comprehensive software implementation assistance and increased demand for our Business Critical Services. Customers are increasingly purchasing our service offerings in conjunction with the purchase of our products and augmenting the capabilities of their own IT staff with our onsite consultants.

Profitability for the Services segment increased, as revenue growth exceeded the growth in total expenses for the segment. The Services operating margin improvement was the result of financial and operational efficiencies aimed at driving profitability. Total expenses from our Services segment increased for the three and six months ended October 3, 2008 as compared to the same period last year by \$3 million and \$22 million, respectively. This increase for the three and six months ended October 3, 2008 is primarily due to higher wages and outside services costs required to support the segment's revenue growth.

Other segment

	Three Months Ended				Six Months Ended			
	October 3, 2008	September 28, 2007	Change in		October 3, 2008	September 28, 2007	Change in	
			\$	%			\$	%
	(\$ in thousands)							
Other revenues	\$ 431	\$ 328	\$ 103	31%	\$ 906	\$ 569	\$ 337	59%
Percentage of total net revenues	*	*			*	*		
Other operating loss	\$(389,701)	\$(353,880)	\$(35,821)	10%	\$(770,311)	\$(717,573)	\$(52,738)	7%

* Percentage not meaningful

Revenue from our Other segment is comprised primarily of sunset products and products nearing the end of their life cycle. The operating loss of our Other segment also includes general and administrative expenses; amortization of acquired product rights, other intangible assets, and other assets; charges such as stock-based compensation and restructuring; and certain indirect costs that are not charged to the other operating segments.

Net revenues by geographic region

	Three Months Ended				Six Months Ended			
	October 3,	September 28,	Change in		October 3,	September 28,	Change in	
	2008	2007	\$	%	2008	2007	\$	%
	(\$ in thousands)							
Americas (U.S., Canada and Latin America)	\$ 821,823	\$ 764,470	\$57,353	8%	\$1,683,277	\$ 1,515,919	\$167,358	11%
Percentage of total net revenues	54%	54%			53%	54%		
EMEA (Europe, Middle East, Africa)	\$ 480,182	\$ 460,485	\$19,697	4%	\$1,038,021	\$ 918,289	\$119,732	13%
Percentage of total net revenues	32%	32%			33%	32%		
Asia Pacific/Japan	\$ 216,005	\$ 194,134	\$21,871	11%	\$ 447,034	\$ 385,220	\$ 61,814	16%
Percentage of total net revenues	14%	14%			14%	14%		
Total net revenues	\$1,518,010	\$ 1,419,089			\$3,168,332	\$ 2,819,427		

Americas revenues increased in the three and six months ended October 3, 2008 as compared to the same periods last year primarily due to increased revenues related to our Storage and Server Management, Security and Compliance, and Services segments of \$46 million and \$128 million, respectively, as a result of increased demand as discussed above coupled with the convergence of endpoint security and management. In addition, for the six months ended October 3, 2008 as compared to the same period last year, Americas revenues increased related to our Consumer segment by \$39 million, driven by demand for our Consumer Products Suites. EMEA and Asia Pacific/Japan revenues increased for the three and six months ended October 3, 2008 as compared to the same period last year primarily due to increased revenues related to our Storage and Server Management and Services segments of \$45 million and \$133 million, respectively, as a result of increased demand for products related to the standardization and simplification of data center infrastructures, the proliferation of structured and unstructured data, and increasing sales of services in conjunction with our license sales as a result of our focus on offering our customers a more comprehensive IT solution.

Foreign currencies had a favorable impact on net revenues for the three and six months ended October 3, 2008 as compared to the same periods last year although, as noted above, the recent strengthening of the U.S. dollar compared to foreign currencies during the September 2008 quarter has dampened this impact to some extent. We are unable to predict the extent to which revenues in future periods will be impacted by changes in foreign currency exchange rates. If international sales become a greater portion of our total sales in the future, changes in foreign currency exchange rates may have a potentially greater impact on our revenues and operating results.

Cost of Revenues

	Three Months Ended				Six Months Ended			
	October 3,	September 28,	Change in		October 3,	September 28,	Change in	
	2008	2007	\$	%	2008	2007	\$	%
	(\$ in thousands)							
Cost of revenues	\$309,070	\$ 304,526	\$4,544	1%	\$621,052	\$ 614,790	\$6,262	1%
Gross margin	80%	79%			80%	78%		

Cost of revenues consists primarily of the amortization of acquired product rights, fee-based technical support costs, the costs of billable services, payments to OEMs under revenue-sharing arrangements, manufacturing and direct material costs, and royalties paid to third parties under technology licensing agreements.

Gross margin increased by one percentage point and two percentage points, respectively, for the three and six months ended October 3, 2008 as compared to the same periods last year primarily due to higher revenues and, to a lesser extent, lower OEM royalty payments, partially offset by a year over year increase in technical support costs.

Cost of content, subscriptions, and maintenance

	Three Months Ended			Six Months Ended		
	October 3, 2008	September 28, 2007	Change in \$ %	October 3, 2008	September 28, 2007	Change in \$ %
	(\$ in thousands)					
Cost of content, subscriptions, and maintenance	\$212,070	\$ 205,572	\$6,498 3%	\$430,644	\$ 415,238	\$15,406 4%
As a percentage of related revenue	18%	18%		17%	19%	

Cost of content, subscriptions, and maintenance consists primarily of fee-based technical support costs, costs of billable services, and payments to OEM’s under revenue-sharing agreements. Cost of content, subscriptions, and maintenance as a percentage of related revenue remained stable for the three months ended October 3, 2008 as compared to the same period last year and decreased by two percentage points for the six months ended October 3, 2008 as compared to the same period last year. The year over year increase in margin is primarily driven by higher revenues and lower OEM royalties more than offsetting increases in technical support and services expenses.

Cost of licenses

	Three Months Ended			Six Months Ended		
	October 3, 2008	September 28, 2007	Change in \$ %	October 3, 2008	September 28, 2007	Change in \$ %
	(\$ in thousands)					
Cost of licenses	\$ 10,398	\$ 9,892	\$506 5%	\$ 18,845	\$ 21,130	\$(2,285) (11)%
As a percentage of related revenue	3%	3%		3%	3%	

Cost of licenses consists primarily of royalties paid to third parties under technology licensing agreements and manufacturing and direct material costs. Cost of licenses remained stable as a percentage of the related revenue for the three and six months ended October 3, 2008 as compared to the same periods last year. Increases in royalties were offset by lower manufacturing and distribution costs.

Amortization of acquired product rights

	Three Months Ended			Six Months Ended		
	October 3, 2008	September 28, 2007	Change in \$ %	October 3, 2008	September 28, 2007	Change in \$ %
	(\$ in thousands)					
Amortization of acquired product rights	\$ 86,602	\$ 89,062	\$(2,460) (3)%	\$171,563	\$ 178,422	\$(6,859) (4)%
Percentage of total net revenues	6%	6%		5%	6%	

Acquired product rights are comprised of developed technologies and patents from acquired companies. The decrease in amortization for the three and six months ended October 3, 2008 as compared to the same periods last year is primarily due to the APM business divestiture in the fiscal 2008 periods, which was offset, in part, by amortization associated with the Vontu acquisition during the fiscal 2009 periods.

Operating Expenses

Operating expenses overview

As discussed above under “Our Business,” our operating expenses for the six months ended October 3, 2008 compared to the same period last year were adversely impacted by an additional week during the first half of fiscal 2009. In addition, our international expenses during the three and six months ended October 3, 2008 were adversely impacted by the weakness of the U.S. dollar compared to foreign currencies during the same periods last year.

However, to a more significant extent, our ongoing cost and expense discipline positively contributed to our increased operating margins for the periods.

Sales and marketing expenses

	Three Months Ended			Six Months Ended		
	October 3, 2008	September 28, 2007	Change in \$ %	October 3, 2008	September 28, 2007	Change in \$ %
	(\$ in thousands)					
Sales and marketing	\$596,983	\$ 595,162	\$1,821 0%	\$1,259,802	\$ 1,163,692	\$96,110 8%
Percentage of total net revenues	39%	42%		40%	41%	

As a percent of net revenues, sales and marketing expenses decreased to 39% and 40% for the three and six months ended October 3, 2008 as compared to 42% and 41% for the three and six months ended September 28, 2007, respectively, after taking into account the items discussed above under “Operating expenses overview.”

Research and development expenses

	Three Months Ended			Six Months Ended		
	October 3, 2008	September 28, 2007	Change in \$ %	October 3, 2008	September 28, 2007	Change in \$ %
	(\$ in thousands)					
Research and development	\$219,049	\$ 221,057	\$(2,008) (1)%	\$450,484	\$ 446,635	\$3,849 1%
Percentage of total net revenues	14%	16%		14%	16%	

As a percent of net revenues, research and development expenses decreased to 14% for the three and six months ended October 3, 2008 as compared to 16% for the three and six months ended September 28, 2007, respectively, after taking into account the items discussed above under “Operating expenses overview.”

General and administrative expenses

	Three Months Ended			Six Months Ended		
	October 3, 2008	September 28, 2007	Change in \$ %	October 3, 2008	September 28, 2007	Change in \$ %
	(\$ in thousands)					
General and administrative	\$ 84,838	\$ 86,405	\$(1,567) (2)%	\$177,604	\$ 172,250	\$5,354 3%
Percentage of total net revenues	6%	6%		6%	6%	

As a percent of net revenues, general and administrative expenses remained relatively constant for the three and six months ended October 3, 2008 and September 28, 2007, respectively, after taking into account the items discussed above under “Operating expenses overview.”

Amortization of other purchased intangible assets

	Three Months Ended			Six Months Ended		
	October 3, 2008	September 28, 2007	Change in \$ %	October 3, 2008	September 28, 2007	Change in \$ %
	(\$ in thousands)					
Amortization of other purchased intangible assets	\$ 55,651	\$ 56,926	\$(1,275) (2)%	\$111,030	\$ 113,851	\$(2,821) (2)%
Percentage of total net revenues	4%	4%		4%	4%	

Other purchased intangible assets are comprised of customer bases and tradenames. Amortization for the three and six months ended October 3, 2008 compared to the same periods last year remained relatively stable.

Restructuring

	Three Months Ended			Six Months Ended		
	October 3,	September 28,	Change	October 3,	September 28,	Change in
	2008	2007	in \$ %	2008	2007	\$ %
	(\$ in thousands)					
Severance	\$ 5,522	\$ (1,503)		\$ 16,627	\$ 16,464	
Facilities & Other	\$ 4,268	\$ 11,081		\$ 10,168	\$ 12,114	
Restructuring	\$ 9,790	\$ 9,578	\$212 2%	\$ 26,795	\$ 28,578	\$(1,783) (6)%
Percentage of total net revenues	1%	1%		1%	1%	

In fiscal 2008, we approved and initiated a restructuring plan to reduce costs, outsource certain back office functions, implement management structure changes, optimize the business structure and discontinue certain products. Projects within the 2008 Plan began in the third quarter of fiscal 2008. Costs in the three and six months ended October 3, 2008 are primarily related to severance and benefit costs of the 2008 Plan. Severance payments related to the 2008 Plan are expected to be completed by fiscal 2010 and excess facility obligations are to be paid through the first quarter of fiscal 2012. We estimate total remaining costs of the 2008 Plan, consisting of both severance and benefits and excess facilities costs, to be range between approximately \$55 million and \$85 million which will directly impact future net income and operating cash flows for the above periods mentioned. We do not expect costs relating to previous restructuring events to have a significant impact on future net income.

In fiscal 2007, we entered into restructuring plans (“2007 Plans”) to consolidate facilities and reduce operating costs through headcount reductions. We also consolidated certain facilities and exited facilities as a result of earlier acquisitions. Costs in the three and six months ended September 28, 2007 are primarily related to severance and benefit costs of the 2007 Plan.

Impairment of assets

	Three Months Ended			Six Months Ended		
	October 3,	September 28,	Change in	October 3,	September 28,	Change in
	2008	2007	\$ %	2008	2007	\$ %
	(\$ in thousands)					
Impairment of assets	\$ 26,204	\$ 86,546	\$(60,342) (70)%	\$ 26,204	\$ 86,546	\$(60,342) (70)%
Percentage of total net revenues	2%	6%		1%	3%	

During the three months ended October 3, 2008, we recognized an impairment of \$26 million on certain land and buildings classified as held for sale. SFAS No. 144 provides that a long-lived asset classified as held for sale should be measured at the lower of its carrying amount or fair value less cost to sell.

During the three months ended September 28, 2007, we determined that the APM business in the Storage and Server Management segment (formerly the Data Center Management segment) did not meet the long-term strategic objectives of the segment. As a result, we recognized losses related to the impairment of assets of \$87 million.

Non-operating Income and Expense

	Three Months Ended				Six Months Ended			
	October 3, 2008	September 28, 2007	Change in		October 3, 2008	September 28, 2007	Change in	
			\$	%			\$	%
	(\$ in thousands)							
Interest income	\$ 12,302	\$ 19,179			\$ 30,290	\$ 40,000		
Interest expense	(6,712)	(6,617)			(16,281)	(12,908)		
Other income (expense), net	(8,782)	1,965			(8,843)	3,231		
Total	<u>\$ (3,192)</u>	<u>\$ 14,527</u>	<u>\$ (17,719)</u>	<u>(122)%</u>	<u>\$ 5,166</u>	<u>\$ 30,323</u>	<u>\$ (25,157)</u>	<u>(83)%</u>
Percentage of total net revenues	0%	1%			0%	1%		

The decrease in interest income during the three and six months ended October 3, 2008 as compared to the same periods last year is primarily due to a lower average yield on our invested cash and short-term investment balances.

Interest expense for the three months ended October 3, 2008 as compared to the same period last year remained relatively constant. For the six months ended October 3, 2008, the increase in interest expense was primarily due to the interest associated with our \$200 million borrowing on our senior unsecured revolving credit facility, which was repaid by the end of the first quarter of fiscal 2009.

Provision for income taxes

	Three Months Ended				Six Months Ended			
	October 3, 2008	September 28, 2007	Change in		October 3, 2008	September 28, 2007	Change in	
			\$	%			\$	%
	(\$ in thousands)							
Provision for income taxes	\$ 62,414	\$ 23,048	\$39,366	171%	\$156,835	\$ 77,834	\$79,001	101%
Effective income tax rate	29%	31%			31%	35%		

The effective tax rate was approximately 29% and 31% for the three month periods and 31% and 35% for the six months ended October 3, 2008 and September 28, 2007, respectively. The effective tax rates for all periods reflect the benefits of lower-taxed foreign earnings, domestic manufacturing tax incentives, and research and development credits, offset by state income taxes and non-deductible stock-based compensation. We recognized a \$7 million tax benefit in the September 2008 quarter as a result of the IRS agreement on the treatment of the 2005 dividend from a Veritas international subsidiary. That agreement permitted us to apply \$110 million of a \$130 million payment to the outstanding 2000-2001 transfer pricing matter, thereby reducing accumulated interest accrued for that matter. We recognized an additional \$5 million tax benefit in the September 2008 quarter from favorable prior year items, including the retroactive reinstatement of the U.S. federal research and development credit. Further, the tax expense for the six months ended October 3, 2008 includes a \$5 million tax benefit related to a favorable Irish settlement that was recorded in the June 2008 quarter. The September 2007 quarter includes a full 40% tax benefit related to the write-down of intangible and tangible assets related to the Storage and Server Management segment (formerly the Data Center Management segment). The increase in the tax expense related to the three and six months ended October 3, 2008 relates to higher pre-tax earnings.

Loss from joint venture

	Three Months Ended				Six Months Ended			
	October 3,	September 28,	Change in		October 3,	September 28,	Change in	
	2008	2007	\$	%	2008	2007	\$	%
	(\$ in thousands)							
Loss from joint venture	\$(10,746)	\$ —	\$(10,746)	NA	\$(16,927)	\$ —	\$(16,927)	NA

On February 5, 2008, Symantec formed Huawei-Symantec, Inc. (“joint venture”) with a subsidiary of Huawei Technologies Co., Ltd. (“Huawei”). The joint venture is domiciled in Hong Kong with principal operations in Chengdu, China. The joint venture develops, manufactures, markets and supports security and storage appliances to global telecommunications carriers and enterprise customers.

We account for our investment in the joint venture under the equity method of accounting. Under this method, we record our proportionate share of the joint venture’s net income or loss based on the quarterly financial statements of the joint venture. We record our proportionate share of net income or loss one quarter in arrears. For the six months ended October 3, 2008, we recorded a loss of approximately \$17 million related to our share of the joint venture’s net loss incurred for the period from February 5, 2008 (its date of inception) to June 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Cash

We have historically relied on cash flow from operations, borrowings under a credit facility and issuances of convertible notes and equity securities for our liquidity needs. Key sources of cash are provided by operations, existing cash, cash equivalents, short-term investments, and our revolving credit facility.

In the second quarter of fiscal 2007, we entered into a five-year \$1 billion senior unsecured revolving credit facility that expires in July 2011. In order to be able to draw on the credit facility, we must maintain certain covenants, including a specified ratio of debt to earnings before interest, taxes, depreciation, and amortization as well as various other non-financial covenants. As of October 3, 2008, we were in compliance with all required covenants, and there was no outstanding balance on the credit facility.

As of October 3, 2008, we had cash and cash equivalents of \$2.3 billion and short-term investments of \$42 million resulting in a net liquidity position defined as unused availability of the credit facility, cash and cash equivalents and short-term investments of approximately \$3.3 billion.

We believe that our existing cash balances, the cash that we generate from operations and our borrowing capacity will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months.

Uses of Cash

Our principal cash requirements include working capital, capital expenditures and payments of taxes. In addition, we regularly evaluate our ability to repurchase stock, pay long-term debts and acquire other businesses.

Line of Credit. During the first quarter of fiscal 2009, we repaid the entire \$200 million principal amount plus \$3 million of accrued interest related to our senior unsecured revolving credit facility.

Acquisition-Related. We generally use cash to fund the acquisition of other businesses and, from time to time, use our revolving credit facility when necessary. For the three months ended October 3, 2008, we acquired nSuite for \$20 million, net of cash acquired. For the three months ended July 4, 2008, we acquired AppStream for \$49 million and SwapDrive for \$117 million, net of cash acquired. We expect to use approximately \$950 million (subject to foreign currency adjustments) in cash for the completion of our acquisitions in the third quarter of fiscal 2009.

Table of Contents

During the first quarter of fiscal 2008, we acquired the outstanding common stock of Altiris, Inc. and paid \$841 million, net of cash acquired, which reflects \$165 million of cash acquired and \$17 million of cash paid for transaction costs.

Stock Repurchases. During the first half of fiscal 2009, we repurchased 19 million shares, or \$400 million, of our common stock. As of October 3, 2008, \$600 million remained authorized for future repurchases from the 2007 Stock Repurchase Plan.

Cash Flows

The following table summarizes, for the periods indicated, selected items in our Condensed Consolidated Statements of Cash Flows:

	<u>Six Months Ended</u>	
	<u>October 3,</u> <u>2008</u>	<u>September 28,</u> <u>2007</u>
	(In thousands)	
Net cash provided by (used in)		
Operating activities	\$ 661,867	\$ 682,278
Investing activities	222,184	(1,132,499)
Financing activities	(416,896)	(766,889)

Operating Activities

Net cash provided by operating activities during the six months ended October 3, 2008 resulted largely from net income of \$327 million, plus non-cash depreciation and amortization charges of \$412 million, non-cash stock-based compensation expense of \$89 million, collection of trade accounts receivable of \$100 million and net receipt of litigation settlements of \$58.5 million which are included in the change in other assets and other liabilities. These amounts were partially offset by a decrease in accrued compensation and benefits of \$82 million due to the payment of commissions and a decrease in deferred revenue of \$229 million as deferred revenue amortization seasonally outpaced new deferrals.

Net cash provided by operating activities for the first half of fiscal 2008 resulted from net income of \$146 million, adjusted for non-cash depreciation and amortization charges of \$417 million, an impairment of assets of \$87 million and non-cash stock-based compensation expense of \$82 million. Cash flow from trade accounts receivable decreased \$119 million due to strong cash collections. This was substantially offset by decreases in deferred revenue of \$229 million, reflecting amortization of deferred revenue. Income taxes payable also increased by \$131 million primarily due to the FIN 48 implementation and Altiris acquisition during the first quarter of fiscal 2008.

Investing Activities

Cash provided by investing activities was \$222 million for the first half of fiscal 2009 compared to cash used of \$1.1 billion during the same period last year. In fiscal 2009, we received net proceeds of \$495 million from the sale of short-term investments in preparation for the acquisitions of MessageLabs and PC Tools expected to be completed in the third quarter of fiscal 2009. We also received \$40 million from the sale of two properties. These amounts were partially offset by \$187 million paid for acquisitions and \$125 million paid for capital expenditures.

The \$1.1 billion cash used in investing activities for the first half of fiscal 2008 was primarily due to \$841 million used to fund the purchase of Altiris, net of cash acquired, purchases of short-term investments of \$641 million and capital expenditures of \$138 million; partially offset by sales of short-term investments of \$498 million.

Financing Activities

Cash used in financing activities was \$417 million for the first half of fiscal 2009. In fiscal 2009, we repurchased 19 million shares of our common stock for \$400 million and paid \$200 million outstanding under the

senior unsecured revolving credit facility. These amounts were partially offset by the net proceeds of \$186 million received from the issuance of our common stock through employee stock plans.

Cash used in financing was \$767 million for the first half of fiscal 2008. In 2008, we repurchased 47 million shares of our common stock for \$900 million, partially offset by the net proceeds of \$130 million received from the issuance of our common stock through employee stock plans.

Contractual Obligations

There have been no significant changes in our contractual obligations during the six months ended October 3, 2008 as compared to the contractual obligations disclosed in *Management's Discussion and Analysis of Financial Condition and Results of Operations*, set forth in Part II, Item 7, of our Annual Report on Form 10-K for the fiscal year ended March 28, 2008.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes in our market risk exposures during the six months ended October 3, 2008 as compared to the market risk exposures disclosed in *Management's Discussion and Analysis of Financial Condition and Results of Operations*, set forth in Part II, Item 7A, of our Annual Report on Form 10-K for the fiscal year ended March 28, 2008.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The SEC defines the term “disclosure controls and procedures” to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms. “Disclosure controls and procedures” include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our Chief Executive Officer and our Chief Financial Officer have concluded, based on an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) by our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended October 3, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to this Item may be found in Note 15 of Notes to Condensed Consolidated Financial Statements in this Form 10-Q, which information is incorporated into this Part II, Item 1 by reference.

Item 1A. Risk Factors

A description of the risks associated with our business, financial condition, and results of operations is set forth in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended March 28, 2008. There have been no material changes in our risks from such description.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Stock repurchases during the three months ended October 3, 2008 were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased Under Publicly Announced Plans or Programs</u>	<u>Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (In millions)</u>
July 5, 2008 to August 1, 2008	—	\$ —	—	\$ 800
August 2, 2008 to August 29, 2008	4,194,400	\$ 21.92	4,194,400	\$ 708
August 30, 2008 to October 3, 2008	5,120,600	\$ 21.08	5,120,600	\$ 600
Total	<u>9,315,000</u>	\$ 21.46	<u>9,315,000</u>	

For information with regard to our stock repurchase programs, including programs completed during the period covered by this report, see Note 10 of Notes to Condensed Consolidated Financial Statements, which information is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

We held our Annual Meeting of Stockholders on September 22, 2008. At the meeting, our stockholders voted on the five proposals described below. All ten of our board nominees were elected under Proposal 1, and Proposals 2, 3, 4 and 5 were also approved. Our stockholders cast their votes as follows:

Proposal 1: To elect ten directors to our Board of Directors, each to hold office until the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation or removal:

<u>Nominee</u>	<u>For</u>	<u>Withheld</u>
John W. Thompson	701,126,588	33,211,373
Michael A. Brown	697,722,469	36,615,492
William T. Coleman	703,903,233	30,434,728
Frank E. Dangeard	710,240,835	24,097,126
Geraldine B. Laybourne	704,745,816	29,592,145
David L. Mahoney	703,894,050	30,443,911
Robert S. Miller	664,207,570	70,130,391
George Reyes	710,143,755	24,194,206
Daniel H. Schulman	703,905,774	30,432,187
V. Paul Unruh	704,056,857	30,281,104

Table of Contents

Proposal 2: To approve the amendment and restatement of our 2004 Equity Incentive Plan, including the reservation of an additional 50,000,000 shares for issuance thereunder:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
488,969,755	134,981,882	6,423,130	103,963,194

Proposal 3: To approve the adoption of our 2008 Employee Stock Purchase Plan, including the reservation of 20,000,000 shares for issuance thereunder:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
601,716,739	22,390,687	6,267,842	103,962,693

Proposal 4: To approve the material terms of the amended and restated Symantec Senior Executive Incentive Plan to preserve the deductibility under federal tax rules of awards made under the plan:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
605,367,770	18,641,008	6,366,490	103,962,693

Proposal 5: To ratify the selection of KPMG LLP as Symantec's independent registered public accounting firm for the 2009 fiscal year:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
724,915,425	3,663,304	5,759,232	—

Table of Contents

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>				<u>Filed with this 10-Q</u>
		<u>Form</u>	<u>File Number</u>	<u>Exhibit</u>	<u>File Date</u>	
10.01*	Symantec Corporation 2004 Equity Incentive Plan, as amended	8-K	000-17781	10.1	09/25/08	
10.02*	Symantec Corporation 2008 Employee Stock Purchase Plan	8-K	000-17781	10.2	09/25/08	
10.03*	Symantec Senior Executive Incentive Plan, as amended and restated					X
10.04*	Employment Agreement, dated December 15, 2004, between Symantec Corporation and Greg Hughes	S-4/A	333-122724	10.08	05/18/05	
10.05*	Employment Agreement, dated January 26, 2007, between Symantec Corporation and Gregory Butterfield					X
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.01†	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.02†	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X

* Indicates a management contract or compensatory plan or arrangement.

† This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>				<u>Filed with this 10-Q</u>
		<u>Form</u>	<u>File Number</u>	<u>Exhibit</u>	<u>File Date</u>	
10.01*	Symantec Corporation 2004 Equity Incentive Plan, as amended	8-K	000-17781	10.1	09/25/08	
10.02*	Symantec Corporation 2008 Employee Stock Purchase Plan	8-K	000-17781	10.2	09/25/08	
10.03*	Symantec Senior Executive Incentive Plan, as amended and restated					X
10.04*	Employment Agreement, dated December 15, 2004, between Symantec Corporation and Greg Hughes	S-4/A	333-122724	10.08	05/18/05	
10.05*	Employment Agreement, dated January 26, 2007, between Symantec Corporation and Gregory Butterfield					X
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.01†	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.02†	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X

* Indicates a management contract or compensatory plan or arrangement.

† This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

SYMANTEC SENIOR EXECUTIVE INCENTIVE PLAN**As Amended and Restated Effective September 22, 2008**

1. *Purposes.* The Symantec Senior Executive Incentive Plan is a component of Symantec's overall strategy to pay its employees for performance. The purposes of this Plan are to: (A) motivate senior executives by tying their compensation to performance; (B) reward exceptional performance that supports overall Symantec objectives; and (C) attract and retain top performing employees.

2. *Definitions.*

"*Award*" means any award made under, or pursuant to any program established under, this Plan that is paid, or the value of which is denominated, in cash.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Committee*" means the Compensation Committee of Symantec's Board of Directors, or such other committee designated by that Board of Directors, which is authorized to administer the Plan under Section 3 hereof. The Committee shall be comprised solely of directors who are outside directors under Code Section 162(m).

"*Participant*" means any Senior Executive to whom an Award is granted under the Plan.

"*Plan*" means this Plan, as amended and restated in September 2008, which shall be known as the Symantec Senior Executive Incentive Plan.

"*Symantec*" means Symantec Corporation and any corporation or other business entity of which Symantec (i) directly or indirectly has an ownership interest of 50% or more, or (ii) has a right to elect or appoint 50% or more of the board of directors or other governing body.

"*Senior Executive*" means a Symantec employee who holds an executive officer position and is subject to Section 16 of the Securities Exchange Act of 1934 and such other employees as the Committee may designate.

3. *Administration.*

A. The Plan shall be administered by the Committee. The Committee shall have the authority to:

(i) interpret and determine all questions of policy and expediency pertaining to the Plan;

(ii) adopt such rules, regulations, agreements and instruments as it deems necessary for its proper administration;

(iii) select Senior Executives to receive Awards;

(iv) determine the terms of Awards, including whether any Awards may participate in any deferral program that may be adopted by Symantec at any time;

(v) determine cash amounts subject to Awards (within the limits prescribed in the Plan);

(vi) determine whether Awards will be granted in replacement of or as alternatives to any other incentive or compensation plan of Symantec or an acquired business unit;

(vii) grant waivers of Plan or Award conditions (but with respect to Awards intended to qualify under Code Section 162(m), only as permitted under that Section);

(viii) accelerate the payment of Awards (but with respect to Awards intended to qualify under Code Section 162(m), only as permitted under that Section);

(ix) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Award or any Award notice;

(x) take any and all other actions it deems necessary or advisable for the proper administration of the Plan;

(xi) adopt such Plan procedures, regulations, subplans and the like as it deems are necessary to enable Senior Executives to receive Awards; and

(xii) amend the Plan at any time and from time to time, *provided however* that no amendment to the Plan shall be effective unless approved by Symantec's stockholders, to the extent such stockholder approval is required under Code Section 162(m) with respect to Awards which are intended to qualify under that Section.

Notwithstanding anything else to the contrary in this Section 3 or elsewhere in this Plan, with respect to any Award subject to a deferral intended to comply with Code Section 409A, the Committee shall not waive conditions applicable to, accelerate payment of or otherwise amend outstanding Awards unless such waiver, acceleration or amendment complies with the requirements of Code Section 409A so as to avoid any amount subject to the Award becoming subject to Code Section 409A(a)(1).

B. The Committee may delegate its authority to administer Awards to a separate committee or to one or more individuals who are not a member of the Committee; however, only the Committee may grant Awards which are intended to qualify as "performance-based compensation" under Code Section 162(m) and only the Committee may administer Awards if such administrative function has Section 162(m) implications.

4. *Eligibility.* Only Senior Executives may become Participants in the Plan.

5. *Performance Goals.*

A. The Committee shall establish performance goals applicable to a particular fiscal year (or a performance period of some other duration) prior to the start of such year or period, *provided however* that such goals may be established after the start of the fiscal year (or performance period) but while the outcome of the performance goal is substantially uncertain in such manner and at such time as is a permitted method of establishing performance goals under Code Section 162(m).

B. For purposes of this Plan, a permitted performance goal shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, Affiliate or business segment, either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years (or a period shorter than a year, if required in the context of the award), on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee in the Award:

Income, including net income and operating income
Stockholder return
Earnings per share
Revenue, including growth in revenue
Market share
Return on net assets programs
Return on equity
Return on investment
Cash flow, including cash flow from operations
New product releases
Employee productivity and satisfaction metrics
Strategic plan development and implementation (including individual performance objectives that relate to achievement of the Company's or any business unit's strategic plan)

The Committee may appropriately adjust any evaluation of performance under a performance goal to exclude any of the following events that occurs during a performance period: (A) asset write-downs; (B) currency effects; (C) litigation or claim judgments or settlements; (D) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (E) accruals for reorganization and restructuring programs; and (F) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year.

C. The Committee shall determine the target level of performance that must be achieved with respect to each criterion that is identified in a performance goal in order for a performance goal to be treated as attained.

D. The Committee may base performance goals on one or more of the foregoing business criteria. In the event performance goals are based on more than one business criterion, the Committee may determine to make Awards upon attainment of the performance goal relating to any one or more of such criteria, provided the performance goals, when established, are stated as alternatives to one another at the time the performance goal is established.

6. Awards.

A. Awards may be made on the basis of Symantec and/or business unit performance goals and formulas determined by the Committee in accordance with this Plan. With respect to any Symantec fiscal year, no Participant shall be granted Award(s) of more than \$5,000,000 in aggregate.

B. After the end of the fiscal year (or performance period), the Committee will determine the extent to which performance goal(s) for each Participant are achieved and the actual Award (if any) for each Participant based on the level of actual performance achieved.

C. The Committee, in its discretion, may reduce or eliminate a Participant's Award at any time before it is paid, whether or not calculated on the basis of pre-established performance goals or formulas.

D. In order to receive payment of or to vest in an Award under this Plan, the Participant must be an active employee and on Symantec's payroll on either (1) the last day of the fiscal year (or performance period) to which such Award relates or (2) the date of payment or vesting, in each case as specified in the documentation governing the specific Award. The Committee in its sole discretion may make exceptions to this requirement in the case of retirement, death or disability, or in the case of a corporate change in control as determined by the Committee in its sole discretion; *provided however* that the Committee may exercise its discretion in a manner authorized by this sentence only if such exercise is permitted under the requirements applicable to "performance-based compensation" under Code Section 162(m).

E. Symantec shall withhold all applicable federal, state, local and foreign taxes required by law to be paid or withheld relating to the receipt or payment of any Award.

F. Subject to further deferral by the Participant under any deferral program that Symantec may from time to time offer, Symantec shall pay all amounts actually earned under Awards on or prior to the later of the following dates: (1) the 15th day of the third month following the end of the Participant's first taxable year in which the amount is no longer subject to a substantial risk of forfeiture, or (2) the 15th day of the third month following the end of Symantec's first taxable year in which the amount is no longer subject to a substantial risk of forfeiture.

7. *General.*

A. This Plan, as amended and restated, shall become effective upon stockholder approval of the Plan on or after September ____, 2008.

B. If Symantec's financial statements are the subject of a restatement due to error or misconduct, to the extent permitted by governing law, in all appropriate cases, Symantec will seek reimbursement of excess incentive cash compensation paid under this Plan to each Participant for each affected performance period. For purposes of this Plan, excess incentive cash compensation means the positive difference, if any, between (i) the Award paid to the Participant and (ii) the Award that would have been made to the Participant had the applicable performance goal been calculated based on Symantec's financial statements as restated. Symantec will not be required to award a Participant an additional Plan Award should the restated financial statements result in a higher Award under this Plan.

C. Any rights of a Participant under the Plan shall not be assignable by such Participant, by operation of law or otherwise, except by will or the laws of descent and distribution. No Participant may create a lien on any funds or rights to which he or she may have an interest under the Plan, or which is held by Symantec for the account of the Participant under the Plan.

D. Participation in the Plan shall not give any Senior Executive any right to remain in Symantec's employ. Further, the adoption of this Plan shall not be deemed to give any Senior Executive or other individual the right to be selected as a Participant or to be granted an Award.

E. To the extent any person acquires a right to receive payments from Symantec under this Plan, such rights shall be no greater than the rights of an unsecured creditor of Symantec's.

F. The Plan shall be governed by and construed in accordance with the laws of the State of California.

G. The Board may amend or terminate the Plan (i) at any time and for any reason subject to stockholder approval and (ii) at any time and for any reason if and to the extent the Plan's qualification under Code Section 162(m) would not be adversely affected.

SYMANTEC CORPORATION

January 26, 2007

Gregory Butterfield
1360 Grove Drive
Alpine, UT 84004

Dear Greg,

On behalf of Symantec Corporation (“**Symantec**”), I am pleased to offer you employment as set forth in this letter agreement (this “**Agreement**”), contingent upon successful completion of your background checks and effective at the closing (the “**Closing Date**”) of the acquisition of Altiris, Inc. (“**Altiris**”) by Symantec (the “**Acquisition**”) contemplated by the Agreement and Plan of Merger dated on or about January 26, 2007 (the “**Acquisition Agreement**”) by and among Symantec, Atlas Merger Corp. and Altiris.

1. Your Position

Your title will be Group President of the Altiris Division and you will report directly to the Chief Executive Officer of Symantec.

2. Compensation and Benefits

Your starting annual base salary will be \$450,000, less all applicable deductions and withholding, and you will be eligible for an annual focal (performance) review for the purpose of reviewing annual raises of base salary and increases in incentive compensation. You will be eligible to participate in the Symantec Corporation Variable Pay Plan, which pays annually, based upon our success and your individual performance, with your annual target bonus thereunder to be set at 80% of your annual base salary (the “**Target Bonus**”), and any other incentive plans for which similarly situated executives of Symantec are eligible.

In addition, you will be eligible for all of Symantec’s employee benefits, benefit plans and programs for which Symantec U.S. executives at your same grade are eligible and you will be entitled to all perquisites of other Symantec U.S. executives at your same grade. Please note that Altiris’ benefits will continue until you are eligible to enroll and participate in Symantec’s benefits.

3. Symantec Option Grant

Promptly following the Closing Date, you will be granted a non-qualified stock option to purchase 115,000 shares (the “**Symantec Option**”) of common stock of Symantec (the “**Symantec Common Stock**”) under the Symantec 2004 Equity Incentive Plan (the “**Symantec Plan**”). The option exercise price will be the closing price of the Symantec Common Stock on the NASDAQ Global Market on the option grant date. Subject to your continued employment with Symantec, the Symantec Option will vest over a four-year period starting from the Closing

Date at the rate of 50% of the shares subject to the Symantec Option on the two year anniversary of the Closing Date and the balance in a series of 24 successive equal monthly installments upon your completion of each additional month of employment with Symantec thereafter and will not be subject to acceleration for any reason except as set forth in Section 7 hereof. You will be eligible for future Symantec options in the sole discretion of the Symantec Compensation Committee.

4. Symantec Restricted Stock Units

Promptly following the Closing Date, you will be granted 50,000 restricted stock units (“**Symantec RSUs**”) under the Symantec Plan. Symantec shall issue to you the shares of Symantec Common Stock underlying the Symantec RSU within ninety (90) days following the date on which such Symantec RSU vests. Subject to your continued employment with Symantec, the Symantec RSU will vest over a four-year period starting from the Closing Date at the rate of (a) 50% of the shares subject to the Symantec RSUs on the two year anniversary of the Closing Date, (b) 25% of the shares subject to the Symantec RSUs on the three year anniversary of the Closing Date and (c) the balance of the shares subject to the Symantec RSUs on the four year anniversary of the Closing Date, in each case upon your completion of each additional year of employment with Symantec thereafter and will not be subject to acceleration for any reason except as set forth in Section 7 hereof. You will be eligible for future Symantec RSUs in the sole discretion of the Symantec Compensation Committee.

5. Duration of Employment

Either you or Symantec may terminate your employment at any time for any reason, with or without “Cause” (as defined below), by giving written notice of such termination, subject to the terms specified below in Section 8 (Definitions). Any statements or representation to the contrary (and, indeed any statements contradicting any provisions of this Agreement) should be regarded by you as ineffective. Participation in any of Symantec’s stock option or benefit programs is not to be regarded as assurance of continued employment for any particular period of time.

6. Retention Package

You will be entitled to receive a total cash payment of \$900,000 (the “**Retention Payment**”), which shall be paid in full promptly following the second-year anniversary of the Closing Date provided you remain actively employed with Symantec on such date.

7. Termination without Cause or Resignation for Good Reason

(a) If Symantec terminates your employment other than for Cause (as defined in your Employment Agreement with Altiris dated July 26, 2006 (the “**Altiris Employment Agreement**”) excluding subsection (iv) of such definition), you resign your employment with Symantec for Good Reason (as defined below), you die, or you suffer a Disability (as defined in your Altiris Employment Agreement) within two (2) years following the Closing Date, and you execute and do not revoke a standard release of claims in favor of Symantec (the “**Release**”), then each stock option, restricted share award or other equity award granted to you by Altiris prior to the date the Acquisition Agreement was executed (the “**Altiris Awards**”) shall fully vest

and become exercisable and any right of repurchase in favor of Symantec fully lapse (the “ **Altiris Awards Acceleration** ”) to the extent not previously vested in accordance with Section 7(e) hereof.

(b) If Symantec terminates your employment other than for Cause (as defined in your Altiris Employment Agreement excluding subsection (iv) of such definition), you resign your employment with Symantec for Good Reason (as defined below), you die, or you suffer a Disability (as defined in your Altiris Employment Agreement) within two (2) years following the Closing Date and you execute and do not revoke the Release, then you shall be entitled to the severance payments set forth in Sections 9(a)(i) and (ii), assuming your employment terminated on the Closing Date for purposes of calculating such severance payments (the “ **Altiris Cash Severance** ”) of your Altiris Employment Agreement that have not yet been received by you in accordance with Section 7(e) hereof.

(c) If Symantec terminates your employment other than for Cause (as defined in your Altiris Employment Agreement excluding subsection (iv) of such definition), you resign your employment with Symantec for Good Reason (as defined below), you terminate your employment for any reason, you die, or you suffer a Disability (as defined in your Altiris Employment Agreement) and you execute and do not revoke the Release, then provided that you timely elect to receive continuation coverage under the group health, medical and dental plans of Symantec under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“ **COBRA** ”), Symantec shall pay COBRA premiums for you and your eligible dependents at the same level as each such benefit was in effect for you and your eligible dependents on the date immediately preceding the date of termination of your employment for the first eighteen (18) months of continuation coverage following the termination of your coverage from Symantec or until such earlier date on which (x) you are no longer eligible to receive continuation coverage pursuant to COBRA or (y) you obtain substantially similar coverage under another employer’s group insurance plan.

(d) If Symantec terminates your employment other than for Cause (as defined below) or you resign your employment with Symantec for Good Reason (as defined below) within the two (2) years following the Closing Date, and you execute and do not revoke the Release, then (i) with respect to the Symantec Option granted pursuant to Section 3 and the Symantec RSUs granted pursuant to Section 4 (the “ **Symantec Awards** ”) 25% of the shares of Symantec common stock subject to such Symantec Awards shall vest on an accelerated basis as of such termination date (the “ **Symantec Equity Acceleration** ”) and (ii) the Retention Payment shall be paid within thirty (30) days of such termination (“ **Symantec Retention Payment Acceleration** ”).

(e) Upon the Closing Date, provided you execute and do not revoke the Release, fifty percent (50%) of the total shares subject to the Altiris Awards shall vest and fifty percent (50%) of the Altiris Cash Severance shall be paid in a lump sum within ten (10) business days of the Closing Date. Six (6) months after the Closing Date, twenty-five percent (25%) of the total shares subject to the Altiris Awards shall vest and twenty-five percent (25%) of the Altiris Cash Severance shall be paid in a lump sum six (6) months after the Closing Date. Twelve (12) months after the Closing Date, all remaining unvested shares subject to the Altiris Awards shall vest and the final twenty-five percent (25%) of the Altiris Cash Severance shall be paid in a lump sum twelve (12) months after the Closing Date. On the close of a corporate transaction

involving Symantec as set forth in Section 18.1 of the Symantec Plan; any Altiris Awards that are not assumed by the acquiror (or if applicable, its parent) shall vest immediately prior to and contingent on the close of such corporate transaction.

(f) The Altiris Awards Acceleration, the Altiris Cash Severance and reimbursement of COBRA premiums (collectively, the “**Altiris Severance**”), the Symantec Equity Acceleration and the Symantec Retention Payment Acceleration will be in lieu of any entitlement you may have to notice of termination, pay in lieu of notice of termination or any other severance payment or benefit from Symantec.

(g) If you resign voluntarily (other than a resignation for Good Reason (as defined below), Symantec terminates your employment for Cause (as defined in this Agreement or in your Altiris Employment Agreement as the case may be), you shall not be entitled to receive the Altiris Severance, the Symantec Equity Acceleration or the Symantec Retention Payment Acceleration. Upon all terminations of your employment, you will be paid your salary through your date of termination and for the value of all unused paid time off earned through that date, based on your rate of base salary at that time. You would also be allowed to continue your medical coverage at your own expense to the extent provided for by COBRA and you would be allowed to exercise your vested options, if any, during the time period set forth in, and in accordance with, your governing stock option agreement(s). Symantec would have no obligation to pay you, and you would have no right to, any severance except as may be provided at such time under any of Symantec’s other employee benefit plans for which you were then eligible.

8. Definitions

For purposes of this Agreement, the following definitions shall be in effect:

(a) The “**Altiris Agreements**” means collectively any and all prior agreements and arrangements concerning employment and compensation between you and Altiris, including, but not limited to, the Altiris Employment Agreement and any equity (stock option, restricted stock or restricted stock unit) agreements, including any amendments or addendums thereto, that provide severance, acceleration or other benefits upon your termination of employment with Altiris or any successor company, or any retention benefits.

(b) A termination for “**Cause**” will mean a termination for any of the following reasons: (i) your continued material failure to perform your duties to Symantec after there has been delivered to you a written demand for performance which describes the specific material deficiencies in your performance and the specific manner, and time period, in which your performance must be improved, all in accordance with any applicable Symantec performance management plan; (ii) your engaging in an act of willful misconduct that has had or will have a material adverse effect on the Symantec’s reputation or business; (iii) your being convicted of, or a plea of no contest to, a felony; (iv) your committing an act of fraud against, or willful misappropriation of property belonging to, Symantec; or (v) your material breach of this Agreement, the attached Non-Competition Agreement, the attached Confidentiality and Intellectual Property Agreement or any proprietary information and invention assignment agreement. Symantec will provide you with written notice of the reason for termination in the case of any termination for Cause.

(c) A termination for “ **Good Reason** ” will mean you resign your employment within thirty (30) days after (i) your relocation by Symantec without your express written consent to a facility or location more than fifty (50) miles from your then-current location in one or more steps; (ii) your then-current annual base salary is reduced by Symantec (other than an equivalent percentage reduction in annual base salaries that applies to your entire business unit as a result of the decreased performance of your business unit); (iii) your no longer being Group President of the Altiris Division or your longer reporting to the Chief Executive Officer of Symantec following the Closing Date, except where you are required to report to another senior executive officer of Symantec as part of a reorganization of Symantec where other Group Presidents also report to such senior executive officer; (iv) Symantec’s breach of a material term of this Agreement or (v) the failure of Symantec to obtain assumption of this Agreement by a successor to Symantec; provided, however, that in each case above, you must first give Symantec an opportunity to cure any of the foregoing within thirty (30) days following delivery to Symantec of a written explanation specifying the specific basis for your belief that you are entitled to terminate your employment for Good Reason .

9. Six-Month Hold Back

To the extent (i) any payments to which you become entitled under this Agreement in connection with your termination of employment with Symantec constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the “ **Code** ”) and (ii) you are deemed at the time of such termination of employment to be a key employee under Section 416(i) of the Code, then such payment or payments shall not be made or commence until the *earlier* of (i) the expiration of the six (6)-month period measured from the date of your “separation from service” (as such term is defined in Treasury Regulations under Section 409A of the Code) with Symantec or (ii) the date of your death following such separation from service; *provided, however* , that such deferral shall only be effected to the extent required to avoid adverse tax treatment to you, including (without limitation) the additional twenty percent (20%) tax for which you would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such deferral. Upon the expiration of the applicable deferral period, any payments which would have otherwise been made during that period (whether in a single sum or in installments) in the absence of this paragraph shall be paid to you or your beneficiary in one lump sum.

10. Section 280G

In the event that the Altiris Severance provided for in this Agreement (i) constitutes “parachute payments” within the meaning of Section 280G of the Code, and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the “ **Excise Tax** ”), then Symantec shall pay to you promptly after such determination an additional amount (the “ **Make Whole Payment** ”) such that the net amount retained by you in connection with the Altiris Severance, after deduction of the excise tax imposed by Section 4999 of the Code and any federal, state and local income tax and excise tax imposed on such additional amount, shall be equal to the full parachute payment amounts payable to you under this Agreement as originally determined prior to the deduction of the excise tax.

For purposes of determining the amount of the Make-Whole Payment, you shall be deemed to have: (a) paid federal income taxes at the highest marginal rates of federal income

taxation for the calendar year in which the Make-Whole Payment is to be made; (b) paid applicable state and local income taxes at the highest rate of taxation for the calendar year in which the Make-Whole Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes; and (c) otherwise allowable deductions for federal income tax purposes at least equal to those which would be disallowed because of the inclusion of the Make-Whole Payment in your adjusted gross income. If the Excise Tax incurred by you is determined by the Internal Revenue Service to be more or less than the amount determined by the Accountants (as defined in the next paragraph) pursuant to this Section 10, then Symantec and you agree to promptly make a payment to the other party, including interest and penalties if Symantec must pay you, as the Accountants reasonably determine is appropriate to ensure that the net economic effect you under this Section 10, on an after-tax basis, is as if the Section 4999 Excise Tax did not apply to you.

Unless Symantec and you otherwise agree in writing, any determination required under this Section 10 shall be made in writing by Symantec's independent public accountants (the "**Accountants**"). The determination of the Accountants shall be conclusive and binding upon Symantec and you for all purposes. For purposes of making the calculations required by this Section 10, the Accountants may make reasonable assumptions and approximations and may rely on reasonable, good faith interpretations concerning the application of Section 280G and 4999 of the Code. Symantec and you shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 10. Symantec shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 10.

11. Assumption of Equity Awards and Limited Waiver of Altiris Severance, Acceleration and Retention Benefits

On the Closing Date your outstanding options to purchase Altiris common stock (your "**Altiris Options**") and Altiris restricted stock units ("**Altiris RSUs**") will be assumed by Symantec and adjusted to reflect the terms of the Acquisition Agreement. Accordingly, following the Acquisition, your Altiris Options and your Altiris RSUs will continue to vest, subject to your continued employment with Symantec, upon the same terms and subject to the same conditions that were in effect immediately prior to the Acquisition (except as may be modified herein, including, without limitation Sections 7 and 11 hereof). On the Closing Date, all shares of common stock of the Altiris (the "**Altiris Shares**") held by you will be converted into the right to receive the Cash Amount Per Share (as defined in the Acquisition Agreement) in accordance with the terms of the Acquisition Agreement, with such Cash Amount Per Share being subject to the same restrictions and vesting conditions as in effect immediately prior to the Closing Date (except as may be modified herein, including, without limitation Sections 7 and 11 hereof). Your unvested Altiris Shares that are currently subject to a right of repurchase by the Company (the "**Repurchase Option**") shall convert into unvested cash equal to the Cash Amount Per Share, and such Repurchase Option shall be assigned to Symantec in the Acquisition and shall thereafter be exercisable by Symantec.

You agree that acceptance of your new position with Symantec as set forth in this Agreement will not constitute termination other than for "Cause" or an event triggering your resignation for "Good Reason" (as both terms are defined in the Altiris Agreements) and,

accordingly, that you will not be entitled to any of the benefits provided under such agreements upon acceptance of this Agreement and the position provided for herein.

12. Full-Time Employment / Conflicts of Interest

You agree that during your employment with Symantec you will not engage in any other employment or business related activity unless you obtain prior written approval from your manager; except for those boards of directors previously disclosed to Symantec that you currently participate on as of the date hereof. You further agree that you have disclosed to Symantec all of your existing employment and/or business relationships, including, but not limited to, any consulting or advising relationships, outside directorships, investments in privately held companies, and any other relationships that may create a conflict of interest.

13. Documentation

This Agreement, together with the Confidentiality and Intellectual Property Agreement attached hereto as **Exhibit A**, must be signed before you start work at Symantec. It requires that you hold in confidence any proprietary information received as an employee of Symantec and to assign to us any inventions that you make while employed by Symantec. It also requires that you comply with Symantec's Business Conduct Guidelines. We wish to impress upon you that you are not to bring with you any confidential or proprietary material of any former employer or to violate any other obligation to your former employers, and that the agreement that you will be asked to sign contains a representation by you that you have not brought nor will you use any such material at Symantec. Please also note that to comply with regulations adopted in the Immigration Reform and Control Act of 1986 (IRCA), we require that you present documentation demonstrating that you have the authorization to work in the United States on your first working day. If you have any questions about this requirement, which applies to U.S. citizens and non-U.S. citizens alike, please contact me.

14. Non-Competition Agreement

In addition, as a condition of your employment, and in consideration of the substantial payment you will receive upon Symantec's purchase of your stock interest in Altiris, you agree to enter into the Non-Competition Agreement attached hereto as **Exhibit B** and shall return a signed copy of such agreement with this Agreement.

15. Miscellaneous

Upon your acceptance of this Agreement, and satisfaction of the contingencies set forth herein, this Agreement shall supersede and replace (i) any and all prior verbal or written agreements and arrangements between you and Symantec concerning employment and compensation and (ii) any and all prior verbal or written agreements and arrangements between you and Altiris concerning employment and compensation, including, but not limited to, any Altiris Agreements (excluding any portion of the Altiris Agreements specifically referenced herein and any covenant not to solicit set forth in Section 10 of the Altiris Employment Agreement or any other non-solicitation or non-competition obligations of you set forth in any other agreement entered into prior to the Closing Date between you and Altiris).

The parties agree that any controversy or claim arising out of, or relating to, this Agreement, or the breach hereof, shall be submitted to the American Arbitration Association (“**AAA**”) and that a neutral arbitrator will be selected in a manner consistent with the AAA’s *National Rules for the Resolution of Employment Disputes* (the “**Rules**”). The arbitration proceedings will allow for discovery according to the Rules. All arbitration proceedings shall be conducted in Salt Lake City, Utah.

In this letter your employer is referred to as Symantec, however, you may be employed by Symantec itself or one of its subsidiaries. Whether or not you are employed by Symantec or one of its subsidiaries, the reporting structure, salary, bonus, option and benefit terms discussed in this Agreement will apply. All amounts payable pursuant to this Agreement shall be subject to any required withholding of taxes and shall be paid without interest.

This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

This Agreement will be construed and interpreted in accordance with the laws of the State of Utah. Each of the provisions of this Agreement is severable from the others, and if any provision hereof will be to any extent unenforceable, it and the other provisions will continue to be enforceable to the full extent allowable, as if such offending provision had not been part of this Agreement.

[SIGNATURE PAGE FOLLOWS]

If you have any questions about this offer, please contact me. If you find this Agreement acceptable, please sign and date this Agreement, the attached Confidentiality and Intellectual Property Agreement and Non-Competition Agreement and return it to me. This offer, if not accepted, will expire immediately after the closing of the Acquisition.

Greg, I sincerely hope that you will accept this offer and join us in building the future here at Symantec.

Sincerely,

/s/ REBECCA RANNINGER

Rebecca Ranninger
Executive Vice President, Human Resources
Symantec Corporation

By signing below I hereby accept the offer of employment set forth in this Agreement, including any attachments hereto, and acknowledge and agree that this Agreement replaces and supersedes the Altiris Agreements and any other written or oral agreement, promise or understanding regarding my employment with Altiris or Symantec, except as specifically set forth herein.

/s/ GREGORY BUTTERFIELD

Signature

26 January 2007

Date

Gregory Butterfield

Exhibit A

CONFIDENTIALITY AND INTELLECTUAL PROPERTY AGREEMENT

This CONFIDENTIALITY AND INTELLECTUAL PROPERTY AGREEMENT (the “**Agreement**”), when signed below by me, an employee of Symantec Corporation (as further defined in Paragraph 13 below, “**Symantec**”), is my agreement with Symantec regarding, among other things, proprietary information, trade secrets, inventions, and works of authorship.

In consideration of my employment or continued employment with Symantec, I agree that:

1. Both during and after the term of my employment with Symantec, I will hold in strict confidence and will not, without specific prior written authorization from a corporate officer of Symantec, use or disclose to anyone outside of Symantec (except as necessary to perform my duties as a Symantec employee), any Proprietary Information. “Proprietary Information” means and includes all non-public information of any nature (whether or not technical) that Symantec considers to be proprietary or confidential or that Symantec has a duty or obligation to treat as confidential, including (but not limited to) all research, notes, memoranda, products, services, suppliers, markets, processes, licenses, budgets or other business information, Inventions, marketing plans, product plans, business strategies, financial information, sales forecasts, personnel information, and customer lists, whether registrable or not.. “Inventions” means and includes ideas, inventions (whether or not patentable), discoveries, works of authorship, formulas, algorithms, designs, specifications, methods, processes, techniques, trade secrets, know-how, mechanical and electronic hardware, software languages, software programs (in any form including source code and object code), databases, user interfaces, documentation, formulas, technology, drawings, and improvements to or derivatives from any of the foregoing.
 2. I represent that the duties I am expected to perform for Symantec have been explained to me and that my performance of this Agreement and of my duties as a Symantec employee will not require me to breach any confidentiality, intellectual property, non-solicitation, non-compete, or other agreement with any former employer or any other party. I represent that I will not bring with me to Symantec, or use in the performance of my duties for Symantec, any documents, information, or materials of any former employer or any other person that are not generally available to the public free of charge without any limitations or conditions on how such documents, information, or materials may be used.
 3. During my employment with Symantec, I will not engage in any other employment, occupation, consultation, or other activity that relates to any actual or anticipated business, research, development, product, service or activity of Symantec, or that otherwise conflicts with my obligations to Symantec, without obtaining the specific written permission of both a corporate officer of Symantec and the General Counsel of Symantec. If such permission is given and a conflict later develops, I understand and agree that Symantec may require me to resign and refrain from such other employment, occupation, consultation, or other activity.
 4. I hereby assign to Symantec, and agree to assign to Symantec in the future (at Symantec’s request), my entire right, title, and interest (including all patent rights, copyrights, trade secret rights, and other applicable intellectual property rights) in all Inventions made or conceived by
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me (whether alone or jointly with others) during the period of my employment with Symantec, other than Inventions that qualify fully for protection under Section 2870 of the California Labor Code. All Inventions assigned or to be assigned to Symantec pursuant to this Paragraph 4 are referred to in this Agreement as “Company Inventions”. In connection with all Company Inventions:

- a. I will, both during and after my employment with Symantec, at Symantec’s request, promptly execute one or more specific irrevocable assignments of title to Symantec, and do whatever else is deemed necessary or advisable by Symantec, to secure, perfect, and maintain for Symantec patent rights, copyrights, trade secret rights, mask work rights, rights of priority, and other intellectual property rights, in the United States and in foreign countries, in any and all Company Inventions. If Symantec is unable for any reason, after reasonable effort, to secure my signature on any document needed for this purpose, I hereby designate and appoint Symantec and its duly authorized officers and agents as my agent and attorney-in-fact to act for and in my behalf to execute, verify, and file such document and to do all other lawfully permitted acts to further the purposes of this paragraph with the same legal force and effect as if executed or done by me. I acknowledge and agree that this appointment is coupled with an interest and is irrevocable.
- b. I hereby irrevocably transfer and assign to Symantec any and all “Moral Rights” (as defined below) that I may have in or with respect to any Company Invention. I also hereby forever waive and agree never to assert any and all Moral Rights I may have in or with respect to any Company Invention, even after termination of my work on behalf of Symantec. If I have any Moral Rights relating to Company Inventions that cannot, as a matter of law, be assigned or waived, I hereby grant Symantec an exclusive, worldwide, perpetual, irrevocable, transferable, fully-paid license under such Moral Rights to use and exploit such Company Inventions in every possible manner and to sublicense others to do the same. “Moral Rights” means any rights of paternity or integrity, any right to claim authorship of any invention, to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, any invention, whether or not such would be prejudicial to my honor or reputation, and any similar right, existing under judicial or statutory law of any country in the world, or under any treaty, regardless of whether or not such right is denominated or generally referred to as a “moral right”.
- c. I acknowledge that any Company Invention that constitutes an original work of authorship is a “work made for hire,” and that Symantec owns all copyrights for such work.

5. I represent that I have been notified and understand that the provisions of Section 4 do not apply to any Invention that qualifies fully under Section 2870 of the California Labor Code, which states as follows:

- “a. Any provisions in an employment agreement which provide that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer’s equipment, supplies, facilities, or trade secret information except for those inventions that either:
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- (i) relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
 - (ii) result from any work performed by the employee for the employer.
 - b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."
6. I will disclose in writing to the General Counsel of Symantec any Invention that I believe I made or conceived (alone or jointly with others) during the six-month period immediately following termination of my employment with Symantec (whether or not such Invention is patentable or copyrightable or protectable as a trade secret or a mask work), promptly upon my conception, creation, reduction to practice, or otherwise becoming aware of such Invention, so that Symantec may independently determine whether such Invention was conceived or developed in the course of my employment with Symantec. I will also disclose to the General Counsel of Symantec any patent application filed by me or on my behalf during this six-month period, so that Symantec may independently determine whether such patent application pertains to an Invention that was conceived or developed in the course of my employment with Symantec. Any Invention disclosed to the General Counsel of Symantec pursuant to this paragraph will be held in confidence by Symantec, unless Symantec determines that such Invention is a Company Invention.
7. I agree to make and maintain adequate and current written records, in a form specified by Symantec, of all Company Inventions. Upon the termination of my employment with Symantec, I will surrender to Symantec all records and all other tangible items and evidence relating to any Company Inventions and all other property belonging to Symantec, including (but not limited to) all documents and materials of any nature containing, embodying, or based upon any Proprietary Information or otherwise pertaining to my work with Symantec, and I agree that I will not take with me any written, electronic, or other copies of such documents or materials.
8. I represent that I have attached as Exhibit A hereto a complete list of all Inventions, if any, patented or unpatented, that I made or conceived (alone or jointly with others) prior to my employment at Symantec and which are to be excluded from assignment to Symantec under this Agreement (" Prior Inventions "). If disclosure of any such Prior Inventions would cause me to violate any confidentiality obligation I have to a former employer or other third party, I understand that I am not to describe such Prior Invention in Exhibit A, but am only to disclose (to the extent I can do so without violating such confidentiality obligations) a cursory name for each such Prior Invention and, to the best of my knowledge, the owner of each such Prior Invention. I hereby certify that I have no continuing obligations with respect to assignment of such Prior Inventions to any former employer or other third party (or if I have any such continuing obligations, I have identified and described all such obligations in Exhibit A). I agree that I will not, during or after my employment with Symantec, use any Company Invention or Proprietary Information in making future improvements or modifications to these Prior Inventions, without the specific written approval of both a corporate officer of Symantec and the General Counsel of Symantec.
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I agree that I will not incorporate any Prior Invention, or any other Invention owned by anyone other than Symantec, into any Company Invention or any Symantec product (including products under development), without the specific prior written approval of both a corporate officer of Symantec and the General Counsel of Symantec. If any Prior Invention is incorporated into any Company Invention or any Symantec product, I hereby grant to Symantec a worldwide, perpetual, irrevocable, transferable, fully-paid license under all of my applicable intellectual property rights, with the right to sublicense through multiple tiers, to make, have made, use, offer to sell, sell, import, export, modify, reproduce, prepare derivative works of, perform, display, distribute, and otherwise exploit in every possible manner any Company Inventions and/or Symantec products that contain all or any portion of such Prior Invention. I further understand and agree that all improvements, whether or not patentable, to any Prior Invention that are made or conceived by me (alone or jointly with others) during my employment with Symantec are assigned (or to be assigned) to Symantec to the extent that such improvements are covered by the provisions of Paragraph 4 of this Agreement.

9. During my employment with Symantec, if I believe that I have made or conceived of any Invention that qualified fully for protection under Section 2870 of the California Labor Code:
 - a. I shall provide, in writing, a brief description and title of the new Invention to the General Counsel of Symantec. This description is hereinafter called the “ New Invention Notice ”.
 - b. A review period shall be provided for a new invention. The review period shall start on the business day following the receipt of a New Invention Notice by the General Counsel. This period is hereinafter called the “ New Invention Review Period ” and shall continue for forty-five (45) business days. By the end of the New Invention Review Period, Symantec shall inform you whether it believes the new Invention qualifies as an Invention under Section 2870 of the California Labor Code or if such Invention is believed by Symantec to have been conceived or developed in the course of your employment with Symantec. If Symantec determines that the new Invention qualifies under Section 2870 of the California Labor Code, Symantec will expressly confirm that Symantec does not have a legal interest in the new Invention in its written communication to you. I agree to negotiate in good faith with Symantec to resolve any disputes regarding Symantec’s determination concerning any New Invention Notice I submit.
 - c. During the New Invention Review Period, Symantec may ask questions, in writing, with regard to the new Invention. I agree to respond, in writing, to all such questions. In addition, I agree that any delays introduced by my response shall be added to the length of the New Invention Review Period.
 - d. If I do not submit a New Invention Notice promptly after I make or conceive of a new Invention, I acknowledge and agree that it will be conclusively and irrebutably presumed that such new Invention does not qualify for protection under Section 2870 of the California Labor Code, and I agree not to challenge this presumption, directly or indirectly, in any legal action or proceeding.
 10. I understand that Symantec, from time to time, may have agreements with other persons, companies or with the United States Government or agencies thereof which impose obligations or restrictions on Symantec regarding Proprietary Information or Inventions created, made, or conceived during the course of work under such agreements or regarding the confidential nature
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of such work. I agree to abide and be bound by all such obligations and any applicable United States laws or regulations.

11. I hereby authorize Symantec to notify others, including but not limited to customers of Symantec and my future employers, of the terms of this Agreement and my responsibilities hereunder.
12. In the event of any violation of this Agreement by me, and in addition to any relief or remedies to which Symantec is entitled, Symantec shall have (in addition to all other rights and remedies Symantec may have) the right to an immediate injunction and the right to recover the reasonable attorney's fees and court costs expended in connection with any legal action or proceeding to enforce this Agreement. The meaning, effect, and validity of this Agreement shall be governed by the laws of the State of California without regard to the conflict of laws provisions thereof. If any provision of this Agreement is held to be unenforceable under applicable California law, the balance of the Agreement shall remain enforceable in accordance with its terms and I agree to work with Symantec to effectuate the provisions held unenforceable to the fullest extent permissible under the law. If any provision is held to be unenforceable because it is excessive in duration or scope, such provision shall be deemed and construed to be modified so that it is enforceable to the maximum extent allowed under applicable law. No waiver of any right or remedy under or relating to this Agreement shall be binding on Symantec unless in writing and signed by an authorized officer of Symantec.
13. "Symantec" as used in this Agreement includes any and all present or future subsidiaries and affiliated companies of Symantec Corporation, and this Agreement shall inure to the benefit of any successors in interest or of any assignees of Symantec.
14. During the term of my employment and for one (1) year thereafter, I will not directly or indirectly solicit, induce, encourage, or attempt to solicit, induce, or encourage any employee or contractor of Symantec to leave Symantec for any reason. However, this obligation shall not affect any responsibility I may have as an employee of Symantec with respect to the bona fide hiring and firing of Symantec personnel.
15. I understand that this Agreement does not constitute a contract of employment or obligate Symantec to employ me for any stated period of time. I understand that my employment with Symantec is at will and may be terminated by Symantec at any time, with or without cause and with or without advance notice. I further understand and agree that this Agreement will survive the termination of my employment with Symantec and remain in effect thereafter in accordance with its terms.

[SIGNATURE PAGE FOLLOWS]

16. I acknowledge receipt of a copy of this Agreement and agree that with respect to the subject matter hereof, it and my Employment Agreement with Symantec of even date herewith are my entire agreement with Symantec, superseding any previous oral or written communications, representations, undertaking, or agreements with Symantec or any official or representative thereof. This Agreement may not be modified or changed except in a writing signed by me and an officer of Symantec.

IN WITNESS WHEREOF, the parties have entered into this Agreement on this 26th day of January 2007.

Employee Signature : /s/ GREGORY BUTTERFIELD

Employee Name (Print): Gregory Butterfield

SYMANTEC CORPORATION

BY: /s/ REBECCA RANNINGER

TITLE: EVP, HUMAN RESOURCES

[SIGNATURE PAGE TO CONFIDENTIALITY AND INTELLECTUAL PROPERTY AGREEMENT]

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EXHIBIT A (To Confidentiality and Intellectual Property Agreement)

(As referenced in Paragraph 8)
DESCRIPTION OF PRIOR INVENTIONS
(If "None", Please So State)

<u>Description of Prior Invention</u>	<u>Date of Conception or Creation</u>	<u>Owner</u>
(use additional sheet if necessary; if Invention is the subject of a patent or patent application, include patent number or title of patent application and filing date)		

Continuing obligations to former employers or third parties regarding assignment of Inventions (if any):

Employee Signature: /s/ GREGORY BUTTERFIELD

Employee Name (Print): Gregory Butterfield

Date: _____



Exhibit B

NON-COMPETITION AGREEMENT

This **NON-COMPETITION AGREEMENT** (this “**Agreement**”), dated January 26, 2007, is made by and between Gregory Butterfield (the “**Securityholder**”) and Symantec Corporation, a Delaware corporation (“**Acquiror**”). For purposes of this Agreement, “Acquiror” shall be deemed to include Acquiror and its wholly and majority-owned direct and indirect subsidiaries that operate the Restricted Business (as defined below) of the Company.

BACKGROUND

Acquiror, Atlas Merger Corp. and Altiris, Inc., a Delaware corporation (the “**Company**”) are parties to an Agreement and Plan of Merger dated on or about January 26, 2007 (the “**Merger Agreement**”) by and between Acquiror and the Company, whereby the Company will merge with and into a wholly owned subsidiary of Acquiror (the “**Merger**”), with the Company to survive the Merger. Securityholder understands and agrees that he is a substantial securityholder of the Company and a key and significant member of either the management and/or the technical workforce of the Company and that he will receive substantial consideration as a result of Acquiror’s purchase of Securityholder’s stock interest in the Company. Securityholder is willing to enter into this Agreement as a condition of the closing of the Merger and to protect Acquiror’s legitimate interests as a buyer of the stock and goodwill of the Company. Securityholder understands and acknowledges that the execution and delivery of this Agreement by Securityholder is a material inducement to the willingness of Acquiror to enter into the Merger Agreement, and a material condition to Acquiror consummating the transactions contemplated by the Merger Agreement. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Merger Agreement.

Acquiror and Securityholder both agree that, prior to the Merger, the Company’s business included the design, development, manufacture, production, marketing and sales of products and services related to the Restricted Business (as defined below) throughout the United States and parts of the world in which the Company conducts the Restricted Business (the “**Restrictive Territory**”). Acquiror represents and Securityholder understands that, following the Merger, Acquiror will continue conducting the Company’s business in the Restrictive Territory.

NOW, THEREFORE, in consideration of the foregoing premises and for good and valuable consideration, receipt of which is hereby acknowledged, Securityholder, intending to be legally bound, agrees as follows:

1. **Agreement Not to Compete**. During the Restrictive Period (as defined below), Securityholder agrees that he will not:

(a) participate, for himself or on behalf of any other Person, in any business that competes with the Restricted Business in the Restrictive Territory. As used in the previous sentence, “participate” includes but is not limited to permitting Securityholder’s name directly or indirectly to be used by or to become associated with any other Person (including as an advisor, representative, agent, promoter, independent contractor, provider of personal services or

otherwise) in connection with such Restricted Business, but shall not include participating in an investment firm so long as Securityholder (i) provides advance notice to Acquiror, (ii) does not actively participate in any operating entity that competes with the Restricted Business in the Restricted Territory and (iii) the investment firm provides Acquiror with written acknowledgment of Securityholder's noncompete obligations and agrees in writing to exclude Securityholder from participation in business and investments with respect to any Restricted Business;

(b) interfere, directly or indirectly, with the relationship between the Company or Acquiror and its employees by inducing any such employee to terminate his or her employment;

(c) solicit for employment, directly or indirectly, on behalf of Securityholder or any other Person, any person who is at the time in question, or at any time in the then-past three-month period has been, an employee of the Company or Acquiror; provided that as part of this restriction, Securityholder shall not interview or provide any input to any third party regarding any such person during the period in question; provided, further, that this obligation shall not affect any responsibility Securityholder may have as an employee of Acquiror with respect to bona fide hiring and firing of Company personnel; or

(d) induce or assist any other Person to engage in any of the activities described in subparagraphs (a) through (c).

“ **Restricted Business** ” means (1) any business engaged in by the Company during Securityholder's employment, (2) any other business as to which the Company has made demonstrable preparation to engage in during Securityholder's employment and (i) in which preparation Securityholder materially participated or (ii) concerning which preparation Securityholder had actual knowledge of material confidential information regarding such business that remains material confidential information at the time of Securityholder's termination of employment from Acquiror or the Company or (3) any business engaged in by the Acquiror, or in which the Acquiror or any of its affiliates has made demonstrable preparation to engage in during Securityholder's employment, in either case in which Securityholder had actual knowledge of material confidential information regarding such business that remains material confidential information at the time of Securityholder's termination of employment from Acquiror or the Company and would be valuable for competition.

” **Person** ” means a natural person, corporation, partnership, or other legal entity, or a joint venture of two or more of the foregoing.

Notwithstanding the foregoing, Securityholder may own, directly or indirectly, solely as an investment, up to two percent (2%) of any class of “publicly traded securities” of any business that is competitive or substantially similar to the Restricted Business. The term “publicly traded securities” shall mean securities that are traded on a national securities exchange or listed on the National Association of Securities Dealers Automated Quotation System.

For purposes of this Agreement, the restrictive period (referred to herein as the “ **Restrictive Period** ”) shall commence on the Closing Date (as defined in the Merger Agreement) of the Merger and shall continue until the two (2) year anniversary of the Closing Date.

2. **Acknowledgment** . Securityholder hereby acknowledges and agrees that:

- (a) this Agreement is necessary for the protection of the legitimate business interests of Acquiror in acquiring the Company;
- (b) the execution and delivery of this Agreement is a mandatory condition precedent to the closing of the Merger, without which Acquiror would not close the transactions contemplated by the Merger Agreement;
- (c) the scope of this Agreement in time, geography and types and limitations of activities restricted is reasonable;
- (d) Securityholder has no intention of competing with the Restricted Business acquired by Acquiror within the area and the time limits set forth in this Agreement; and
- (e) breach of this Agreement will be such that Acquiror will not have an adequate remedy at law because of the unique nature of the operations and the assets being conveyed to Acquiror.

3. **Remedy** . Securityholder acknowledges and agrees that (a) the rights of Acquiror under this Agreement are of a specialized and unique character and that immediate and irreparable damage will result to Acquiror if Securityholder fails to or refuses to perform Securityholder’s obligations under this Agreement and (b) Acquiror may, in addition to any other remedies and damages available, seek an injunction in a court of competent jurisdiction to restrain any such failure or refusal. No single exercise of the foregoing remedies shall be deemed to exhaust Acquiror’s right to such remedies, but the right to such remedies shall continue undiminished and may be exercised from time to time as often as Acquiror may elect; provided however, that Securityholder may work for a division, entity, or subgroup of any of such companies that engages in the Restricted Business so long as such division, entity, or subgroup does not engage in the Restricted Business. Securityholder represents and warrants that Securityholder’s expertise and capabilities are such that Securityholder’s obligations under this Agreement (and the enforcement thereof by injunction or otherwise) will not prevent Securityholder from earning a livelihood.

4. **Severability** . If any provisions of this Agreement as applied to any part or to any circumstances shall be adjudged by a court to be invalid or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of such provision in any other circumstances, or the validity or enforceability of this Agreement. Acquiror and Securityholder intend this Agreement to be enforced as written. If any provision, or part thereof, however, is held to be unenforceable because of the duration thereof or the area covered thereby, all parties agree that the court making such determination shall have the power to reduce the duration

and/or area of such provision, and/or to delete specific words or phrases and in its reduced form such provision shall then be enforceable.

5. **Amendment**. This Agreement may not be amended except by an instrument in writing signed by Acquiror's duly authorized representative, or his or her designee, and Securityholder.

6. **Waiver**. No waiver of any nature, in any one or more instances, shall be deemed to be or construed as a further or continued waiver of any breach of any other term or agreement contained in this Agreement.

7. **Headings**. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

8. **Governing Law**. This Agreement shall be construed and interpreted and its performance shall be governed by the laws of the State of Utah without regard to conflicts of law principles of any jurisdiction.

9. **Entire Agreement**. This Agreement constitutes the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter of this Agreement except that it does not in any way supersede (a) any covenant not to solicit set forth in Section 10 of the Altiris Employment Agreement or any other non-solicitation or non-competition obligations of Securityholder set forth in any other agreement entered into prior to the Closing Date between Securityholder and the Company or (b) the Merger Agreement or any other agreement executed in connection with the Merger Agreement, including the Securityholder's employment agreement with Acquiror, if any).

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF , Acquiror and Securityholder have executed this Agreement on the day and year first above written.

SECURITYHOLDER

Print Name: /s/ GREGORY BUTTERFIELD
Gregory Butterfield

SYMANTEC CORPORATION

By: /s/ REBECCA RANNINGER
Name: Rebecca Ranninger
Title: Executive Vice President, Human Resources

[SIGNATURE PAGE TO NON-COMPETITION AGREEMENT]

CERTIFICATION

I, John W. Thompson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Symantec Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2008

/s/ JOHN W. THOMPSON

John W. Thompson

Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, James A. Beer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Symantec Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2008

/s/ JAMES A. BEER

James A. Beer

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, John W. Thompson, Chairman and Chief Executive Officer of Symantec Corporation (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (i) the Company's quarterly report on Form 10-Q for the period ended October 3, 2008, to which this Certification is attached (the "Form 10-Q"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2008

/s/ JOHN W. THOMPSON

John W. Thompson

Chairman of the Board and Chief Executive Officer

This Certification which accompanies the Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, James A. Beer, Executive Vice President and Chief Financial Officer of Symantec Corporation (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (i) the Company's quarterly report on Form 10-Q for the period ended October 3, 2008, to which this Certification is attached (the "Form 10-Q"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2008

/s/ JAMES A. BEER

James A. Beer

Executive Vice President and Chief Financial Officer

This Certification which accompanies the Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.