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# SYMANTEC CORP

## FORM 10-K
(Annual Report)

Filed 06/09/06 for the Period Ending 03/31/06

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

# Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended March 31, 2006**

**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** | **77-0181864** |
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **20330 Stevens Creek Blvd., Cupertino, California** | **95014-2132** |
| *(Address of principal executive offices)* | *(zip code)* |

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

**Securities registered pursuant to Section 12(b) of the Act:**

| | |
|---|---|
| **None** | **None** |
| *(Title of each class)* | *(Name of each exchange on which registered)* |

**Securities registered pursuant to Section 12(g) of the Act:**
**Common Stock, par value $0.01 per share, and Related Preferred Stock Purchase Rights**
*(Title of class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☑

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large Accelerated Filer ☑ Accelerated Filer ☐ Non-Accelerated Filer ☐

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

Aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of Symantec common stock on September 30, 2005 as reported on the Nasdaq National Market: $25,312,889,204

Number of shares outstanding of the registrant's common stock as of May 26, 2006: 1,035,109,852

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with our Annual Meeting of Stockholders for 2006 are incorporated by reference into Part III herein.

**SYMANTEC CORPORATION**

**FORM 10-K**
**For the Fiscal Year Ended March 31, 2006**

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"Symantec," "we," "us," and "our" refer to Symantec Corporation and all of its subsidiaries. This document contains references to trademarks and trade names of other companies.

## FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

The discussion following below and throughout this annual report on Form 10-K contains forward-looking statements, which are subject to safe harbors under the Securities Act of 1933 and the Securities Exchange Act of 1934. The words “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” and similar expressions identify forward-looking statements. In addition, statements that refer to projections of our future financial performance, anticipated growth and trends in our businesses and in our industries, the impact of our acquisition of Veritas Software Corporation and other 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 annual 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 under Item 1A, *Risk Factors*, beginning on page 16. We encourage you to read that section carefully.

# PART I

## Item 1. *Business*

### Overview

Symantec is the world leader in providing a wide range of solutions to help individuals and enterprises assure the security, availability, and integrity of their information technology, or IT, infrastructure as well as the information itself. We primarily operate in two growing, diversified markets within the software sector: the secure content management market and the storage software market. The secure content management market includes products that protect consumers and enterprises from threats to personal computers, or PCs, computer networks, and electronic information. The storage software market includes products that archive, protect, and recover business-critical data. We believe that these markets are converging as customers increasingly require both secure content management and storage solutions in order to safeguard their IT infrastructure, information, and interactions.

Our mission is to provide solutions that help protect the connected experience of our enterprise and consumer customers. Our goal is to be the leading supplier of security and availability software to the enterprise and consumer markets, and to provide customers in both markets with greater confidence that their information is secure and readily available. We strive to help our customers manage compliance, complexity, and cost by protecting their IT infrastructure as they seek to maximize value from their IT investments.

In the ever-changing threat landscape and increasingly complex IT environment for consumers and enterprises alike, we believe product differentiation will be the key to sustaining market leadership. Thus, we continually work to enhance the features and functionality of our existing products, extend our product leadership, and create innovative solutions for our customers. We focus on generating profitable and sustainable growth through internal research and development, licensing from third parties, and acquisitions of companies with leading technologies.

On July 2, 2005, we completed our acquisition of Veritas Software Corporation, a leading provider of software and services to enable storage and backup, in a stock transaction valued at $13.2 billion. This acquisition has provided us with the opportunity to redefine protection beyond security to include comprehensive protection of information and applications and more effective management and control of computing and storage environments from the desktop to the data center for individuals and organizations of all sizes. As a result of this acquisition, we believe we are better positioned to help customers build a resilient IT infrastructure, cost effectively manage a complex IT environment, and reduce overall IT risk. During fiscal 2006, excluding Veritas, we completed acquisitions of five privately-held companies and one public company for an aggregate of $627 million in cash.

With revenue of $4.1 billion in fiscal 2006, Symantec ranks among the top four independent software companies in the world. We have operations in 40 countries. Founded in 1982, we are incorporated in Delaware. Our principal executive offices are located at 20330 Stevens Creek Blvd, Cupertino, California 95014. Our telephone number at that location is (408) 517-8000. Our home page on the Internet is *www.symantec.com* . Other than the information expressly set forth in this annual report, the information contained, or referred to, on our website is not part of this annual report.

### Industry

The secure content management market consists of antivirus, messaging security, web filtering, and anti-spyware products and services. Security threats continue to evolve from traditional viruses, worms, Trojan horses, and other vulnerabilities, to more recent threats such as phishing (attacks that use spoofed websites and emails designed to record keystrokes or to fool recipients into divulging personal financial data), email fraud, and identity theft. This evolution is a key driver of our research and development and acquisition strategies, as we continually differentiate our solutions from the competition and address our customers' changing needs.

As a result of the Veritas acquisition, we have gained market share in the storage software market and are now the leading supplier of hardware-independent storage software. The worldwide storage software market consists of storage management, server and application management, backup and archiving, and infrastructure software products and services. Demand in this market is driven by the ever-increasing quantity of data being collected, the need for data to be protected, recoverable, and accessible at all times, and the need for a growing number of critical applications to be continuously available and highly performing.

Other factors driving demand in this market include the increase in the number of Internet users and companies conducting business online, the continuous automation of business processes, increased pressures on companies to lower storage and server management costs while simultaneously increasing the utilization and performance of their existing IT infrastructure, and the increasing importance of document retention and regulatory compliance solutions.

For information regarding our revenue by segment, revenue by geographical area, and long-lived assets by geographical area, see Note 15 of the Notes to Consolidated Financial Statements. For information regarding the amount and percentage of our revenue contributed in each of our product categories and our financial information, including information about geographic areas in which we operate, see Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.* For information regarding risks associated with our international operations, see Item 1A, *Risk Factors* .

**Operating Segments and Products**

As of March 31, 2006, we viewed our business in six operating segments: Consumer Products, Enterprise Security, Data Protection, Storage and Server Management, Services, and Other. The Other segment is comprised of sunset products and products nearing the end of their life cycle and also includes all indirect costs; 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, patent settlement, amortization of deferred compensation, and restructuring, that are not charged to the other operating segments. We report the expenses of the former Veritas sales force that cannot be allocated to a specific operating segment in the Other segment.

Beginning in the June 2006 quarter, we will consolidate our Enterprise Security, Data Protection, and Storage and Server Management segments into two segments — the Security and Data Management segment and the Data Center Management segment.

***Consumer Products***

Our Consumer Products segment focuses on delivering our Internet security and problem-solving products to individual users, home offices, and small businesses. Our Norton brand of consumer security software solutions provides protection for Windows and Macintosh platforms as well as personal digital assistants, or PDAs, and smartphones. Nearly 90% of our sales within the Consumer Products segment consist of products providing protection from virus attacks.

Many of Symantec's consumer products include an ongoing commitment to provide product technology and feature updates throughout the typical 12-month term of the subscription, to help ensure up-to -the-minute protection against the latest threats. Most of the products that we are currently marketing or developing feature LiveUpdate ™ functionality, which automatically updates these products with the latest technology, virus definitions, firewall rules, Uniform Resource Locator, or URL, databases, and uninstall scripts.

The revenue base for our consumer products segment expanded significantly during fiscal 2003 through 2005. We believe comparable growth rates will be difficult to achieve in future periods. During fiscal 2006, the growth rate of our consumer business slowed considerably, impacted by a changing threat environment, a change in our revenue recognition model driven by increases in future subscription pricing for our 2006 consumer products that include content updates, and a strengthening dollar.

Our primary consumer products are:

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|---|---|
| Norton Internet Security ™ | This product helps defend home and home office users against viruses, worms, and other security risks, including spyware, spam, phishing, and fraud. It combines antivirus, antispam, firewall, privacy protection, and parental control technologies. It automatically filters spam and phishing email and blocks intruders and identity thieves. |
| Norton AntiVirus ™ | This product automatically removes viruses, Trojan horses, and worms. It also checks incoming and outgoing email attachments for viruses. In addition, it scans incoming instant message attachments for threats and it detects and blocks high-risk spyware and adware programs before they are installed on the receiving system. |
| Norton SystemWorks ™ | This family of PC health solutions provides consumers with essential tools to maintain and optimize their computers, solves common problems, and helps boost system performance. These solutions enable back-up of everything on the PC and will recover a user's system and data — even if the operating system will not start. These solutions also include capabilities such as antivirus, system optimization diagnostics and utilities, backup and recovery, and one-button check up. |

For most of our consumer products, we translate the documentation, software, and packaging into the local language and prepare marketing programs tailored for each local market.

***Enterprise Security***

Our Enterprise Security segment provides security solutions for all tiers of a network: at the server tier behind the gateway and at the client tier, including desktop PCs, laptops, and handhelds. Our comprehensive software and appliance solutions include virus protection and content filtering, antispam, endpoint security, firewall and virtual private networking, or VPN, intrusion protection, policy compliance, security management, managed security services, and early warning services.

Our technology offerings include integrated solutions at the gateway and client levels, including Symantec Client Security and Symantec Gateway Security, which combine several of our security and early warning solutions. At the gateway level, our products run on Windows NT, Solaris, and Linux platforms. At the server level, our products operate on Windows NT, UNIX, Linux, and other key server platforms. At the client level, our products run on the Windows platform.

Our primary enterprise security solutions address the following areas:

*Antivirus*

Nearly 75% of our sales within the Enterprise Security segment consist of solutions providing protection from virus attacks, including Symantec AntiVirus, Symantec Client Security, and Symantec Mail Security. Users of our virus protection and filtering products are able to protect their computer networks from both known and unknown risks associated with the use of Internet resources. Our enterprise antivirus products scan or monitor data that enters, leaves, or travels inside the organization, and can detect and eliminate malicious code that may be introduced into a company's network.

*Antispam*

Our antispam solutions protect more than 300 million email user accounts worldwide from unwanted email known as spam. They provide a multi-layered approach to combating spam, with solutions that sit outside the gateway, at the gateway, and at the desktop. The Symantec Mail Security software, appliance, and

hosted solutions include technology that leverages more than 20 spam protection techniques, delivering antispam effectiveness rates of up to 95% and one of the industry's highest accuracy rates against false positives, or legitimate email mistakenly categorized as spam.

*Compliance*

We provide a number of solutions to help customers simplify and sustain compliance with various government regulations, industry standards, and internal policies. Our compliance solutions provide IT administrators a consolidated view of IT compliance across multiple mandates, proactive and reliable IT controls to retain and secure information, and actionable intelligence to provide ongoing compliance. Our solutions include Symantec Enterprise Security Manager, Symantec BindView ™ Policy Manager, and Symantec Sygate ™ Network Access Control. These solutions help automate the management of deviations from security configurations and standards. In addition, they help customers lower the cost of compliance through automated assessment of policies against industry regulations and best practices and they help enforce IT security policies throughout the enterprise network.

*Managed Security Services*

Symantec Managed Security Services are designed to allow enterprise IT organizations to cost-effectively outsource their security management, monitoring, and response needs. Our comprehensive service offerings leverage the knowledge of Internet security experts to protect the value of an organization's networked assets and infrastructure. We provide remote monitoring and management of vendor neutral firewall and VPN solutions; real-time monitoring and analysis of intrusion detection alerts; coordinated event monitoring, analysis, and management of Symantec security appliances; and integrated global intelligence services from our early warning solutions.

***Data Protection***

Our Data Protection segment provides software solutions designed to protect, backup, archive, and restore data across a broad range of computing environments, from large corporate data centers to remote groups and PC clients, such as desktop and laptop computers. Approximately 90% of our sales in the Data Protection segment consist of backup and recovery products. At the gateway and server levels, our products monitor systems for patterns of misuse and abuse and can warn organizations before systems are misused or information is stolen.

Email archiving is the fastest growing area in this segment. Our strength in the email archiving market is driven by robust customer demand for regulatory compliance solutions and technology that helps to better manage the email and broader messaging environment.

Our primary data protection products are:

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| Backup Exec ™ | This product is designed for disk-based back-up, delivering reliable, fast, and efficient continuous data protection for Windows servers. The latest version of Backup Exec, Backup Exec 10d, eliminates the need for backup windows and introduces the industry's first web-based file retrieval. |
| Veritas NetBackup ™ | This product provides customers with a heterogeneous backup and recovery solution that supports all major server and storage platforms in the enterprise, mid-size organizations, workgroups, and remote offices. NetBackup software helps organizations take advantage of both tape and disk storage through advances in disk backups, off-site tape management, and automated server recovery. Symantec recently announced NetBackup PureDisk, a disk-based backup solution that protects remote office data without the |

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| | need for tape drives, tape media, or skilled IT staff at the remote site. |
| Enterprise Vault ™ | This product provides a flexible, software-based message archiving framework to enable the discovery of content held within Microsoft Exchange, Microsoft SharePoint Portal Server, and Microsoft Windows file systems. In addition, this product reduces storage costs and simplifies management of email. Enterprise Vault software manages email and instant messaging content through automated, policy-controlled archiving to online stores for active retention and retrieval of information, and includes powerful search and discovery capabilities, complemented by specialized client applications for NASD (National Association of Securities Dealers) compliance and legal discovery. |

***Storage and Server Management***

Our Storage and Server Management segment provides solutions to simplify and automate the administration of heterogeneous storage and server environments and provide continuous availability of mission-critical applications. These solutions support all major server and storage hardware platforms, helping organizations reduce the complexity of their enterprise data centers, improve service levels, and reduce operation costs.

Our storage management solutions allow customers to more easily manage the growing data volumes associated with enterprise applications, optimize the availability of data for such applications, discover and control storage hardware assets, and improve the utilization of storage hardware.

Our server management solutions simplify and automate the administration and management of an organization's server and application infrastructure. These solutions include configuration management to discover what software is running on data center servers and how those servers are inter-related, provisioning to deploy software onto servers in an automated fashion, and clustering software to help ensure that mission-critical applications are always available.

Our client management solutions address enterprise needs for patch management, configuration management, and asset management at the client tier. They help protect networked systems from known vulnerabilities by testing and deploying software patches. They also simplify repetitive IT tasks such as configuring, partitioning, provisioning, managing, deploying, and migrating PCs across the enterprise. In addition, they help IT managers discover, inventory, and track hardware and software assets while ensuring license compliance and secure disposal.

Our primary storage and server management products are:

| | |
|---|---|
| Veritas Storage Foundation ™ | This family of products combines the Veritas ™ Volume Manager and Veritas File System to provide a complete solution for online storage management. With Veritas Storage Foundation software, physical disks can be grouped into logical volumes to improve disk utilization and eliminate storage-related downtime. |
| Veritas Cluster Server | An enterprise high availability solution that provides for automated failover of servers running critical applications to maximize application availability, even in the event of an outage. Through central management tools, automation, automated disaster recovery testing tools, and intelligent workload management, Cluster Server allows IT managers to optimize the management and availability of mission-critical applications. |

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| LiveState ™ Recovery | This family of solutions protects, restores, and recovers computer systems with non-intrusive, real-time backups, and rapid disaster recovery on workstations and servers. |
| Ghost ™ | Symantec Ghost Solution Suite is an enterprise imaging and deployment solution. Its operating system deployment, software distribution, and PC migration and retirement features allow enterprise IT staff to manage the entire PC lifecycle while reducing support costs. With the Ghost Solution Suite, administrators can deploy or restore an operating system image or application onto a PC and migrate user settings, data and profiles, without having to physically touch the PC. |

***Services***

Our Services segment provides a full range of consulting and educational services to assist our customers in assessing, architecting, implementing, supporting, and maintaining their security, storage, and infrastructure software solutions. These services help our customers plan for the management and control of enterprise computing in their specific computing environments.

The primary classes of service that we offer are:

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|---|---|
| Symantec Advisory Services | Advisory Services consultants combine technical expertise with a business focus to create comprehensive information security and availability solutions for industry-leading companies. These services include Business Continuity Management, Secure Application Services, Secure Infrastructure Services, Security Compliance Services, and Utility Computing Services. |
| Symantec Solutions Enablement | Solutions Enablement consultants provide organizations with the expertise to optimize and accelerate the benefits of IT infrastructure investments while maximizing value. These services are tailored to specific Symantec solutions. |

**Sales and Channel Strategy**

***Consumer Products***

We sell our consumer products to individuals and small offices/home offices globally through a multi-tiered network of distribution partners. Our strategy is to place our products in a variety of channels where consumers might consider purchasing security and problem-solving solutions.

Our products are available to customers through channels that include distributors, retailers, direct marketers, Internet-based resellers, original equipment manufacturers, or OEMs, educational institutions, and Internet Service Providers, or ISPs. We separately sell annual content update subscriptions directly to end users primarily through the Internet. We also sell some of our products and product upgrades in conjunction with channel partners through direct mail/email and over the Internet.

Sales in the Consumer Products business are trending more towards our electronic channels which are comprised of online stores, including our Symantec store, and OEM and ISP relationships. During fiscal 2006, nearly 65% of revenue in the Consumer Products segment came from our electronic channels. We also made infrastructure improvements in order to capture more direct renewal business from customers originally reached through these channels. In fiscal 2006, we partnered with more than 150 ISPs and 50 OEMs around the world.

During fiscal 2006, we began offering multi-year consumer subscriptions in order to deliver new technology capability and functionality to our customers throughout the year, rather than only once a year. We

believe these changes allow us to be more competitive and better protect our customers in the ever-changing computing environment.

***Enterprise Solutions***

We sell and market our products and related services to enterprise customers both directly and through a variety of indirect sales channels, which include value-added resellers, or VARs, distributors, system integrators, or SIs, and OEMs. Our enterprise customers include many leading global corporations, small and medium-sized businesses, and many government agencies around the world. Many of our products involve a consultative, solution-oriented sales model. Thus, our sales efforts are targeted to senior executives and IT department personnel who are responsible for managing a company's IT initiatives.

Our primary method of demand generation for enterprise customers is through our direct sales force. We ended fiscal 2006 with approximately 4,000 individuals in our sales force, approximately half of whom joined us as a result of the Veritas acquisition. Account managers are responsible for customer relationships and opportunity management and are supported by product and services specialists. During the June 2006 quarter, we expect to further integrate the Symantec and Veritas sales forces as we move towards a single account manager per major account.

We complement our direct sales efforts with indirect sales channels such as resellers, VARs, distributors, and SIs, primarily to address the small to medium-sized enterprise market. We sell our products through authorized distributors in more than 40 countries throughout the world. Our top distributors are Ingram Micro, Inc. and Tech Data Product Management, Inc.

Another important element of our Enterprise Solutions strategy involves our relationships with OEM partners that incorporate our products into their products, bundle our products with their products, or serve as authorized resellers of our products.

During fiscal 2006, our enterprise antivirus products experienced increased competition as negotiations for new and renewal business were consistently aggressive, especially in the small and medium business market.

***Marketing and Advertising***

The majority of our marketing dollars is spent on advertising and promotion, which includes demand generation and brand recognition of our consumer products and enterprise solutions. Our advertising and promotion efforts include, but are not limited to, electronic and print advertising, trade shows, collateral production, and all forms of direct marketing. To a lesser extent, we engage in cooperative marketing campaigns with distributors, resellers, and industry partners.

We continually conduct market research to understand evolving customer needs and buying behaviors. We also communicate with customers through the Symantec website, regularly scheduled web-based seminars and online newsletters, as well as through direct mailings, both physical and electronic, to existing end-users and prospects.

Other marketing activities include the production of brochures, sales tools, multi-media product demonstrations, packaging, and other collateral as well as participation in focused trade and computer shows, sponsorship of industry analyst conferences, and execution of Symantec road shows, seminars, and user group conferences.

We typically offer two types of rebate programs within most countries: volume incentive rebates to channel partners and promotional rebates to distributors and end-users. Distributors and resellers earn volume incentive rebates primarily based upon product sales to end-users. We also offer rebates to individual users that purchase various products through various resale channels.

We regularly offer upgrade rebates to consumers purchasing a new version of a product. Both volume incentive rebates and end-user rebates are accrued as an offset to revenue.

**Support**

We maintain centralized support facilities throughout the world that provide rapid, around-the -clock responses to complex customer inquiries. We have support facilities with experts in technical areas associated with the products we produce and the operating environments in which these products are deployed by many of our customers. Our technical support experts provide customers with information on product implementation and usage, as well as countermeasures and identification tools for new threats. Support is available in multiple languages including Dutch, English, French, German, Italian, Japanese, Korean, Mandarin, Portuguese, and Spanish.

Our Security Response Team consists of dedicated intrusion experts, security engineers, virus hunters, and members of the global technical support teams that work in tandem to provide extensive coverage for enterprises and consumers. Symantec Security Response provides customers with comprehensive and global Internet security expertise, 24 hours a day, seven days a week, to guard against today's multi-faceted Internet threats. The Symantec Security Response Team issues a semi-annual Internet Security Threat report that provides an analysis and discussion of trends in Internet attacks, vulnerabilities, malicious code activity, and other security risks. We believe that this report is one of the most comprehensive sources of Internet threat data in the world, leveraging unparalleled sources to identify emerging trends in attacks and malicious code activity.

Our enterprise security support program offers annual support contracts to enterprise customers worldwide, including content, upgrades, and technical support. Our standard technical support includes the following:

- Unlimited hotline service delivered by telephone, fax, email, and over the Internet
- Immediate patches for severe problems
- Periodic software updates
- Access to our technical knowledge base and frequently asked question, or FAQ, facility
- An invitation to our annual user group meeting

Our consumer product support program provides free self-help online services and free email support to all consumer customers worldwide. A team of product experts, editors, and language translators are dedicated to maintaining the robustness of the online knowledge base. Generally, telephone product support is provided for a fee by an outside vendor. Customers that subscribe to LiveUpdate receive automatic downloads of the latest virus definitions, application bug fixes, and patches for most of our consumer products.

**Customers**

Our solutions are used worldwide by individual and enterprise customers in a wide variety of industries, small and medium-sized enterprises, as well as various governmental entities. In fiscal 2006, 2005, and 2004, two distributors, Ingram Micro and Tech Data Product Management, including their subsidiaries, each accounted for more than 10% of our total net revenues. In fiscal 2006 and 2005, one reseller, Digital River, Inc., represented more than 10% of our total net revenues.

**Research and Development**

We believe that technical leadership is essential to our success. Therefore, we expect to continue to commit substantial resources to research and development. Whether we maintain our technical leadership position will largely depend on our ability to enhance existing products, respond to changing customer requirements, and develop and introduce new products in a timely manner.

The Symantec Security Response Team is responsible for a significant component of our research and development efforts. Our Security Response experts, located at research centers throughout the world, are focused on collecting and analyzing the latest malware threats, ranging from network security threats and vulnerabilities to viruses and worms. When a new threat or vulnerability is discovered, our Security Response experts provide a rapid emergency response that consists of communication with customers and delivery of

security updates for our security products. To simplify and speed up the delivery of security updates for our product offerings at the server, gateway, and desktop levels, we use our LiveUpdate technology.

Outside of our Security Response research centers, other major research and development initiatives for storage and availability products include:

- Continued focus on operating system platform expansion
- Development of new infrastructure products, including server provisioning, clustering, application performance management, and service level management
- Initiatives to improve replication, storage resource management, and next generation virtualization technology
- Development of new data protection technologies for disk-based data protection
- Continued efforts to ensure regulatory compliance and enhanced disaster recovery

Symantec Research Labs, or SRL, is a division within our company designed to foster new technologies and products to help us maintain leadership in existing markets. A key component of the SRL is our Advanced Concepts group, which is focused on identifying new markets and quickly transforming ideas into products for those markets.

Independent contractors are used for various aspects of the product development process. In addition, elements of some of our products are licensed from third parties.

We had research and development expenses, exclusive of in-process research and development associated with acquisitions, of $665 million in fiscal 2006, $332 million in fiscal 2005, and $252 million in fiscal 2004. We believe that technical leadership is essential to our success and we expect to continue to commit substantial resources to research and development.

**Acquisitions**

Our strategic technology acquisitions are designed to enhance the features and functionality of our existing products, as well as extend our product leadership. We use strategic acquisitions to provide certain technology, people, and products for our overall product and services strategy. We consider both time to market and potential market share gains when evaluating acquisitions of technologies, product lines, or companies. We have completed a number of acquisitions of technologies, companies, and products in the past, and we have also disposed of technologies and products. We may acquire and/or dispose of other technologies, companies, and products in the future.

During fiscal 2006, we completed the acquisition of Veritas, as well as acquisitions of the following six other companies:

| | |
|---|---|
| XtreamLok | XtreamLok Pty Limited, acquired in May 2005, gives Symantec strong anti-piracy and activation technology backed by an experienced and dedicated team that has successfully worked with Symantec for several years. |
| WholeSecurity | WholeSecurity, Inc., a leading provider of behavior-based security acquired in October 2005, provides a first line of defense against emerging threats without the need for traditional security signatures. WholeSecurity provides protection from phishing attacks, one of the fastest growing threats to online transactions, such as banking, e-commerce, and auctions. WholeSecurity's behavior-based security technology is being integrated as a core component of Symantec's consumer and enterprise desktop security solutions. |
| Sygate | Sygate Technologies, Inc., the market leader in network access control solutions for large enterprises, was acquired in October |

| | |
|---|---|
| | 2005. The Sygate acquisition allows Symantec to provide a comprehensive endpoint protection solution for both managed and unmanaged devices. Combining Sygate's expertise in endpoint compliance and protection with Symantec's leadership in client security helps ensure that only devices compliant with security policies have access to the network. |
| BindView | BindView Development Corporation, a global provider of agent-less IT security compliance software, was acquired in January 2006. This acquisition brought together two market leaders in policy compliance and vulnerability market solutions. BindView and Symantec have complementary strengths in product portfolio, route-to -market, and customer segments. The acquisition of BindView allows Symantec to provide customers a choice of agent-based or agent-less IT compliance technology, offering a broad and comprehensive end-to -end solution for policy compliance and vulnerability management from a single vendor. |
| IMlogic | IMlogic, Inc., a market leader in instant messaging security and management with demonstrated technology leadership and expertise in real-time based communications, was acquired in February 2006. The rapid adoption of instant messaging networks by consumers and corporate users, combined with evolving real-time communications functionality such as VoIP, makes instant messaging a viable vehicle for malicious threats that can leverage global messaging directories to find new targets. Traditional security and availability measures do not protect companies against threats that attack via instant messaging. We plan to offer a comprehensive set of solutions for message archiving as a whole — across both email and instant messaging, with the opportunity to include other forms of digital communications. |
| Relicore | Relicore, Inc., a leader in data center change and configuration management, was acquired in February 2006. Relicore's Clarity is the industry's only configuration management solution capable of automatically discovering, mapping, and tracking changes to application and server components in real-time. The combination of Relicore's unique, real-time configuration management capability with Symantec's existing server management and storage management capabilities allows IT managers to fully understand and actively manage their application and server environment. |

For further discussion of our acquisitions, see Note 3 of the Notes to Consolidated Financial Statements.

**Competition**

Our markets are highly competitive and are subject to rapid changes in technology. Our competitiveness depends on our ability to deliver products that meet our customers' needs by enhancing our existing solutions and services and offering reliable, scalable, and standardized new solutions on a timely basis. We believe that the principal competitive factors necessary to be successful in our industry also include quality, integration of advanced technology, time to market, price, reputation, financial stability, breadth of product offerings, customer support, brand recognition, and effective sales and marketing efforts.

In addition to the competition we face from direct competitors, we face indirect or potential competition from operating system providers and network equipment and computer hardware manufacturers, who may provide various solutions and functions in their current and future products. We also compete for access to

retail distribution channels and for the attention of customers at the retail level and in corporate accounts. In addition, we compete with other software companies, operating system providers, and network equipment and computer hardware manufacturers to acquire products or companies and to publish software developed by third parties.

The competitive environments in which each segment operates are described below:

***Consumer Products***

Some of the channels in which our consumer products are offered are highly competitive. Our competitors are sometimes intensely focused on customer acquisition, which has led such competitors to offer their technology for free, engage in aggressive marketing, or enter into competitive partnerships. During fiscal 2006, pricing for subscriptions increased, while pricing in retail and online stores remained consistent or decreased.

Our primary competitors in the Consumer Products segment are Microsoft Corporation, McAfee, Inc., and Trend Micro, Incorporated. During fiscal 2006, Microsoft launched the beta version of a security suite that will compete with our consumer products. This security suite includes anti-spyware and antivirus features, and a backup utility. In addition, Microsoft has recently added security features to new versions of its operating system products that provide some of the same functions offered in our products.

***Enterprise Security***

In the Enterprise Security markets, we compete against many companies that offer competing products to our technology solutions and competing services to our response and support services. Our primary competitors in Enterprise Security are McAfee, Trend Micro, CA, Inc., Internet Security Systems, Inc., and Cisco Systems, Inc. In the managed security services segment, our primary competitors are VeriSign, Inc. and International Business Machines Corporation, or IBM. Recent acquisitions by Microsoft are indicators of its move into the Enterprise Security market and could lead to the inclusion of antivirus and antispyware functionality in future versions of its operating system products or to its release of stand-alone enterprise products.

With core antivirus being a required solution for enterprises of all sizes, we believe that product differentiation is essential for us to maintain our leadership position. We are focused on integrating next generation technology capabilities into our solution set in order to differentiate ourselves from the competition.

***Data Protection***

The market for Data Protection products is characterized by ongoing technological innovation. Many of our strategic partners offer software products that compete with our products or have announced their intention to focus on developing or acquiring their own backup, archive, and data restoration software products. Our primary competitors in the Data Protection segment are IBM, CA, and EMC Corporation.

***Storage and Server Management***

The markets for Storage and Server Management are intensely competitive. In the areas of storage management solutions, application and server management, remote management, imaging provisioning, and asset management, our primary competitors are EMC, Sun Microsystems, Inc., Hewlett-Packard Company, IBM, Oracle Corporation, and Microsoft.

***Services***

We believe that the principal competitive factors for our Services segment include technical capability, customer responsiveness, and our ability to hire and retain talented and experienced services personnel. Our primary competitors in the Services segment are IBM, Electronic Data Systems Corporation, and EMC.

## Intellectual Property

### *Protective Measures*

We regard some of the features of our internal operations, software, and documentation as proprietary and rely on copyright, patent, trademark and trade secret laws, confidentiality procedures, contractual arrangements, and other measures to protect our proprietary information. Our intellectual property is an important and valuable asset that enables us to gain recognition for our products, services, and technology and enhance our competitive position.

As part of our confidentiality procedures, we generally enter into non-disclosure agreements with our employees, distributors, and corporate partners and we enter into license agreements with respect to our software, documentation, and other proprietary information. These license agreements are generally non-transferable and have a perpetual term. We also educate our employees on trade secret protection and employ measures to protect our facilities, equipment, and networks.

### *Trademarks, Patents, Copyrights, and Licenses*

Symantec and the Symantec logo are trademarks or registered trademarks in the U.S. and other countries. In addition to Symantec and the Symantec logo, we have used, registered, and/or applied to register other specific trademarks and service marks to help distinguish our products, technologies, and services from those of our competitors in the U.S. and foreign countries and jurisdictions. We enforce our trademark, service mark, and trade name rights in the U.S. and abroad. The duration of our trademark registrations varies from country to country, and in the U.S., we generally are able to maintain our trademark rights and renew any trademark registrations for as long as the trademarks are in use.

We have a number of U.S. and foreign issued patents and pending patent applications, including patents and rights to patent applications acquired through strategic transactions, which relate to various aspects of our products and technology. The duration of our patents is determined by the laws of the country of issuance and for the U.S. is typically 17 years from the date of issuance of the patent or 20 years from the date of filing of the patent application resulting in the patent, which we believe is adequate relative to the expected lives of our products.

Our products are protected under U.S. and international copyright laws and laws related to the protection of intellectual property and proprietary information. We take measures to label such products with the appropriate proprietary rights notices and we actively enforce such rights in the U.S. and abroad. However, these measures may not provide sufficient protection, and our intellectual property rights may be challenged. In addition, we license some intellectual property from third parties for use in our products, and generally must rely on the third party to protect the licensed intellectual property rights. While we believe that our ability to maintain and protect our intellectual property rights is important to our success, we also believe that our business as a whole is not materially dependent on any particular patent, trademark, license, or other intellectual property right.

## Seasonality

As is typical for many large software companies, a part of our business is seasonal. Software license orders are generally higher in our third and fourth fiscal quarters and lower in our first and second fiscal quarters. A significant decline in license orders is typical in the first quarter of our fiscal year when compared to license orders in the fourth quarter of the prior fiscal year. In addition, we generally receive a higher volume of software license orders in the last month of a quarter, with orders concentrated in the later part of that month. We believe that this seasonality primarily reflects customer spending patterns and budget cycles, as well as the impact of compensation incentive plans for our sales personnel. Software license revenue generally reflects similar seasonal patterns but to a lesser extent than license orders because license revenue is not recognized until an order is shipped and other revenue recognition criteria are met.

**Employees**

As of March 31, 2006, we employed approximately 16,000 people worldwide, approximately 58% of whom reside in the U.S. Approximately 8,000 employees work in sales, marketing, and related activities; 5,000 in product development; 1,000 in services; and 2,000 in management, manufacturing, and administration.

**Other Information**

Our Internet address is *www.symantec.com.* We make available free of charge on our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or SEC. Other than the information expressly set forth in this annual report, the information contained, or referred to, on our website is not part of this annual report.

The public may also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the SEC.

**Item 1A.** ***Risk Factors***

***If we are unable to develop new and enhanced products and services that achieve widespread market acceptance, or if we are unable to continually improve the performance, features, and reliability of our existing products and services, our business and operating results could be adversely affected.***

Our future success depends on our ability to respond to the rapidly changing needs of our customers by developing or introducing new products, product upgrades, and services on a timely basis. We have in the past incurred, and will continue to incur, significant research and development expenses as we strive to remain competitive. New product development and introduction involves a significant commitment of time and resources and is subject to a number of risks and challenges including:

- Managing the length of the development cycle for new products and product enhancements, which has frequently been longer than we originally expected
- Adapting to emerging and evolving industry standards and to technological developments by our competitors and customers
- Extending the operation of our products and services to new platforms and operating systems
- Entering into new or unproven markets with which we have limited experience
- Managing new product and service strategies, including integrating our various security and storage technologies, management solutions, customer service, and support into unified enterprise security and storage solutions
- Incorporating acquired products and technologies
- Developing or expanding efficient sales channels
- Obtaining sufficient licenses to technology and technical access from operating system software vendors on reasonable terms to enable the development and deployment of interoperable products, including source code licenses for certain products with deep technical integration into operating systems

If we are not successful in managing these risks and challenges, or if our new products, product upgrades, and services are not technologically competitive or do not achieve market acceptance, we could have expended substantial resources and capital without realizing sufficient revenues in return, and our business and operating results could be adversely affected.

***Fluctuations in demand for our products and services are driven by many factors and a decrease in demand for our products could adversely affect our financial results.***

We are subject to fluctuations in demand for our products and services due to a variety of factors, including competition, product obsolescence, technological change, budget constraints of our actual and potential customers, level of broadband usage, awareness of security threats to IT systems, and other factors. While such factors may, in some periods, increase product sales, fluctuations in demand can also negatively impact our product sales. For example, until recently we had experienced a higher than expected rate of growth in sales of our consumer security products that we believe was spurred, in part, by several well-publicized threats to computer security. As consumer attention to security threats fluctuates, the growth rates in sales of consumer security products have been impacted. If demand for our products declines, our revenues and gross margin could be adversely affected.

***We operate in a highly competitive environment, and our competitors may gain market share in the markets for our products that could adversely affect our business and cause our revenues to decline.***

We operate in intensely competitive markets that experience rapid technological developments, changes in industry standards, changes in customer requirements, and frequent new product introductions and improvements. If we are unable to anticipate or react to these competitive challenges or if existing or new competitors gain market share in any of our markets, our competitive position could weaken and we could experience a drop in revenues that could adversely affect our business and operating results. To compete successfully, we must maintain a successful research and development effort to develop new products and services and enhance existing products and services, effectively adapt to changes in the technology or product rights held by our competitors, appropriately respond to competitive strategy, and effectively adapt to technological changes and changes in the ways that our information is accessed, used, and stored within our enterprise and consumer markets. If we are unsuccessful in responding to our competitors or to changing technological and customer demands, we could experience a negative effect on our competitive position and our financial results.

Our traditional competitors include independent software vendors which offer software products that directly compete with our product offerings. In addition to competing with these vendors directly for sales to end users of our products, we compete with them for the opportunity to have our products bundled with the product offerings of our strategic partners such as computer hardware OEMs and ISPs. Our competitors could gain market share from us if any of these strategic partners replace our products with the products of our competitors or if they more actively promote our competitors' products than our products. In addition, software vendors who have bundled our products with theirs may choose to bundle their software with their own or other vendors' software or may limit our access to standard product interfaces and inhibit our ability to develop products for their platform.

We face growing competition from network equipment and computer hardware manufacturers and large operating system providers. These firms are increasingly developing and incorporating into their products data protection and storage and server management software that competes at some levels with our product offerings. Our competitive position could be adversely affected to the extent that our customers perceive the functionality incorporated into these products as replacing the need for our products. Microsoft has added remote access features to its operating systems and has made announcements of actual and anticipated product features and new product offerings that compete with a number of our product offerings. In addition, we believe that Microsoft has recently made changes to its operating systems that make it more difficult for independent security vendors to provide effective solutions for their customers. We could be adversely affected if customers, particularly consumers, perceive that features incorporated into the Microsoft operating system reduce the need for our products or if they prefer to purchase other Microsoft products that are bundled with its operating systems and compete with our products.

Many of our competitors have greater financial, technical, sales, marketing, or other resources than we do and consequently may have an ability to influence customers to purchase their products instead of ours. We

also face competition from many smaller companies that specialize in particular segments of the markets in which we compete.

***If we fail to manage our sales and distribution channels effectively or if our partners choose not to market and sell our products to their customers, our operating results could be adversely affected.***

We sell our consumer products to individuals and small offices/home offices around the world through multi-tiered sales and distribution networks. Sales through these different channels involve distinct risks, including the following:

*Direct Sales.* A significant portion of our revenues from enterprise products is derived from sales by our direct sales force to end-users. Special risks associated with this sales channel include:

- Longer sales cycles associated with direct sales efforts
- Difficulty in hiring, retaining, and motivating our direct sales forces
- Substantial amounts of training for sales representatives to become productive, including regular updates to cover new and revised products

*Indirect Sales Channels.* A significant portion of our revenues is derived from sales through indirect channels, including distributors that sell our products to end-users and other resellers. This channel involves a number of risks, including:

- Our lack of control over the timing of delivery of our products to end-users
- Our resellers and distributors are not subject to minimum sales requirements or any obligation to market our products to their customers
- Our reseller and distributor agreements are generally nonexclusive and may be terminated at any time without cause
- Our resellers and distributors frequently market and distribute competing products and may, from time to time, place greater emphasis on the sale of these products due to pricing, promotions, and other terms offered by our competitors

*OEM Sales Channels.* A significant portion of our revenues is derived from sales through our OEM partners that incorporate our products into, or bundle our products with, their products. Our reliance on this sales channel involves many risks, including:

- Our lack of control over the shipping dates or volume of systems shipped
- Our OEM partners are generally not subject to minimum sales requirements or any obligation to market our products to their customers
- Our OEM partners may terminate or renegotiate their arrangements with us and new terms may be less favorable due, among other things, to an increasingly competitive relationship with certain partners
- Sales through our OEM partners are subject to changes in strategic direction, competitive risks, and other issues that could result in reduction of OEM sales
- The development work that we must generally undertake under our agreements with our OEM partners may require us to invest significant resources and incur significant costs with little or no associated revenues
- The time and expense required for the sales and marketing organizations of our OEM partners to become familiar with our products may make it more difficult to introduce those products to the market
- Our OEM partners may develop, market, and distribute their own products and market and distribute products of our competitors, which could reduce our sales

If we fail to manage our sales and distribution channels successfully, these channels may conflict with one another or otherwise fail to perform as we anticipate, which could reduce our sales and increase our expenses as well as weaken our competitive position. Some of our distribution partners have experienced financial difficulties in the past, and if our partners suffer financial difficulties in the future, we may have reduced sales or increased bad debt expense that could adversely affect our operating results. In addition, reliance on multiple channels subjects us to events that could cause unpredictability in demand, which could increase the risk that we may be unable to plan effectively for the future, and could result in adverse operating results in future periods.

***We have grown, and may continue to grow, through acquisitions that give rise to risks and challenges that could adversely affect our future financial results.***

We have in the past acquired, and we expect to acquire in the future, other businesses, business units, and technologies. Acquisitions involve a number of special risks and challenges, including:

- Complexity, time, and costs associated with the integration of acquired business operations, workforce, products, and technologies into our existing business, sales force, employee base, product lines, and technology
- Diversion of management time and attention from our existing business and other business opportunities
- Loss or termination of employees, including costs associated with the termination or replacement of those employees
- Assumption of debt or other liabilities of the acquired business, including litigation related to alleged liabilities of the acquired business
- The incurrence of additional acquisition-related debt as well as increased expenses and working capital requirements
- Dilution of stock ownership of existing stockholders, or earnings per share
- Increased costs and efforts in connection with compliance with Section 404 of the Sarbanes-Oxley Act
- Substantial accounting charges for restructuring and related expenses, write-off of in-process research and development, impairment of goodwill, amortization of intangible assets, and stock-based compensation expense

Integrating acquired businesses has been and will continue to be a complex, time consuming, and expensive process, and can impact the effectiveness of our internal control over financial reporting. For example, as disclosed in Item 9A in this annual report, our management has identified a material weakness in our internal control over financial reporting that was largely related to Symantec having insufficient personnel resources with adequate expertise to properly manage the increased volume and complexity of income tax matters arising from the acquisition of Veritas.

If our ongoing integration of the Veritas business is not successful, we may not realize the potential benefits of the acquisition or could undergo other adverse effects that we currently do not foresee. To integrate acquired businesses, we must implement our technology systems in the acquired operations and integrate and manage the personnel of the acquired operations. We also must effectively integrate the different cultures of acquired business organizations into our own in a way that aligns various interests, and may need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions.

Any of the foregoing, and other factors, could harm our ability to achieve anticipated levels of profitability from acquired businesses or to realize other anticipated benefits of acquisitions. In addition, because acquisitions of high technology companies are inherently risky, no assurance can be given that our previous or future acquisitions will be successful and will not adversely affect our business, operating results, or financial condition.

***Our international operations involve risks that could increase our expenses, adversely affect our operating results, and require increased time and attention of our management.***

We derive a substantial portion of our revenues from customers located outside of the U.S. and we have significant operations outside of the U.S., including engineering, sales, customer support, and production. We plan to expand our international operations, but such expansion is contingent upon the financial performance of our existing international operations as well as our identification of growth opportunities. Our international operations are subject to risks in addition to those faced by our domestic operations, including:

- Potential loss of proprietary information due to misappropriation or laws that may be less protective of our intellectual property rights
- Requirements of foreign laws and other governmental controls, including trade and labor restrictions and related laws that reduce the flexibility of our business operations
- Regulations or restrictions on the use, import, or export of encryption technologies that could delay or prevent the acceptance and use of encryption products and public networks for secure communications
- Central bank and other restrictions on our ability to repatriate cash from our international subsidiaries or to exchange cash in international subsidiaries into cash available for use in the U.S.
- Fluctuations in currency exchange rates and economic instability such as higher interest rates in the U.S. and inflation that could reduce our customers' ability to obtain financing for software products or that could make our products more expensive in certain countries
- Limitations on future growth or inability to maintain current levels of revenues from international sales if we do not invest sufficiently in our international operations
- Longer payment cycles for sales in foreign countries and difficulties in collecting accounts receivable
- Difficulties in staffing, managing, and operating our international operations, including difficulties related to administering our stock plans in some foreign countries
- Difficulties in coordinating the activities of our geographically dispersed and culturally diverse operations
- Seasonal reductions in business activity in the summer months in Europe and in other periods in other countries
- Reduced sales due to the failure to obtain any required export approval of our technologies, particularly our encryption technologies
- Costs and delays associated with developing software in multiple languages
- Political unrest, war, or terrorism, particularly in areas in which we have facilities

A significant portion of our transactions outside of the U.S. are denominated in foreign currencies. Accordingly, our future operating results will continue to be subject to fluctuations in foreign currency rates. We may be negatively affected by fluctuations in foreign currency rates in the future, especially if international sales continue to grow as a percentage of our total sales.

We receive significant tax benefits from sales to our non-U.S. customers. These benefits are contingent upon existing tax regulations in the U.S. and in the countries in which our international operations are located. Future changes in domestic or international tax regulations could adversely affect our ability to continue to realize these tax benefits.

***Our products are complex and operate in a wide variety of computer configurations, which could result in errors or product failures.***

Because we offer very complex products, undetected errors, failures, or bugs may occur, especially when products are first introduced or when new versions are released. Our products are often installed and used in

large-scale computing environments with different operating systems, system management software, and equipment and networking configurations, which may cause errors or failures in our products or may expose undetected errors, failures, or bugs in our products. Our customers' computing environments are often characterized by a wide variety of standard and non-standard configurations that make pre-release testing for programming or compatibility errors very difficult and time-consuming. In addition, despite testing by us and others, errors, failures, or bugs may not be found in new products or releases until after commencement of commercial shipments. In the past, we have discovered software errors, failures, and bugs in certain of our product offerings after their introduction and have experienced delayed or lost revenues during the period required to correct these errors.

Errors, failures, or bugs in products released by us could result in negative publicity, product returns, loss of or delay in market acceptance of our products, loss of competitive position, or claims by customers or others. Many of our end-user customers use our products in applications that are critical to their businesses and may have a greater sensitivity to defects in our products than to defects in other, less critical, software products. In addition, if an actual or perceived breach of information integrity or availability occurs in one of our end-user customer's systems, regardless of whether the breach is attributable to our products, the market perception of the effectiveness of our products could be harmed. Alleviating any of these problems could require significant expenditures of our capital and other resources and could cause interruptions, delays, or cessation of our product licensing, which could cause us to lose existing or potential customers and could adversely affect our operating results.

***If we are unable to attract and retain qualified employees, lose key personnel, fail to integrate replacement personnel successfully, or fail to manage our employee base effectively, we may be unable to develop new and enhanced products and services, effectively manage or expand our business, or increase our revenues.***

Our future success depends upon our ability to recruit and retain our key management, technical, sales, marketing, finance, and other critical personnel. Our officers and other key personnel are employees-at-will, and we cannot assure you that we will be able to retain them. Competition for people with the specific skills that we require is significant. In order to attract and retain personnel in a competitive marketplace, we believe that we must provide a competitive compensation package, including cash and equity-based compensation. The volatility in our stock price may from time to time adversely affect our ability to recruit or retain employees. In addition, we may be unable to obtain required stockholder approvals of future increases in the number of shares available for issuance under our equity compensation plans, and recent changes in accounting rules require us to treat the issuance of employee stock options and other forms of equity-based compensation as compensation expense. As a result, we may decide to issue fewer equity-based incentives and may be impaired in our efforts to attract and retain necessary personnel. If we are unable to hire and retain qualified employees, or conversely, if we fail to manage employee performance or reduce staffing levels when required by market conditions, our business and operating results could be adversely affected.

Key personnel have left our company in the past and there likely will be additional departures of key personnel from time to time in the future. The loss of any key employee could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of company initiatives, the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, and the results of our operations. In addition, hiring, training, and successfully integrating replacement sales and other personnel could be time consuming, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact future revenues.

***We are a party to several class action and derivative action lawsuits, which could require significant management time and attention and result in significant legal expenses, and which could, if not determined favorably, negatively impact our business, financial condition, results of operations, and cash flows.***

We have been named as a party to several class action and derivative action lawsuits, and we may be named in additional litigation. The expense of defending such litigation may be costly and divert manage-

ment's attention from the day-to -day operations of our business, which could adversely affect our business, results of operations, and cash flows. In addition, an unfavorable outcome in such litigation could negatively impact our business, results of operations, and cash flows.

***Third parties claiming that we infringe their proprietary rights could cause us to incur significant legal expenses and prevent us from selling our products.***

From time to time, we receive claims that we have infringed the intellectual property rights of others, including claims regarding patents, copyrights, and trademarks. In addition, former employers of our former, current, or future employees may assert claims that such employees have improperly disclosed to us the confidential or proprietary information of these former employers. Any such claim, with or without merit, could result in costly litigation and distract management from day-to -day operations. If we are not successful in defending such claims, we could be required to stop selling, delay shipments of or redesign our products, pay monetary amounts as damages, enter into royalty or licensing arrangements, or satisfy indemnification obligations that we have with some of our customers.

In addition, we license and use software from third parties in our business. These third party software licenses may not continue to be available to us on acceptable terms or at all, and may expose us to additional liability. This liability, or our inability to use any of this third party software, could result in shipment delays or other disruptions in our business that could materially and adversely affect our operating results.

***If we do not protect our proprietary information and prevent third parties from making unauthorized use of our products and technology, our financial results could be harmed.***

Our software and underlying technology are proprietary. We seek to protect our proprietary rights through a combination of confidentiality agreements and procedures and through copyright, patent, trademark, and trade secret laws. However, all of these measures afford only limited protection and may be challenged, invalidated, or circumvented by third parties. Third parties may copy all or portions of our products or otherwise obtain, use, distribute, and sell our proprietary information without authorization. Third parties may also develop similar or superior technology independently, by designing around our patents. Our shrink-wrap license agreements are not signed by licensees and therefore may be unenforceable under the laws of some jurisdictions. Furthermore, the laws of some foreign countries do not offer the same level of protection of our proprietary rights as the laws of the U.S., and we may be subject to unauthorized use of our products in those countries. The unauthorized copying or use of our products or proprietary information could result in reduced sales of our products. Any legal action to protect proprietary information that we may bring or be engaged in with a strategic partner or vendor could adversely affect our ability to access software, operating system, and hardware platforms of such partner or vendor, or cause such partner or vendor to choose not to offer our products to their customers. In addition, any legal action to protect proprietary information that we may bring or be engaged in, alone or through our alliances with the Business Software Alliance (BSA), or the Software & Information Industry Association (SIIA), could be costly, may distract management from day-to -day operations, and may lead to additional claims against us, which could adversely affect our operating results.

***Some of our products contain "open source" software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.***

Certain of our products are distributed with software licensed by its authors or other third parties under so-called "open source" licenses, which may include, by way of example the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), the Mozilla Public License, the BSD License, and the Apache License. Some of these licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If we combine our proprietary software with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software. In addition to risks related to license requirements, usage of open source software can

lead to greater risks than use of third party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source, but we cannot be sure that all open source is submitted for approval prior to use in our products. In addition, many of the risks associated with usage of open source cannot be eliminated, and could, if not properly addressed, negatively affect our business.

***Our software products and website may be subject to intentional disruption that could adversely impact our reputation and future sales.***

Although we believe we have sufficient controls in place to prevent intentional disruptions, we expect to be an ongoing target of attacks specifically designed to impede the performance of our products. Similarly, experienced computer programmers may attempt to penetrate our network security or the security of our website and misappropriate proprietary information or cause interruptions of our services. Because the techniques used by such computer programmers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. Our activities could be adversely affected and our reputation and future sales harmed if these intentionally disruptive efforts are successful.

***Increased customer demands on our technical support services may adversely affect our relationships with our customers and our financial results.***

We offer technical support services with many of our products. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by competitors or successfully integrate support for our customers. Further customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results.

We have outsourced a substantial portion of our worldwide consumer support functions to third party service providers. If these companies experience financial difficulties, do not maintain sufficiently skilled workers and resources to satisfy our contracts, or otherwise fail to perform at a sufficient level under these contracts, the level of support services to our customers may be significantly disrupted, which could materially harm our relationships with these customers.

***Accounting charges may cause fluctuations in our quarterly financial results.***

Our financial results have been in the past, and may continue to be in the future, materially affected by non-cash and other accounting charges, including:

- Amortization of intangible assets, including acquired product rights
- Impairment of goodwill
- Stock-based compensation expense, including charges related to our adoption in the first quarter of fiscal 2007 of Statement of Financial Accounting Standards No. 123R, *Share-Based Payment* , which will materially increase the stock-based compensation expense included in our results of operations
- Restructuring charges and reversals of those charges
- Impairment of long-lived assets

For example, in connection with our acquisition of Veritas, we have recorded approximately $2.8 billion of intangible assets, including acquired product rights, and $8.6 billion of goodwill. We have recorded and will continue to record future amortization charges with respect to a portion of these intangible assets and stock-based compensation expense related to the stock options to purchase Veritas common stock assumed by us. In addition, we will evaluate our long-lived assets, including property and equipment, goodwill, acquired product rights, and other intangible assets, whenever events or circumstances occur which indicate that these assets might be impaired. Goodwill is evaluated annually for impairment in the fourth quarter of each fiscal year or

more frequently if events and circumstances warrant. The foregoing types of accounting charges may also be incurred in connection with or as a result of other business acquisitions. The price of our common stock could decline to the extent that our financial results are materially affected by the foregoing accounting charges.

***Our effective tax rate may increase or fluctuate, which could increase our income tax expense and reduce our net income.***

Our effective tax rate could be adversely affected by several factors, many of which are outside of our control, including:

- Changes in the relative proportions of revenues and income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates
- Changing tax laws, regulations, and interpretations in multiple jurisdictions in which we operate as well as the requirements of certain tax rulings
- Changes in accounting and tax treatment of stock-based compensation
- The tax effects of purchase accounting for acquisitions and restructuring charges that may cause fluctuations between reporting periods
- Tax assessments, or any related tax interest or penalties, could significantly affect our income tax expense for the period in which the settlements take place

The price of our common stock could decline to the extent that our financial results are materially affected by an adverse change in our effective tax rate.

We report our results of operations based on our determinations of the amount of taxes owed in the various tax jurisdictions in which we operate. From time to time, we receive notices that a tax authority to which we are subject has determined that we owe a greater amount of tax than we have reported to such authority, and we are regularly engaged in discussions, and sometimes disputes, with these tax authorities. We are engaged in disputes of this nature at this time. If the ultimate determination of our taxes owed in any of these jurisdictions is for an amount in excess of the tax provision we have recorded or reserved for, our operating results, cash flows, and financial condition could be adversely affected.

***Fluctuations in our quarterly financial results have affected the price of our common stock in the past and could affect our stock price in the future.***

Our quarterly financial results have fluctuated in the past and are likely to vary significantly in the future due to a number of factors, many of which are outside of our control and which could adversely affect our operations and operating results. In addition, our acquisition of Veritas makes it more difficult for us to predict, and securities analysts to develop expectations regarding, our future financial results due to the risks associated with the complexity of our combined business and the integration of our management teams and operations. If our quarterly financial results or our predictions of future financial results fail to meet the expectations of securities analysts and investors, our stock price could be negatively affected. Any volatility in our quarterly financial results may make it more difficult for us to raise capital in the future or pursue acquisitions that involve issuances of our stock. Our operating results for prior periods may not be effective predictors of our future performance.

Factors associated with our industry, the operation of our business, and the markets for our products may cause our quarterly financial results to fluctuate, including:

- Reduced demand for any of our products
- Entry of new competition into our markets
- Competitive pricing pressure for one or more of our classes of products
- Our ability to timely complete the release of new or enhanced versions of our products

- The number, severity, and timing of threat outbreaks (e.g. worms and viruses)
- Our resellers making a substantial portion of their purchases near the end of each quarter
- Enterprise customers' tendency to negotiate site licenses near the end of each quarter
- Cancellation, deferral, or limitation of orders by customers
- Fluctuations in foreign currency exchange rates
- Movement in interest rates
- The rate of adoption of new product technologies and new releases of operating systems
- Weakness or uncertainty in general economic or industry conditions in any of the multiple markets in which we operate that could reduce customer demand and ability to pay for our products and services
- Political and military instability, which could slow spending within our target markets, delay sales cycles, and otherwise adversely affect our ability to generate revenues and operate effectively
- Budgetary constraints of customers, which are influenced by corporate earnings and government budget cycles and spending objectives
- Disruptions in our highly automated business operations caused by, among other things,
  - Earthquakes, floods, or other natural disasters affecting our headquarters located in Silicon Valley, California, an area known for seismic activity, or our other locations worldwide
  - Acts of war or terrorism
  - Intentional disruptions by third parties

Any of the foregoing factors could cause the trading price of our common stock to fluctuate significantly.

***Our stock price may be volatile in the future, and you could lose the value of your investment.***

The market price of our common stock has experienced significant fluctuations in the past and may continue to fluctuate in the future, and as a result you could lose the value of your investment. The market price of our common stock may be affected by a number of factors, including:

- Announcements of quarterly operating results and revenue and earnings forecasts by us that fail to meet or be consistent with our earlier projections or the expectations of our investors or securities analysts
- Announcements by either our competitors or customers that fail to meet or be consistent with their earlier projections or the expectations of our investors or securities analysts
- Rumors, announcements, or press articles regarding our operations, management, organization, financial condition, or financial statements
- Changes in revenue and earnings estimates by us, our investors, or securities analysts
- Accounting charges, including charges relating to the impairment of goodwill
- Announcements of planned acquisitions by us or by our competitors
- Announcements of new or planned products by us, our competitors, or our customers
- Gain or loss of a significant customer
- Inquiries by the SEC, Nasdaq, law enforcement, or other regulatory bodies
- Acts of terrorism, the threat of war, and other crises or emergency situations
- Economic slowdowns or the perception of an oncoming economic slowdown in any of the major markets in which we operate

The stock market in general, and the market prices of stocks of technology companies in particular, have experienced extreme price volatility that has adversely affected, and may continue to adversely affect, the market price of our common stock for reasons unrelated to our business or operating results.

**Item 1B.** ***Unresolved Staff Comments***

None.

**Item 2.** ***Properties***

Our properties consist primarily of owned and leased office facilities for sales, research and development, administrative, customer service, and technical support personnel. Our Dublin, Ireland facility also includes manufacturing operations. Our corporate headquarters is located in Cupertino, California in a 296,000 square foot facility that we own. We occupy an additional 1,303,000 square feet in the San Francisco Bay Area, of which 1,057,000 square feet is owned and 246,000 square feet is leased. Our leased facilities are occupied under leases that expire at various times through 2022. The table below shows the approximate square footage of our facilities as of March 31, 2006.

| | Approximate Total Square Footage(1) | |
|---|---|---|
| **Location** | **Owned** | **Leased** |
| North America | 1,767,000 | 1,852,000 |
| Europe, Middle East, and Africa | 272,000 | 620,000 |
| Asia Pacific/ Japan | 5,000 | 913,000 |
| Latin America | — | 52,000 |
| Total | 2,044,000 | 3,437,000 |

(1) Total square footage excludes approximately 99,000 square feet of leased space in the United States and 58,000 square feet in EMEA that we sublease to third parties. Also not included is 87,000 square feet of owned property that we lease to third parties in the United States.

Our facilities include approximately 379,000 square feet of owned property and approximately 117,000 square feet of leased property that are currently vacant. In May 2006 we completed the construction of an approximately 200,000 square foot facility for our administrative, customer service, and technical support personnel as an expansion of our owned facility in Springfield, Oregon. We are currently building research and development facilities in Culver City, California that we expect to occupy in October 2007. Additionally, we purchased a facility of approximately 236,000 square feet in Cupertino, California during April 2006. This property is currently leased to a third party.

We believe that our existing facilities are adequate for our current needs and that the productive capacity of our facilities is substantially utilized.

**Item 3.** ***Legal Proceedings***

Information with respect to this Item may be found in Note 14 of the Notes to Consolidated Financial Statements in this annual report which information is incorporated into this Item 3 by reference.

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2006.

## PART II

### Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

**Market for Our Common Stock**

Our common stock is traded on the Nasdaq National Market under the symbol "SYMC." The high and low sales prices set forth below are as reported on the Nasdaq National Market. All sales prices have been adjusted to reflect the two-for-one stock split, effected as a stock dividend, that became effective November 30, 2004.

| | Fiscal 2006 | | | | Fiscal 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar. 31, 2006 | Dec. 31, 2005 | Sep. 30, 2005 | Jun. 30, 2005 | Mar. 31, 2005 | Dec. 31, 2004 | Sep. 30, 2004 | Jun. 30, 2004 |
| High | $ 19.94 | $ 24.01 | $ 24.38 | $ 22.90 | $ 26.60 | $ 34.05 | $ 27.68 | $ 25.44 |
| Low | $ 15.30 | $ 16.32 | $ 19.63 | $ 18.01 | $ 20.05 | $ 23.53 | $ 20.00 | $ 19.71 |

As of March 31, 2006, there were approximately 5,000 stockholders of record of Symantec common stock. Symantec has never declared or paid any cash dividends on its capital stock. We currently intend to retain future earnings for use in our business, and, therefore, we do not anticipate paying any cash dividends on our capital stock in the foreseeable future.

**Repurchases of Our Equity Securities**

Stock repurchases during the three-month period ended March 31, 2006 were as follows:

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased Under Publicly Announced Plans or Programs | Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (In millions) |
|---|---|---|---|---|
| December 31, 2005 to January 27, 2006 | — | $ — | — | $ 1,000 |
| January 28, 2006 to February 24, 2006 | 5,225,000 | $ 17.43 | 5,225,000 | $ 909 |
| February 25, 2006 to March 31, 2006 | 3,909,600 | $ 16.09 | 3,909,600 | $ 846 |
| Total | 9,134,600 | $ 16.85 | 9,134,600 | |

We have operated a stock repurchase program since 2001. On March 28, 2005, the Board of Directors increased the dollar amount of authorized stock repurchases by $3 billion, which became effective upon completion of the Veritas acquisition on July 2, 2005. We commenced repurchases under the $3 billion authorization on August 2, 2005 and as of December 31, 2005 all authorized repurchases, including $474 million from prior authorizations, were completed.

On January 31, 2006, the Board, through one of its committees, authorized the repurchase of $1 billion of Symantec common stock, without a scheduled expiration date. In connection with this stock repurchase authorization, we entered into Rule 10b5-1 trading plans intended to facilitate stock repurchases of $125 million per quarter during fiscal 2007. We used $154 million of the authorized amount to repurchase shares in the open market in the March 2006 quarter and we intend to use the remaining amount to make stock repurchases under Rule 10b5-1 trading plans and opportunistically in fiscal 2007.

In fiscal 2006, we repurchased 174 million shares at prices ranging from $15.83 to $23.85 for an aggregate amount of $3.6 billion. In fiscal 2005, we repurchased eight million shares at prices ranging from $21.05 to $30.77 per share, for an aggregate amount of $192 million. In fiscal 2004, we repurchased three million shares at prices ranging from $19.52 to $20.82 per share, for an aggregate amount of $60 million. As of March 31, 2006, $846 million remained authorized for future repurchases.

**Item 6.** ***Selected Financial Data***

The following selected consolidated financial data is derived from Symantec's consolidated financial statements. This data is qualified in its entirety by and should be read in conjunction with the more detailed consolidated financial statements and related notes included in this annual report and with Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations.* Historical results may not be indicative of future results.

During the past five fiscal years, we have made the following acquisitions:

- Veritas Software Corporation, XtreamLok Pty. Ltd., WholeSecurity, Inc., Sygate Technologies, Inc., BindView Development Corporation, IMlogic, Inc., and Relicore, Inc. during fiscal 2006
- Brightmail, Inc., TurnTide, Inc., @stake, Inc., LIRIC Associates Ltd, and Platform Logic, Inc. during fiscal 2005
- Nexland, Inc., PowerQuest, Inc., Safeweb, Inc., and ON Technology Corp. during fiscal 2004
- Riptech, Inc., Recourse Technologies, Inc., SecurityFocus, Inc., and Mountain Wave, Inc. during fiscal 2003
- Lindner & Pelc Consult GmbH and Foster-Melliar Limited's enterprise security management division during fiscal 2002

Each of these acquisitions was accounted for as a business purchase and, accordingly, the operating results of these businesses have been included in our consolidated financial statements since their respective dates of acquisition.

In April 2003, we purchased certain assets related to Roxio Inc.'s GoBack ™ computer recovery software business. In addition, in August 2003, we purchased a security technology patent as part of a legal settlement in *Hilgraeve, Inc. v. Symantec Corporation* and in May 2005, we resolved patent litigation matters with Altiris, Inc. by entering into a cross-licensing agreement that resolved all legal claims between the companies.

On August 24, 2001, we divested our Web Access Management product line.

## Five-Year Summary

| | Year Ended March 31,(b) | | | | |
|---|---|---|---|---|---|
| | 2006(a) | 2005 | 2004 | 2003 | 2002 |
| | (In thousands, except net income (loss) per share) | | | | |
| Consolidated Statements of Operations Data: | | | | | |
| Net revenues | $4,143,392 | $2,582,849 | $1,870,129 | $1,406,946 | $1,071,438 |
| Amortization of goodwill(c) | — | — | — | — | 196,806 |
| Stock-based compensation expense(d) | 37,962 | 4,524 | — | — | — |
| Acquired in-process research and development(e) | 285,100 | 3,480 | 3,710 | 4,700 | — |
| Restructuring | 24,918 | 2,776 | 907 | 11,089 | 20,428 |
| Integration planning(f) | 15,926 | 3,494 | — | — | — |
| Patent settlement(g) | 2,200 | 375 | 13,917 | — | — |
| Litigation judgment(h) | — | — | — | — | 3,055 |
| Operating income | 273,965 | 819,266 | 513,585 | 341,512 | 8,041 |
| Interest expense(i) | (17,996) | (12,323) | (21,164) | (21,166) | (9,169) |
| Income, net of expense, from sale of technologies and product lines(j) | — | — | 9,547 | 6,878 | 15,536 |
| Net income (loss) | $ 156,852 | $ 536,159 | $ 370,619 | $ 248,438 | $ (28,151) |
| Net income (loss) per share — basic(k) | $ 0.16 | $ 0.81 | $ 0.61 | $ 0.43 | $ (0.05) |
| Net income (loss) per share — diluted(k) | $ 0.15 | $ 0.74 | $ 0.54 | $ 0.38 | $ (0.05) |
| Shares used to compute net income (loss) per share — basic(k) | 998,733 | 660,631 | 611,970 | 581,580 | 574,416 |
| Shares used to compute net income (loss) per share — diluted(k) | 1,025,856 | 738,245 | 719,110 | 682,872 | 574,416 |

(a) We acquired Veritas on July 2, 2005 and its results of operations are included from the date of acquisition.

(b) We have a 52/53-week fiscal year. Fiscal 2006, 2005, 2003, and 2002 were each comprised of 52 weeks of operations. Fiscal 2004 was comprised of 53 weeks of operations.

(c) Beginning in fiscal 2003, we no longer amortize goodwill due to the adoption of a new accounting standard.

(d) In connection with our acquisition of Veritas in fiscal 2006, we assumed certain Veritas stock options and restricted stock units and converted them into options to purchase Symantec common stock and Symantec restricted stock units. In connection with the Brightmail acquisition in fiscal 2005, we assumed unvested Brightmail stock options and converted them into unvested options to purchase Symantec common stock. For more information, see Note 3 of the Notes to Consolidated Financial Statements. In addition, in fiscal 2006 and 2005, we issued restricted stock units and restricted stock to certain officers and employees. For more information, see Note 11 of the Notes to Consolidated Financial Statements.

(e) In fiscal 2006, we wrote off $284 million and $1 million, respectively, of acquired in-process research and development in connection with our acquisitions of Veritas and BindView Development Corporation.

(f) In connection with our acquisition of Veritas in fiscal 2006, we incurred integration planning costs.

(g) In fiscal 2006, we recorded patent settlement costs and entered into a cross-licensing agreement with Altiris, Inc. In fiscal 2004, we recorded patent settlement costs and purchased a security technology patent as part of a settlement in *Hilgraeve, Inc. v. Symantec Corporation.* For more information, see Note 4 of the Notes to Consolidated Financial Statements.

(h) In fiscal 2002, we accrued litigation expenses for a copyright action assumed by us as a result of our acquisition of Delrina Corporation.

(i) In fiscal 2006, in connection with our acquisition of Veritas, we assumed $520 million of 0.25% convertible subordinated notes. In October 2001, we issued $600 million of 3% convertible subordinated notes. In November 2004, substantially all of the outstanding 3% convertible subordinated notes were converted into 70.3 million shares of our common stock and the remainder was redeemed for cash. For more information, see Note 6 of the Notes to Consolidated Financial Statements.

(j) Income, net of expense, from sale of technologies and product lines primarily related to royalty payments received in connection with the licensing of substantially all of the ACT! ™ product line technology. In December 2003, Interact Commerce Corporation purchased this technology from us.

(k) Share and per share amounts reflect the two-for-one stock splits effected as stock dividends, which occurred on November 30, 2004, November 19, 2003, and January 31, 2002.

| | March 31, | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| | | | (In thousands) | | |
| Balance Sheet Data: | | | | | |
| Working capital(l) | $ 430,365 | $ 1,987,259 | $ 1,555,094 | $ 1,152,773 | $ 988,044 |
| Total assets | 17,913,183 | 5,614,221 | 4,456,498 | 3,265,730 | 2,502,605 |
| Convertible subordinated notes(m) | 512,800 | — | 599,987 | 599,998 | 600,000 |
| Long-term obligations, less current portion | 24,916 | 4,408 | 6,032 | 6,729 | 7,954 |
| Stockholders' equity | 13,668,471 | 3,705,453 | 2,426,208 | 1,764,379 | 1,319,876 |

(l) A portion of deferred revenue as of March 31, 2003 was reclassified from current to long-term to conform to the current presentation. Amounts prior to fiscal 2003 are considered immaterial for reclassification.

(m) In fiscal 2006, in connection with our acquisition of Veritas, we assumed $520 million of 0.25% convertible subordinated notes, which are classified as a current liability and are included in the calculation of working capital. In October 2001, we issued $600 million of 3% convertible subordinated notes. In November 2004, substantially all of the outstanding 3% convertible subordinated notes were converted into 70.3 million shares of our common stock and the remainder was redeemed for cash. For more information, see Note 6 of the Notes to Consolidated Financial Statements.

## Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

### OVERVIEW

We are the world leader in providing a wide range of solutions to help individuals and enterprises assure the security, availability, and integrity of their information technology, or IT, infrastructure as well as the information itself. With innovative technology solutions and services, we help individuals and enterprises protect and manage their digital assets. We provide a wide range of solutions including enterprise and consumer security, data protection, application and infrastructure management, security management, storage and server management, and response and managed security services. Founded in 1982, we have operations in 40 countries worldwide.

We have a 52/53-week fiscal accounting year. Accordingly, all references as of and for the periods ended March 31, 2006, 2005, and 2004 reflect amounts as of and for the periods ended March 31, 2006, April 1, 2005, and April 2, 2004, respectively. The fiscal accounting years ended March 31, 2006 and April 1, 2005 are each comprised of 52 weeks of operations, while the fiscal accounting year ended April 2, 2004 is comprised of 53 weeks of operations. The fiscal accounting year ending March 30, 2007 will comprise 52 weeks of operations.

**Veritas Acquisition**

On July 2, 2005, we completed the acquisition of Veritas Software Corporation, or Veritas, a leading provider of software and services to enable storage and backup, whereby Veritas became a wholly owned subsidiary of Symantec in a transaction accounted for using the purchase method. The total purchase price of $13.2 billion includes Symantec common stock valued at $12.5 billion, assumed stock options and restricted stock units, or RSUs, with a fair value of $699 million, and acquisition-related expenses of $39 million. The acquisition of Veritas will enable us to provide enterprise customers with a more effective way to secure and manage their most valuable asset, their information. The combined company offers customers a broad portfolio of leading software and solutions across all tiers of the infrastructure. We believe that this acquisition better positions us to help enable our customers to build a resilient IT infrastructure, manage a complex heterogeneous IT environment, and reduce overall IT risk. In addition, we believe that bringing together the market leading capabilities of Symantec and Veritas improves our ability to continuously optimize performance and help companies recover from disruptions when they occur.

As a result of the acquisition, we issued approximately 483 million shares of Symantec common stock, net of treasury stock retained, options to purchase 66 million shares of Symantec common stock, and 425,000 RSUs, based on an exchange ratio of 1.1242 shares of Symantec common stock for each outstanding share of Veritas common stock as of July 2, 2005. The common stock issued had a fair value of $12.5 billion and was valued using the average closing price of our common stock of $25.87 over a range of trading days (December 14, 2004 through December 20, 2004, inclusive) around the announcement date (December 16, 2004) of the transaction. Under the terms of the agreement, we assumed each outstanding option to purchase Veritas common stock with an exercise price equal to or less than $49.00, as well as each additional option required to be assumed by applicable law. Each option assumed was converted into an option to purchase Symantec common stock based upon the exchange ratio. All other options to purchase shares of Veritas common stock not exercised prior to the acquisition were cancelled immediately prior to the acquisition and were not converted or assumed by Symantec. In addition, we assumed all of the Veritas outstanding RSUs and converted them into 425,000 Symantec RSUs, after applying the exchange ratio. The assumed options and RSUs had a fair value of $699 million.

In connection with the acquisition, we have recorded $8.6 billion of goodwill, $1.3 billion of acquired product rights, $1.5 billion of other intangible assets, $63 million of deferred stock-based compensation, and $2.3 billion of net tangible assets. In addition, we wrote off acquired in-process research and development, or IPR&D, of $284 million because the acquired technologies had not reached technological feasibility and had no alternative uses. We also incurred acquisition related expenses of $39 million, which consisted of $32 million for legal and other professional fees and $7 million of restructuring costs for severance, associated benefits, outplacement services, and excess facilities. The acquisition was structured to qualify as a tax-free reorganization and we have accounted for it using the purchase method of accounting. The results of Veritas' operations have been included in our results of operations beginning on July 2, 2005, and had a significant impact on our revenues, cost of revenues, and operating expenses during fiscal 2006.

In connection with the acquisition of Veritas, we assumed Veritas' contractual obligations related to its deferred revenue. Veritas' deferred revenue was derived from maintenance, consulting, education, and other services. We estimated our obligation related to Veritas' deferred revenue using the cost build-up approach. The cost build-up approach determines fair value by estimating the costs relating to fulfilling the obligation plus a normal profit margin. The sum of the costs and operating profit approximates, in theory, the amount that we would be required to pay a third party to assume the support obligation. The estimated costs to fulfill the support obligation were based on the historical direct costs related to providing the support. As a result, we recorded an adjustment to reduce the carrying value of deferred revenue by $359 million to $173 million, which represents our estimate of the fair value of the contractual obligations assumed.

The Veritas business is included in our Data Protection, Storage and Server Management, and Services segments.

***Other fiscal 2006 acquisitions***

During fiscal 2006, in addition to Veritas, we completed acquisitions of five privately-held companies and one public company for $627 million in cash, including acquisition-related expenses resulting from financial advisory, legal and accounting services, duplicate sites, and severance costs. XtreamLok Pty. Ltd and substantially all of WholeSecurity, Inc. are included in our Consumer Products segment, Sygate Technologies, Inc., the remainder of WholeSecurity, BindView Development Corporation, and IMlogic, Inc. are included in our Enterprise Security Segment, and Relicore, Inc. is included in our Storage and Server Management segment.

**Our Business**

Our operating segments are significant strategic business units that offer different products and services, distinguished by customer needs. As of March 31, 2006, we had six operating segments:

- *Consumer Products.* Our Consumer Products segment focuses on delivering our Internet security and problem-solving products to individual users, home offices, and small businesses.
- *Enterprise Security.* Our Enterprise Security segment provides security solutions for all tiers of a network: at the server tier behind the gateway and at the client tier, including desktop personal computers, or PCs, laptops, and handhelds.
- *Data Protection.* Our Data Protection segment provides software products designed to protect, backup, archive, and restore data across a broad range of computing environments from large corporate data centers to remote groups and PC clients, such as desktop and laptop computers.
- *Storage and Server Management.* Our Storage and Server Management segment provides solutions to simplify and automate the administration of heterogeneous storage and server environments and provide continuous availability of mission-critical applications.
- *Services.* Our Services segment provides a full range of consulting and educational services to assist our customers in assessing, architecting, implementing, supporting, and maintaining their security, storage, and infrastructure software solutions.
- *Other.* Our Other segment is comprised of sunset products and products nearing the end of their life cycle and also includes all indirect costs; 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, patent settlement, amortization of deferred compensation, and restructuring, that are not charged to the other operating segments. The expenses of the former Veritas sales force that cannot be allocated to a specific operating segment are also reported in the Other segment. We expect this treatment to continue until we have completed the realignment of our combined sales force.

In the quarter ended September 2005, we renamed the Enterprise Administration segment to be the Storage and Server Management segment and added the Data Protection segment. In the quarter ended June 2005, we moved Managed Security Services from the Services segment to the Enterprise Security segment and moved the services-related revenue previously included in the Storage and Server Management segment to the Services segment. Net revenues for fiscal 2005 and 2004 have been reclassified to conform to our current presentation. Specifically, we reclassified $31 million and $27 million of Managed Security Services revenue from the Services segment to the Enterprise Security segment, and $5 million and an insignificant amount of services-related revenue from the Storage and Server Management segment to the Services segment for fiscal 2005 and 2004, respectively.

Beginning in the June 2006 quarter, we will consolidate our Enterprise Security, Data Protection, and Storage and Server Management segments into two segments — the Security and Data Management segment and the Data Center Management segment.

**Financial Results**

Our net income was $157 million, $536 million, and $371 million for fiscal 2006, 2005, and 2004, respectively, representing diluted net income per share of $0.15, $0.74, and $0.54, respectively. The decreased profitability in fiscal 2006 is primarily due to the write-off of acquired IPR&D and increased amortization of acquired product rights and other intangible assets as a result of the Veritas acquisition, as well as non-merger related restructuring charges. In addition, we experienced an increase in operating expenses primarily attributable to the Veritas acquisition, and specifically an increase in employee headcount and related compensation. As of March 31, 2006, employee headcount increased by approximately 148% from March 31, 2005. Approximately 71% of the increase was due to the Veritas acquisition.

Fiscal 2006 delivered global revenue growth across all of our geographic regions as compared to fiscal 2005 and 2004. The overall growth is due primarily to the Veritas acquisition and is also partly attributable to increased awareness of Internet related threats around the world. Weakness in most major foreign currencies negatively impacted our international revenue growth by $48 million in fiscal 2006 compared to fiscal 2005. 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.

In the December 2005 quarter, we released our 2006 consumer products and increased subscription pricing for those 2006 consumer products that include content updates. As a result, revenue for the 2006 consumer products that include content updates is recognized on a ratable basis over the term of the license. In addition, beginning in the December 2005 quarter, this revenue is now classified as Content, subscriptions, and maintenance revenue.

Cash flows were strong in fiscal 2006 as we delivered over $1.5 billion in operating cash flow. We ended fiscal 2006 with $2.9 billion in cash, cash equivalents, and short-term investments.

On April 1, 2006, we adopted Statement of Financial Accounting Standards, or SFAS, No. 123R, *Share-Based Payment* . We expect the adoption of SFAS No. 123R to have a material impact on our consolidated financial position and results of operations.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of our consolidated financial statements and related notes in accordance with generally accepted accounting principles requires us to make estimates, which include judgments and assumptions, that affect the reported amounts of assets, liabilities, revenue, and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates on a regular basis and make changes accordingly. Historically, our critical accounting estimates have not differed materially from actual results; however, actual results may differ from these estimates under different conditions. If actual results differ from these estimates and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our Consolidated Statements of Income, and in certain situations, could have a material adverse effect on liquidity and our financial condition.

A critical accounting estimate is based on judgments and assumptions about matters that are uncertain at the time the estimate is made. Different estimates that reasonably could have been used or changes in accounting estimates could materially impact the financial statements. We believe that the estimates described below represent our critical accounting estimates, as they have the greatest potential impact on our consolidated financial statements. We also refer you to our *Summary of Significant Accounting Policies* beginning on page 74 of this annual report.

**Revenue Recognition**

We recognize revenue in accordance with generally accepted accounting principles that have been prescribed for the software industry. Revenue recognition requirements in the software industry are very complex and require us to make many estimates.

In arrangements that include multiple elements, including perpetual software licenses and maintenance and/or services, and packaged products with content updates, we allocate and defer revenue for the undelivered items based on vendor-specific objective evidence, or VSOE, of fair value of the undelivered elements, and recognize the difference between the total arrangement fee and the amount deferred for the undelivered items as revenue. Our deferred revenue consists primarily of the unamortized balance of enterprise product maintenance and consumer product content updates and totaled approximately $2.2 billion as of March 31, 2006, of which $248 million was presented as Long-term deferred revenue in the Consolidated Balance Sheets. VSOE of each element is based on the price for which the undelivered element is sold separately. We determine fair value of the undelivered elements based on historical evidence of our stand-alone sales of these elements to third parties or from the stated renewal rate for the undelivered elements. When VSOE does not exist for undelivered items such as maintenance, then the entire arrangement fee is recognized ratably over the performance period. Changes to the elements in a software arrangement, the ability to identify VSOE for those elements, the fair value of the respective elements, and changes to a product's estimated life cycle could materially impact the amount of recognized and deferred revenue.

For our 2006 consumer products that include content updates, we recognize revenue ratably over the term of the subscription upon sell through to end users. Associated cost of revenues is also recorded ratably. We record as deferred revenue and inventory the respective revenue and cost of revenue amounts of unsold product held by our distributors and resellers.

We expect our distributors and resellers to maintain adequate inventory of consumer packaged products to meet future customer demand, which is generally four or six weeks of customer demand based on recent buying trends. We ship product to our distributors and resellers at their request and based on their valid purchase orders. Our distributors and resellers base the quantity of their orders on their estimates to meet future customer demand, which may exceed our expected level of a four or six week supply. We offer limited rights of return if the inventory held by our distributors and resellers is below the expected level of a four or six week supply. We estimate future returns under these limited rights of return in accordance with SFAS, No. 48, *Revenue Recognition When Right of Return Exists.* We typically offer liberal rights of return if inventory held by our distributors and resellers exceeds the expected level. Because we cannot reasonably estimate the amount of excess inventory that will be returned, we primarily offset Deferred revenue against Trade accounts receivable for the amount of revenue in excess of the expected inventory levels. If we made different estimates, material differences may result in the amount and timing of our net revenues and cost of revenues for any period presented.

***Reserves for product returns***

We reserve for estimated product returns as an offset to revenue based primarily on historical trends. We fully reserve for obsolete products in the distribution channels as an offset to revenue. If we made different estimates, material differences could result in the amount and timing of our net revenues for any period presented. More or less product may be returned than what was estimated and/or the amount of inventory in the channel could be different than what was estimated. These factors and unanticipated changes in the economic and industry environment could make actual results differ from our return estimates.

***Reserves for rebates***

We estimate and record reserves for channel and end-user rebates as an offset to revenue. For 2006 consumer products that include content updates, rebates are recorded as a ratable offset to revenue over the term of the subscription. Our estimated reserves for channel volume incentive rebates are based on distributors' and resellers' actual performance against the terms and conditions of volume incentive rebate programs, which are typically entered into quarterly. Our reserves for end-user rebates are estimated based on

the terms and conditions of the promotional programs, actual sales during the promotion, amount of actual redemptions received, historical redemption trends by product and by type of promotional program, and the value of the rebate. We also consider current market conditions and economic trends when estimating our reserves for rebates. If we made different estimates, material differences may result in the amount and timing of our net revenues for any period presented.

**Business Combinations**

When we acquire businesses, we allocate the purchase price to tangible assets and liabilities and identifiable intangible assets acquired. Any residual purchase price is recorded as goodwill. The allocation of the purchase price requires management to make significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets. These estimates are based on historical experience and information obtained from the management of the acquired companies. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted average cost of capital, and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable. In addition, unanticipated events and circumstances may occur which may affect the accuracy or validity of such estimates.

At March 31, 2006, goodwill was $10.3 billion, other intangible assets, net were $1.4 billion, and acquired product rights, net were $1.2 billion. We assess the impairment of goodwill within our reporting units annually, or more often if events or changes in circumstances indicate that the carrying value may not be recoverable. We evaluate goodwill for impairment by comparing the fair value of each of our reporting units, which are the same as our operating segments, to its carrying value, including the goodwill allocated to that reporting unit. To determine the reporting units' fair values in the current year evaluation, we used the income approach under which we calculate the fair value of each reporting unit based on the estimated discounted future cash flows of that unit. Our cash flow assumptions are based on historical and forecasted revenue, operating costs, and other relevant factors. If management's estimates of future operating results change, or if there are changes to other assumptions, the estimate of the fair value of our goodwill could change significantly. Such change could result in goodwill impairment charges in future periods, which could have a significant impact on our consolidated financial statements.

We assess the impairment of acquired product rights and other identifiable intangible assets whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. An impairment loss would be recognized when the sum of the estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Such impairment loss would be measured as the difference between the carrying amount of the asset and its fair value. Our cash flow assumptions are based on historical and forecasted revenue, operating costs, and other relevant factors. If management's estimates of future operating results change, or if there are changes to other assumptions, the estimate of the fair value of our acquired product rights and other identifiable intangible assets could change significantly. Such change could result in impairment charges in future periods, which could have a significant impact on our consolidated financial statements.

**Accounting for Excess Facilities**

We have estimated expenses for excess facilities related to consolidating, moving, and relocating personnel or sites as a result of restructuring activities and business acquisitions. In determining our estimates, we obtain information from third party leasing agents to calculate anticipated third party sublease income and the vacancy period prior to finding a sub-lessee. Market conditions may affect our ability to sublease facilities on terms consistent with our estimates. Our ability to sublease facilities on schedule or to negotiate lease terms resulting in higher or lower sublease income than estimated may affect our accrual for site closures. In addition, differences between estimated and actual related broker commissions, tenant improvements, and related exit costs may increase or decrease our accrual upon final negotiation. If we made different estimates regarding these various components of our excess facilities costs, the amount recorded for any period presented could vary materially from those actually recorded.

**Income Taxes**

We are required to estimate our income taxes in each federal, state, and international jurisdiction in which we operate. This process requires that we estimate the current tax exposure as well as assess temporary differences between the accounting and tax treatment of assets and liabilities, including items such as accruals and allowances not currently deductible for tax purposes. The income tax effects of the differences we identify are classified as current or long-term deferred tax assets and liabilities in our Consolidated Balance Sheets. Our judgments, assumptions, and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax laws or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our Consolidated Balance Sheets and Consolidated Statements of Income. We must also assess the likelihood that deferred tax assets will be realized from future taxable income and, based on this assessment, establish a valuation allowance, if required. Our determination of our valuation allowance is based upon a number of assumptions, judgments, and estimates, including forecasted earnings, future taxable income, and the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which we operate. To the extent we establish a valuation allowance or change the valuation allowance in a period, we reflect the change with a corresponding increase or decrease to our tax provision in our Consolidated Statements of Income.

We failed to timely file the final pre-acquisition tax return for Veritas, and as a result, it is uncertain whether we can claim a lower tax rate on a dividend made from a Veritas foreign subsidiary under the American Jobs Creation Act of 2004. We are currently petitioning the IRS for relief to allow us to claim the lower rate of tax. Because we were unable to obtain this relief prior to filing the Veritas tax return in May 2006, we have paid $130 million of additional U.S. taxes. The potential outcomes with respect to our payment of this amount include:

- If we ultimately obtain relief from the IRS on this matter, the $130 million that we paid in May will be refunded to us and we will use that amount to reestablish our income tax accrual for the Veritas transfer pricing disputes.
- If we ultimately do not receive relief from the IRS on this matter, and we otherwise have an adjustment arising from the Veritas transfer pricing disputes, then we would only owe additional tax with regard to such disputes to the extent that such adjustment is in excess of $130 million.
- If we ultimately do not receive relief from the IRS on this matter, and we otherwise do not have an adjustment arising from the Veritas transfer pricing disputes, then (1) we would be required to adjust the purchase price of Veritas to reflect a reduction in the amount of pre-acquisition tax liabilities assumed; and (2) we would be required to recognize an equal amount of income tax expense, up to $130 million.

**Legal Contingencies**

From time to time, we are involved in disputes that arise in the ordinary course of business, and we do not expect this trend to change in the future. We are currently involved in legal proceedings as discussed in Note 14 of the Notes to Consolidated Financial Statements, as well as other legal matters.

When the likelihood of the incurrence of costs related to our legal proceedings is probable and management has the ability to estimate such costs, we provide for estimates of external legal fees and any probable losses through charges to our Consolidated Statements of Income. These estimates have been based on our assessment of the facts and circumstances at each balance sheet date and are subject to change based upon new information and intervening events.

Prior to our acquisition of Veritas, Veritas had been in discussions with the staff of the SEC regarding the SEC’s review of certain matters, as described in Note 14 of the Notes to Consolidated Financial Statements, and based on communications with the staff, Veritas expected these discussions to result in a settlement with the SEC in which we would be required to pay a $30 million penalty. As part of our accounting for the

acquisition of Veritas, we recorded an accrual related to this matter of $30 million which is included in Other accrued expenses in our Consolidated Balance Sheets as of March 31, 2006. In addition, we are involved in other pending legal matters, for which our accrual for legal contingencies represented insignificant amounts related to external legal fees. However, even if we are successful in our pending legal matters, estimated costs for external legal fees could be more than anticipated. In addition, if we are unsuccessful, we could be forced to pay significant damages and licensing fees for which we have not accrued any amounts for loss contingencies, or to modify our business practices. Any such results could materially harm our business and could result in a material adverse impact on our financial position, results of operations, or cash flows.

## RESULTS OF OPERATIONS

### Total Net Revenues

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Net revenues | $ 4,143,392 | $ 2,582,849 | $ 1,870,129 |
| Period over period increase | 1,560,543 | 712,720 | |
| | 60% | 38% | |

Net revenues increased in fiscal 2006 as compared to fiscal 2005 due primarily to sales of products acquired through the Veritas acquisition, which contributed $1.4 billion of net revenues in fiscal 2006. In addition, revenues from our enterprise security products increased $122 million and revenues from our consumer products increased $73 million in fiscal 2006 compared to fiscal 2005. The increased revenues from these products were due primarily to continuing growth in demand for our enterprise virus protection and anti-spam solutions as well as our consumer security protection products, as described further in the segment discussions that follow. Beginning in the December 2005 quarter, as a result of increases in future subscription pricing for our 2006 consumer products that include content updates, revenue for these products is recognized on a ratable basis over the term of the subscription.

Net revenues increased in fiscal 2005 as compared to fiscal 2004 due primarily to increases of $443 million and $195 million in revenue from our consumer and enterprise security products, respectively. The increased revenue from these products was due primarily to continuing growth in demand for our consumer security protection products and our enterprise virus protection products. We believe that a significant portion of the growth in demand was attributable to the continued increase in vulnerabilities, Internet attacks, and malicious code activity coupled with a growing level of awareness of these threats around the world.

***Content, subscriptions, and maintenance revenues***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Content, subscriptions, and maintenance revenues | $ 2,873,211 | $ 1,945,310 | $ 1,191,257 |
| Percentage of total net revenues | 69% | 75% | 64% |
| Period over period increase | $ 927,901 | $ 754,053 | |
| | 48% | 63% | |

Content, subscriptions, and maintenance revenue includes arrangements for software maintenance and technical support for our products, content and subscription services primarily related to our security products, revenue from arrangements where VSOE of the fair value of undelivered elements does not exist, and managed security services. These arrangements are generally offered to our customers over a specified period of time and we recognize the related revenue ratably over the maintenance, subscription, or service period. Beginning with the release of our 2006 consumer products that include content updates in the December 2005

quarter, we recognize revenue related to these products ratably. As a result, this revenue has been classified as Content, subscriptions, and maintenance beginning in the December 2005 quarter.

Content, subscriptions, and maintenance revenue also includes professional services revenue, which consists primarily of the fees we earn related to consulting and educational services. We generally recognize revenue from our professional services as the services are performed or upon written acceptance from customers, if applicable, assuming all other conditions for revenue recognition have been met.

Content, subscriptions, and maintenance revenue increased in fiscal 2006 as compared to fiscal 2005 due primarily to sales of products acquired through the Veritas acquisition, which contributed $534 million of Content, subscriptions, and maintenance revenue in fiscal 2006. In addition, in fiscal 2006, Content, subscriptions, and maintenance revenue related to our consumer security products increased $233 million as compared to fiscal 2005 due primarily to the classification of $160 million of consumer revenue as Content, subscriptions, and maintenance (rather than Licenses) in fiscal 2006. Revenue related to our enterprise security products increased $133 million, primarily due to increased awareness of information security threats.

Content, subscriptions, and maintenance revenue increased in fiscal 2005 as compared to fiscal 2004 due primarily to increases of $494 million and $224 million in revenue from our consumer and enterprise security products, respectively. The increased sales of these products were due primarily due to increased awareness of information security threats and continuing growth in demand for our consumer security protection products and our enterprise virus protection solutions.

***Licenses revenue***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Licenses revenue | $ 1,270,181 | $ 637,539 | $ 678,872 |
| Percentage of total net revenues | 31% | 25% | 36% |
| Period over period increase (decrease) | $ 632,642 | $ (41,333) | |
| | 99% | (6)% | |

Licenses revenue increased in fiscal 2006 as compared to fiscal 2005 due primarily to sales of products acquired through the Veritas acquisition, which contributed $835 million of licenses revenue in fiscal 2006. Our 2006 consumer products that include content updates were released in the December 2005 quarter, and we recognize revenue related to these products ratably as Content, subscriptions, and maintenance revenues, which resulted in a decrease in Licenses revenue of $160 million in fiscal 2006. Competitive pressures, a lack of recent high profile information security threat activity, and to a lesser extent, a decrease in licensing of our enterprise security products, also partially offset the overall increase in Licenses revenue.

Licenses revenue decreased in fiscal 2005 as compared to fiscal 2004 due primarily to a $51 million decrease in consumer products revenue. In fiscal 2005, our consumer products had a higher subscription component than in fiscal 2004, resulting in more revenue being classified as Content, subscriptions, and maintenance in fiscal 2005.

***Net revenues by segment***

*Consumer Products segment*

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Consumer products revenues | $ 1,388,632 | $ 1,315,201 | $ 871,980 |
| Percentage of total net revenues | 34% | 51% | 47% |
| Period over period increase | $ 73,431 | $ 443,221 | |
| | 6% | 51% | |

The increase in Consumer Products revenues in fiscal 2006 was due primarily to an increase of $156 million in revenue from our Norton Internet Security products as compared to fiscal 2005. The majority of the increase in revenue was booked through our electronic distribution channel that includes original equipment manufacturer, or OEM, subscriptions, upgrades, online sales, and renewals. This increase was partially offset by the change in our consumer product revenue recognition model for our 2006 consumer products that include content updates. Beginning in the December 2005 quarter, as a result of increases in future subscription pricing for our 2006 consumer products that include content updates, revenue for these products is recognized ratably over the term of the subscription upon sell through to end users. This change in our product revenue recognition model resulted in a 7% reduction in Consumer Products revenues for fiscal 2006. In addition, revenue from our Norton AntiVirus products decreased $67 million as our customers continue to migrate to the Norton Internet Security products, which offer broader protection to address the rapidly changing threat environment. Revenue from our electronic distribution channel (which includes sales of our Norton Internet Security products and our Norton AntiVirus products) grew by $168 million in fiscal 2006 as compared to fiscal 2005. We believe that, in addition to the factors noted above, the lower growth rate in our Consumer Products segment was attributable to a changing threat environment and a strengthening U.S. dollar. In addition, during fiscal 2006, pricing for subscriptions increased, while pricing in retail and online stores remained consistent or decreased.

We believe that a significant portion of the increase in Consumer Products revenues in fiscal 2005, as compared to fiscal 2004, was attributable to the continued increase in vulnerabilities, Internet attacks, and malicious code activity coupled with a growing level of awareness of these threats around the world. Specifically, the increase in our Consumer Products revenues in fiscal 2005 was due primarily to an increase of $231 million in revenue from our Norton Internet Security products and an increase of $185 million in revenue from our Norton AntiVirus products. Revenue from our electronic distribution channel grew by $297 million in fiscal 2005 as compared to fiscal 2004.

*Enterprise Security segment*

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Enterprise Security revenues | $ 1,080,431 | $ 958,627 | $ 763,862 |
| Percentage of total net revenues | 26% | 37% | 41% |
| Period over period increase | 121,804 | 194,765 | |
| | 13% | 25% | |

The increase in our Enterprise Security revenue in fiscal 2006 was due to increased growth from our anti-spam products and lower but continued growth from our Enterprise AntiVirus products. Specifically, the increase in our Enterprise Security revenue was due primarily to an increase of $57 million in revenue from our Enterprise AntiVirus products, and an increase of $55 million in revenue from our antispam products during fiscal 2006 as compared to fiscal 2005.

Revenue from our Enterprise Security segment increased in fiscal 2005 as compared to fiscal 2004 due primarily to an increase of $148 million in revenue from our Enterprise AntiVirus products. In addition, revenue increased due to sales of antispam products formerly associated with Brightmail, which we acquired in June 2004.

*Data Protection segment*

The Data Protection segment is comprised of products acquired through the Veritas acquisition. Fiscal 2006 revenue from this segment of $744 million was comprised primarily of revenue related to Backup Exec products and NetBackup products of $336 million and $333 million, respectively. The remaining revenue was comprised of revenue related to Enterprise Vault products.

*Storage and Server Management segment*

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Storage and Server Management revenues | $ 793,783 | $ 279,024 | $ 218,531 |
| Percentage of total net revenues | 19% | 11% | 12% |
| Period over period increase | $ 514,759 | $ 60,493 | |
| | * | 28% | |

* Percentage not meaningful

The increase in revenues from our Storage and Server Management segment was due primarily to sales of products acquired through the Veritas acquisition, which contributed $531 million of net revenues during fiscal 2006. This amount was offset slightly by the continued decline in sales of our pcAnywhere product, which we expect to continue to decline in the future.

Revenue from our Storage and Server Management segment increased in fiscal 2005 as compared to fiscal 2004 due primarily to revenue from products formerly associated with PowerQuest of $52 million and ON Technology of $29 million, both of which we acquired in the second half of fiscal 2004. These increases were partially offset by a continued decline in sales of our pcAnywhere product.

*Services segment*

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Services revenues | $ 136,625 | $ 29,849 | $ 15,424 |
| Percentage of total net revenues | 3% | 1% | 1% |
| Period over period increase | $ 106,776 | $ 14,425 | |
| | * | 94% | |

* Percentage not meaningful

The increase in revenue from our Services segment in fiscal 2006 as compared to fiscal 2005 was primarily due to services related to the Veritas acquisition, which contributed $94 million of net revenues during fiscal 2006. In addition, the increase was due to an increase in our security consulting services of $13 million in fiscal 2006 as compared to fiscal 2005.

The increase in revenue from our Services segment in fiscal 2005 as compared to fiscal 2004 was due primarily to an increase of $13 million in revenue from our consulting services. In addition, revenue from our Services segment increased due to our acquisitions in fiscal 2005 of @stake, Inc. and LIRIC Associates.

*Other segment*

Our Other segment is comprised of sunset products and products nearing the end of their life cycle. Revenues from the Other segment in fiscal 2006, 2005, and 2004 were insignificant.

***Net revenues by geographic region***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | ($ in thousands) | |
| North America (U.S. and Canada) | $ 2,185,945* | $ 1,334,707** | $ 967,170*** |
| Percentage of total net revenues | 53% | 52% | 52% |
| Period over period increase | $ 851,238 | $ 367,537 | |
| | 64% | 38% | |
| EMEA (Europe, Middle East, and Africa) | $ 1,321,968 | $ 842,189 | $ 616,504 |
| Percentage of total net revenues | 32% | 33% | 33% |
| Period over period increase | $ 479,779 | $ 225,685 | |
| | 57% | 37% | |
| Asia Pacific/ Japan | $ 563,487 | $ 360,342 | $ 247,550 |
| Percentage of total net revenues | 14% | 14% | 13% |
| Period over period increase | $ 203,145 | $ 112,792 | |
| | 56% | 46% | |
| Latin America | $ 71,992 | $ 45,611 | $ 38,905 |
| Percentage of total net revenues | 2% | 2% | 2% |
| Period over period increase | $ 26,381 | $ 6,706 | |
| | 58% | 17% | |
| Total net revenues | $ 4,143,392 | $ 2,582,849 | $ 1,870,129 |

* North America includes net revenues from the United States of $2.0 billion and Canada of $140 million during fiscal 2006.

** North America includes net revenues from the United States of $1.2 billion and Canada of $99 million during fiscal 2005.

*** North America includes net revenues from the United States of $896 million and Canada of $71 million during fiscal 2004.

The increase in net revenues in international regions in fiscal 2006 as compared to fiscal 2005 was primarily due to revenue from products acquired through the Veritas acquisition, which contributed $661 million of net revenues in international regions. Increased sales of our Norton Internet Security products in our Consumer Products segment and our antivirus and antispam products in our Enterprise Security segment also contributed to the increase in net revenue in the international regions in fiscal 2006, while the change to ratable revenue recognition with the release of the 2006 consumer products that include content updates partially offset this increase. Weakness in most major foreign currencies negatively impacted our international revenue growth by $48 million in fiscal 2006 as compared to fiscal 2005. 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.

The increase in net revenues in international regions in fiscal 2005 was due to increased revenue from our Norton Internet Security and Norton AntiVirus products in our Consumer Products segment and our antivirus products in our Enterprise Security segment in those regions. We believe this increase in sales is attributable to increased customer awareness related to security threats. In addition, strength in major foreign currencies positively impacted our international revenue growth in fiscal 2005 by $74 million as compared to fiscal 2004. The strength in foreign currencies in fiscal 2005 was due primarily to the strength of the Euro.

**Cost of Revenues**

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | ($ in thousands) | |
| Cost of revenues | $ 981,869 | $ 452,109 | $ 327,554 |
| Gross margin | 76% | 82% | 82% |
| Period over period increase | $ 529,760 | $ 124,555 | |
| | * | 38% | |

* Percentage not meaningful

Cost of revenues consists primarily of amortization of acquired product rights, fee-based technical support costs, 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 decreased in fiscal 2006 as compared to fiscal 2005 due primarily to increased amortization of acquired product rights resulting from certain identifiable intangible assets acquired through the Veritas acquisition. Costs for services and technical support also increased in fiscal 2006 as compared to fiscal 2005. These increases were partially offset by ratable recognition of costs for 2006 consumer products that include content updates, which are recognized ratably over the term of the license beginning in the December 2005 quarter. We anticipate that our net revenues from our Services segment may grow to comprise a higher percentage of our total net revenues, which would have a negative impact on our gross margin, as our services typically have higher cost of revenues than our software products.

Gross margin remained flat at approximately 82% in fiscal 2005 and fiscal 2004.

***Cost of content, subscriptions, and maintenance***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | ($ in thousands) | |
| Cost of content, subscriptions, and maintenance | $ 621,636 | $ 351,077 | $ 220,795 |
| As a % of related revenue | 22% | 18% | 19% |
| Period over period increase | $ 270,559 | $ 130,282 | |
| | 77% | 59% | |

Cost of content, subscriptions, and maintenance consists primarily of fee-based technical support costs, costs of billable services, and payments to OEMs under revenue sharing agreements.

Cost of content, subscriptions, and maintenance increased as a percentage of the related revenue in fiscal 2006 as compared to fiscal 2005 due primarily to sales of products acquired through the Veritas acquisition, which contributed $228 million of additional costs and contributed 43% of the related Content, subscriptions, and maintenance revenue in fiscal 2006. In addition, costs related to our security services consulting segment and enterprise security products increased $21 million and $13 million, respectively.

Cost of content, subscriptions, and maintenance increased in fiscal 2005 as compared to fiscal 2004 due primarily to revenue from our consumer products, which contributed $100 million of additional cost in fiscal 2005. In addition, in fiscal 2005, cost related to our security services consulting segment and our enterprise security products increased $15 million and $11 million, respectively.

***Cost of licenses***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Cost of licenses | $ 45,943 | $ 52,138 | $65,769 |
| As a % of related revenue | 4% | 8% | 10% |
| Period over period decrease | $ (6,195) | $ (13,631) | |
| | (12)% | (21)% | |

Cost of licenses consists primarily of royalties paid to third parties under technology licensing agreements and manufacturing and direct material costs. Cost of licenses decreased as a percentage of the related revenue in fiscal 2006 as compared to fiscal 2005 due primarily to lower costs associated with products acquired through the Veritas acquisition. The Veritas acquisition added $13 million of costs, which was offset by a $17 million decrease in consumer products license costs as compared to fiscal 2005. These costs and the associated revenue are reported as Content, subscriptions, and maintenance beginning with the release of our 2006 consumer products that include content updates, as we now recognize the revenue and related costs ratably over the content update period.

Cost of licenses decreased in fiscal 2005 as compared to fiscal 2004 due primarily to a $22 million decrease in consumer licenses costs as compared to fiscal 2004. In fiscal 2005, our consumer products had a higher subscription component. Therefore, these costs and the associated revenue are reported as Content, subscriptions, and maintenance. The decrease in licenses costs in fiscal 2005 was partially offset by a $6 million increase in cost related to our storage management products.

***Amortization of acquired product rights***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Amortization of acquired product rights | $ 314,290 | $ 48,894 | $40,990 |
| Percentage of total net revenues | 8% | 2% | 2% |
| Period over period increase | $ 265,396 | $ 7,904 | |
| | * | 19% | |

* Percentage not meaningful

Acquired product rights are comprised of developed technologies, revenue-related order backlog and contracts, and patents from acquired companies.

The increased amortization in fiscal 2006 is primarily associated with the Veritas acquisition, for which amortization began in July 2005. In connection with the Veritas acquisition, we recorded $1.3 billion in acquired product rights which are being amortized over their expected useful lives of three months to five years. We amortize the fair value of all other acquired product rights over their expected useful lives, generally one to eight years. For further discussion of acquired product rights and related amortization, see Notes 3 and 4 of the Notes to Consolidated Financial Statements.

The increased amortization in fiscal 2005, as compared to fiscal 2004, is primarily associated with the Brightmail acquisition in June 2004 and the PowerQuest acquisition in December 2003. This increase was partially offset by certain acquired product rights becoming fully amortized in fiscal 2005.

## Operating Expenses

### *Sales and marketing expenses*

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Sales and marketing | $ 1,486,590 | $ 843,724 | $ 660,573 |
| Percentage of total net revenues | 36% | 33% | 35% |
| Period over period increase | $ 642,866 | $ 183,151 | |
| | 76% | 28% | |

The increase in sales and marketing expenses in fiscal 2006 as compared to fiscal 2005 was due primarily to the Veritas acquisition, which contributed $579 million in additional sales and marketing expenses. The remaining increase in sales and marketing expenses was due primarily to an increase in employee headcount, resulting in additional employee compensation cost.

The increase in sales and marketing expenses in fiscal 2005 as compared to fiscal 2004 was due primarily to an increase in employee headcount resulting in an additional $118 million of employee compensation cost. In addition, we spent $44 million more on advertising and promotion activities in fiscal 2005 as compared to the prior fiscal year.

### *Research and development expenses*

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Research and development | $ 664,628 | $ 332,266 | $ 252,284 |
| Percentage of total net revenues | 16% | 13% | 13% |
| Period over period increase | $ 332,362 | $ 79,982 | |
| | * | 32% | |

* Percentage not meaningful

The increase in research and development expenses in fiscal 2006 as compared to fiscal 2005 was due primarily to the Veritas acquisition, which contributed $320 million in additional research and development expenses.

The increase in research and development expenses in fiscal 2005 as compared to fiscal 2004 resulted primarily from a $34 million increase in employee compensation due to increased headcount. In addition, research and development expenses increased by $26 million due to additional overhead costs related to computer labs and IT infrastructure needed to support overall company growth. The remaining increase was primarily related to increased variable research and development costs due to growth of the company, including new product offerings from business acquisitions.

### *General and administrative expenses*

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| General and administrative | $ 221,412 | $ 115,419 | $ 94,645 |
| Percentage of total net revenues | 5% | 4% | 5% |
| Period over period increase | $ 105,993 | $ 20,774 | |
| | 92% | 22% | |

The increase in general and administrative expenses in fiscal 2006 as compared to fiscal 2005 was due primarily to the Veritas acquisition, which contributed $81 million in additional general and administrative

expenses. The remaining increase in general and administrative expenses was due primarily to an increase in employee headcount, resulting in additional employee compensation cost.

The increase in general and administrative expenses in fiscal 2005 as compared to fiscal 2004 resulted primarily from an increase in employee compensation due to increased headcount. The increased headcount and related compensation was the direct result of company growth, including business acquisitions completed in the second half of fiscal 2004 and the first quarter of fiscal 2005.

***Amortization of other intangible assets***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Amortization of other intangible assets | $ 148,822 | $ 5,416 | $2,954 |
| Percentage of total net revenues | 4% | * | * |
| Period over period increase | $ 143,406 | $ 2,462 | |
| | * | 83% | |

* Percentage not meaningful

Other intangible assets are comprised of customer base, trade names, partnership agreements, and marketing-related assets. The increased amortization in fiscal 2006 is primarily associated with the Veritas acquisition, for which amortization began in July 2005. In connection with the Veritas acquisition, we recorded $1.5 billion in other intangible assets which will be amortized over their useful lives of eight to ten years. For further discussion of other intangible assets from acquisitions and related amortization, see Notes 3 and 4 of the Notes to Consolidated Financial Statements.

The increase in amortization of other intangibles in fiscal 2005 as compared to fiscal 2004 was primarily associated with the Brightmail acquisition in June 2004, the ON Technology acquisition in February 2004, the PowerQuest acquisition in December 2003, and the @stake, Inc. acquisition in October 2004.

***Stock-based compensation expense***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Stock-based compensation expense: | | | |
| Included in Cost of revenues | $ 439 | $ — | $ — |
| Sales and marketing | $ 13,314 | $ 1,298 | $ — |
| Research and development | 17,497 | 1,780 | — |
| General and administrative | 7,151 | 1,446 | — |
| | $ 37,962 | $ 4,524 | $ — |

In connection with the acquisition of Veritas in July 2005, we assumed Veritas stock options and RSUs and converted them into options to purchase 66 million shares of Symantec common stock and 425,000 Symantec RSUs. The fair value of the assumed stock options was $688 million using the Black-Scholes valuation model with the following weighted average assumptions: volatility of 36%, risk-free interest rate of 3.4%, expected life of 3.5 years, and dividend yield of zero. The fair value of the RSUs was $11 million based on fair value of the underlying shares on the announcement date. The intrinsic value of the unvested options and RSUs was valued at $63 million and was recorded in Deferred stock-based compensation within Stockholders' equity in the Consolidated Balance Sheets in the September 2005 quarter. We recorded amortization of Deferred stock-based compensation related to the assumed Veritas stock options and RSUs of $27 million in fiscal 2006.

In connection with the acquisition of Brightmail in June 2004, we assumed Brightmail stock options and converted them into options to purchase Symantec common stock. The intrinsic value of the assumed unvested stock options was $21 million and was recorded in Deferred stock-based compensation within Stockholders' equity in the Consolidated Balance Sheets during fiscal 2005. During the September 2004 quarter, we reduced Deferred stock-based compensation by an insignificant amount as a result of the cancellation of a portion of those options upon employee terminations. We recorded amortization of deferred stock-based compensation related to the assumed Brightmail stock options of $8 million in fiscal 2006 and $3 million in fiscal 2005.

On October 20, 2004, we issued 200,000 restricted shares of common stock to our then-current Chief Financial Officer, at a purchase price of $1,000 (representing the aggregate par value at the time of issuance), vesting 50% at each anniversary date. The market value of the common stock on the date of grant, less the purchase price, was $6 million and was recorded in Deferred stock-based compensation within Stockholders' equity in the Consolidated Balance Sheets in fiscal 2005. Upon the retirement of our former Chief Financial Officer in December 2005, 100,000 shares were forfeited and we reversed the related Deferred stock-based compensation. We recorded amortization of deferred stock-based compensation related to the restricted shares of $2 million in fiscal 2006 and $1 million in fiscal 2005.

***Acquired in-process research and development (IPR&D)***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | ($ in thousands) | |
| Acquired in-process research and development | $ 285,100 | $ 3,480 | $ 3,710 |

During fiscal 2006, we wrote off IPR&D totaling $285 million, of which $284 million was in connection with our acquisition of Veritas. The IPR&D was written off because the acquired technologies had not reached technological feasibility and had no alternative uses. Technological feasibility is defined as being equivalent to completion of a beta-phase working prototype in which there is no remaining risk relating to the development. At the time of the acquisition in July 2005, Veritas was developing new products in multiple product areas that qualify as IPR&D. These efforts included NetBackup 6.1, Backup Exec 11.0, Server Management 5.0, and various other projects. At the time of the acquisition, it was estimated that these IPR&D development efforts would be completed over the following 12 to 18 months at an estimated total cost of $120 million. At March 31, 2006, the development efforts were continuing on schedule and within expected costs.

The value assigned to the Veritas IPR&D was determined by estimating costs to develop the purchased IPR&D into commercially viable products, estimating the resulting net cash flows from the projects when completed, and discounting the net cash flows to their present values. The revenue estimates used in the net cash flow forecasts were based on estimates of relevant market sizes and growth factors, expected trends in technology, and the nature and expected timing of new product introductions by Veritas and its competitors.

The rate utilized to discount the net cash flows to their present values was based on Veritas' weighted average cost of capital. The weighted average cost of capital was adjusted to reflect the difficulties and uncertainties in completing each project and thereby achieving technological feasibility, the percentage of completion of each project, anticipated market acceptance and penetration, market growth rates, and risks related to the impact of potential changes in future target markets. Based on these factors, a discount rate of 13.5% was deemed appropriate for valuing the IPR&D.

The estimates used in valuing IPR&D were based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

In fiscal 2005, we wrote off $3 million of IPR&D in connection with our acquisition of Brightmail. The Brightmail IPR&D related to the third generation of Brightmail's antispam product offering. The efforts required to develop the acquired IPR&D principally related to the completion of all planning, design,

development, and testing activities that were necessary to establish that the product could be produced to meet its design specifications, including features, functions, and performance. We determined the fair value of the acquired IPR&D by estimating the projected cash flows related to the projects and future revenues to be earned upon commercialization of the products. We discounted the resulting net cash flows to their present values. We based the net cash flows from such projects on our analysis of the respective markets and estimates of revenues and operating profits related to these projects.

In fiscal 2004, we wrote off $4 million of IPR&D in connection with our acquisitions of ON Technology, PowerQuest, and Nexland. The in-process technology acquired in the ON Technology acquisition consisted primarily of research and development related to its next generation CCM/ *i* Command and *i* Patch ™ products, which enable organizations and service providers to manage the full lifecycle of their computing systems over corporate networks. We are using this technology in order to construct a common platform for our Storage and Server Management segment products. The in-process technology acquired in the PowerQuest acquisition consisted primarily of research and development related to its Virtual Volume Imaging technology, which provides the capability to recover from server or desktop failures and minimize system downtime. We have integrated this technology into our Storage and Server Management segment product offerings. The in-process technology acquired in the Nexland acquisition consisted primarily of research and development related to a next generation firewall product. We integrated this technology into our firewall and appliance series of products within our Enterprise Security segment.

The efforts required to develop the ON Technology, PowerQuest, and Nexland acquired in-process technology principally related to the completion of all planning, design, development, and test activities that were necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance. We determined the fair value of the acquired in-process technology by estimating the projected cash flows related to these projects and future revenues to be earned upon commercialization of the products. We discounted the resulting net cash flows to their present values. We based the net cash flows from such projects on our analysis of the respective markets and estimates of revenues and operating profits related to these projects.

***Restructuring***

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | ($ in thousands) | | |
| Restructuring | $ 24,918 | $ 2,776 | $ 907 |

As of March 31, 2006, we had a restructuring reserve of $30 million, of which $20 million was included in Other accrued expenses in the Consolidated Balance Sheets and $10 million was included in Other long-term liabilities in the Consolidated Balance Sheets. The restructuring reserve consists of $9 million related to a restructuring reserve assumed from Veritas in connection with the acquisition, $21 million related to restructuring reserves established in fiscal 2006, and an insignificant amount related to our fiscal 2002 restructuring plan. Restructuring reserves established in fiscal 2006 include $9 million related to our 2006 restructuring plan, $3 million related to restructuring costs as a result of the Veritas acquisition, and $9 million related to restructuring costs as a result of our other acquisitions.

*Restructuring expense*

In fiscal 2006, we recorded $25 million of restructuring costs, of which $18 million related to severance, associated benefits, and outplacement services and $7 million related to excess facilities. These restructuring costs reflect the termination of 446 redundant employees located in the United States, Europe, and Asia Pacific and the consolidation of certain facilities in Europe and Asia Pacific. In fiscal 2006, we paid $16 million related to this restructuring reserve. We expect the remainder of the costs to be paid by the end of fiscal 2018.

In fiscal 2005, we recorded $3 million of restructuring charges, of which $2 million was for costs of severance, related benefits, and outplacement services related to the termination of 51 employees located in

the U.S. and Europe due to the consolidation and relocation of engineering and development functions. In addition we recorded an increase to the accrual relating to the fiscal 2002 restructuring plan of $1 million due to the termination of a sublease agreement for facilities in Eugene, Oregon. Substantially all of the costs had been paid by March 31, 2005.

In fiscal 2004, we recorded $1 million of restructuring charges for costs of severance, related benefits, and outplacement services for a member of our senior management team, as well as an increase to the accrual for excess facilities in Eugene, Oregon in connection with our fiscal 2002 restructuring plan. Substantially all of the costs had been paid by March 31, 2005.

The fiscal 2002 restructuring reserve consisted of the costs of excess facilities in Europe and Eugene, Oregon, net of sublease income. In fiscal 2006, we paid $2 million upon termination of the remaining leases. Substantially all of the costs had been paid by March 31, 2006.

Amounts related to restructuring expense are included in Restructuring in the Consolidated Statements of Income.

*Acquisition-related restructuring*

In connection with the Veritas acquisition on July 2, 2005, we assumed a restructuring reserve of $53 million related to the 2002 Veritas facilities restructuring plan. From the date of the acquisition through March 31, 2006, we paid $25 million related to this reserve. Also during this period, we reduced this reserve by $19 million as we returned some facilities to use and negotiated early lease terminations on others for amounts less than originally accrued. The remaining reserve amount of $9 million will be paid over the remaining lease terms, ending at various dates through 2022. The majority of the costs are currently scheduled to be paid by the end of fiscal 2011.

With regard to the 2002 Veritas facilities restructuring plan, our actual costs have varied and could continue to vary significantly from our current estimates, depending, in part, on the commercial real estate market in the applicable metropolitan areas, our ability to obtain subleases related to these facilities and the time period to do so, the sublease rental market rates, and the outcome of negotiations with lessors regarding terminations of some of the leases. Some of these factors are beyond our control. Adjustments to the 2002 Veritas facilities restructuring plan will be made if actual lease exit costs or sublease income differ materially from amounts currently expected.

In connection with the Veritas acquisition on July 2, 2005, we recorded $7 million of restructuring costs, of which $2 million related to excess facilities costs and $5 million related to severance, associated benefits, and outplacement services. These restructuring costs reflect the termination of redundant employees and the consolidation of certain facilities as a result of the Veritas acquisition. In fiscal 2006, we paid $4 million related to this reserve. We expect the remainder of the costs to be paid by the end of fiscal 2012.

For information on the acquisition related costs incurred in connection with the Veritas acquisition, see Note 3 of the Notes to Consolidated Financial Statements.

In connection with our other acquisitions in fiscal 2006, we recorded $12 million of restructuring costs, of which $8 million related to severance, associated benefits, and outplacement services and $4 million related to excess facilities costs. These restructuring costs reflect the termination of redundant employees and the consolidation of certain facilities as a result of our other acquisitions. In fiscal 2006, we paid $3 million in connection with this reserve. We expect the remainder of the costs to be paid by the end of fiscal 2012.

Amounts related to acquisition-related restructuring are reflected in the purchase price allocation of the applicable acquisition.

***Integration planning***

In connection with our acquisition of Veritas, we recorded integration planning costs of $16 million in fiscal 2006 and $3 million in fiscal 2005, which consisted primarily of costs incurred for consulting services and other professional fees.

***Patent settlement***

On May 12, 2005, we resolved patent litigation matters with Altiris, Inc. by entering into a cross-licensing agreement that resolved all legal claims between the companies. As part of the settlement, we paid Altiris $10 million for use of the disputed technology. Under the transaction, we expensed $2 million of patent settlement costs in the June 2005 quarter that was related to benefits received in and prior to the June 2005 quarter. The remaining $8 million was recorded as Acquired product rights in the Consolidated Balance Sheets and is being amortized to Cost of revenues in the Consolidated Statements of Income over the remaining life of the primary patent, which expires in May 2017.

On August 6, 2003, we purchased a security technology patent as part of a settlement in *Hilgraeve, Inc. v. Symantec Corporation.* As part of the settlement, we also received licenses to the remaining patents in Hilgraeve's portfolio. The total cost of purchasing the patent and licensing additional patents was $63 million, which was paid in cash in August 2003. Under the transaction, we recorded $14 million of patent settlement costs in the June 2003 quarter that was related to benefits received by us in and prior to the June 2003 quarter. The remaining $49 million was recorded as Acquired product rights in the Consolidated Balance Sheets and is being amortized to Cost of revenues in the Consolidated Statements of Income over the remaining life of the primary patent, which expires in June 2011.

**Non-operating Income and Expense**

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | ($ in thousands) | |
| Interest and other income, net | $ 106,754 | $ 51,185 | $ 40,254 |
| Interest expense | (17,996) | (12,323) | (21,164) |
| Income, net of expense, from sale of technologies and product lines | — | — | 9,547 |
| Total | $ 88,758 | $ 38,862 | $ 28,637 |
| Percentage of total net revenues | 2% | 2% | 2% |
| Period over period increase | $ 49,896 | $ 10,225 | |
| | * | 36% | |

* Percentage not meaningful

The increase in Interest and other income, net in fiscal 2006 as compared to fiscal 2005 was due primarily to a higher average investment balance, due to the cash acquired through the Veritas acquisition, and higher average interest rates. The increase in Interest and other income, net in fiscal 2005 as compared to fiscal 2004 was due to a higher average investment balance and higher average interest rates.

Interest expense in fiscal 2006 was due primarily to the interest and accretion related to the 0.25% convertible subordinated notes that were assumed in connection with the acquisition of Veritas. In August 2003, Veritas issued $520 million of 0.25% convertible subordinated notes due August 1, 2013. For further discussion of the 0.25% convertible subordinated notes, see Note 6 of the Notes to Consolidated Financial Statements.

Interest expense in fiscal 2005 and 2004 was primarily related to our $600 million 3% convertible subordinated notes issued in October 2001. In November 2004, substantially all of the outstanding convertible subordinated notes were converted into 70.3 million shares of our common stock and the remainder was redeemed for cash.

Income, net of expense, from sale of technologies and product lines during fiscal 2004 primarily related to royalty payments received in connection with the licensing of substantially all of the ACT! product line technology. In December 2003, Interact Commerce Corporation purchased this technology from us.

**Provision for Income Taxes**

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | ($ in thousands) | |
| Tax provision on earnings | $ 227,068 | $ 267,720 | $ 171,603 |
| Effective tax rate on earnings | 63% | 31% | 32% |
| Tax provision on repatriation | $ (21,197) | $ 54,249 | $ — |
| Total tax provision | $ 205,871 | $ 321,969 | $ 171,603 |
| Total effective tax rate | 57% | 38% | 32% |

Our effective tax rate on income before taxes was approximately 57%, 38%, and 32% in fiscal 2006, 2005, and 2004, respectively. The effective tax rate for fiscal 2006 reflects the impact of the IPR&D charges and other acquisition-related charges that are nondeductible for tax reporting purposes, partially offset by foreign earnings taxed at a lower rate than the U.S. tax rate, and the effect of the true-up of taxes on repatriated earnings. The effective tax rate in fiscal 2005 reflects the additional tax expense attributable to the $500 million of foreign earnings that we repatriated under the American Jobs Creation Act.

We believe realization of substantially all of our deferred tax assets as of March 31, 2006 of $467 million, after application of the valuation allowance, is more likely than not based on the future reversal of temporary tax differences. Realization of approximately $27 million of our deferred tax assets as of March 31, 2006 is dependent upon future taxable earnings exclusive of reversing temporary differences in certain foreign jurisdictions. Levels of future taxable income are subject to the various risks and uncertainties discussed in Item 1A, *Risk Factors* , set forth in this annual report. An additional valuation allowance against net deferred tax assets may be necessary if it is more likely than not that all or a portion of the net deferred tax assets will not be realized. We will assess the need for an additional valuation allowance on a quarterly basis. The valuation allowance on our deferred tax assets increased by $59 million in fiscal 2006, of which approximately $58 million is attributable to acquisition-related assets, the benefit of which will reduce goodwill when and if realized. The valuation allowance on our deferred tax assets increased by an immaterial amount in fiscal 2005.

***American Jobs Creation Act of 2004 — Repatriation of foreign earnings***

In the March 2005 quarter, we repatriated $500 million from certain of our foreign subsidiaries that qualified for the 85% dividends received deduction under the provisions of the American Jobs Creation Act of 2004, or the Jobs Act, enacted in October 2004. We recorded a tax charge for this repatriation of $54 million in the March 2005 quarter.

In May 2005, clarifying language was issued by the U.S. Department of Treasury and the IRS with respect to the treatment of foreign taxes paid on the earnings repatriated under the Jobs Act and in September 2005, additional clarifying language was issued regarding the treatment of certain deductions attributable to the earnings repatriation. As a result of this clarifying language, we reduced the tax expense attributable to the repatriation by approximately $21 million in fiscal 2006, which reduced the cumulative tax charge on the repatriation to $33 million.

The $500 million repatriation under the Jobs Act was deemed to be distributed entirely from foreign earnings that had been previously treated as indefinitely reinvested. However, this distribution from previously indefinitely reinvested earnings does not change our position going forward that future earnings of certain of our foreign subsidiaries will be indefinitely reinvested.

***Other tax matters***

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, which we acquired in July 2005. The incremental tax liability asserted by the IRS with regard to the Veritas claim is $867 million, excluding penalties and interest. The Notice of Deficiency primarily relates to transfer pricing in connection with a technology license agreement between Veritas and a foreign subsidiary. We do not agree

with the IRS position and we intend to file a timely petition to the Tax Court to protest the assessment. No payments will be made on the assessment until the issue is definitively resolved. If, upon resolution, we are required to pay an amount in excess of our provision for this matter, the incremental amounts due would be accounted for principally as additions to the Veritas purchase price as an increase to goodwill. 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.

In the fourth quarter of fiscal 2006, we made $90 million of tax-related adjustments to the purchase accounting for Veritas, consisting of $120 million of additional pre-acquisition tax reserve-related adjustments, partially offset by a $30 million reduction in other pre-acquisition taxes payable. While we strongly disagree with the IRS over both its transfer pricing methodologies and the amount of the assessment, we have established additional tax reserves for all Veritas pre-acquisition years to account for both contingent tax and interest risk.

On March 30, 2006, we received notices of proposed adjustment from the IRS with regard to an unrelated audit of Symantec for fiscal years 2003 and 2004. The IRS claimed that we owed an incremental tax liability with regard to this audit of $110 million, excluding penalties and interest. The incremental tax liability primarily relates to transfer pricing matters between Symantec and a foreign subsidiary. On June 2, 2006, we reached an agreement in principle with the IRS to settle the IRS claims relating to this audit for $36 million, excluding interest. The consolidated financial statements presented in this annual report reflect adequate accruals to address this settlement amount. We anticipate that we will finalize this settlement with the IRS before the end of June 2006.

In the fourth quarter of fiscal 2006, we increased our tax reserves by an additional $64 million in connection with all open Symantec tax years (fiscal 2003 to 2006). Since these reserves relate to licensing arising from acquired technology, the additional accruals are primarily offset by deferred taxes.

We are as yet unable to confirm our eligibility to claim a lower tax rate on a distribution made from a Veritas foreign subsidiary prior to the acquisition. The distribution was intended to be made pursuant to the Jobs Act, and therefore eligible for a 5.25% effective U.S. federal rate of tax, in lieu of the 35% statutory rate. We are seeking a ruling from the IRS on the matter. Because we were unable to obtain this ruling prior to filing the Veritas tax return in May 2006, we have paid $130 million of additional U.S. taxes. Since this payment relates to the taxability of foreign earnings that are otherwise the subject of the IRS assessment, this additional payment reduced the amount of taxes payable accrued as part of the purchase accounting for pre-acquisition contingent tax risks. For further information, see Note 13 of the Notes to Consolidated Financial Statements and *Critical Accounting Estimates — Income Taxes* above.

## LIQUIDITY AND CAPITAL RESOURCES

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | (In thousands) | |
| Net cash provided by (used for): | | | |
| Operating activities | $ 1,536,896 | $ 1,207,459 | $ 902,605 |
| Investing activities | 3,619,605 | (663,159) | (795,598) |
| Financing activities | (3,910,064) | (31,990) | 129,154 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (22,248) | 18,261 | 30,095 |
| Net change in cash and cash equivalents | 1,224,189 | 530,571 | 266,256 |

As of March 31, 2006, our principal source of liquidity was our existing cash, cash equivalents, and short-term investments of $2.9 billion, of which 28% was held domestically and the remainder was held outside of the U.S. The remittance back to the U.S. of cash, cash equivalents, and short-term investments held by legal entities domiciled outside of the U.S. may result in significant additional income tax expense. Accordingly, we may choose to enhance our domestic cash position through third-party financing arrangements. We recently

completed the reorganization of certain international subsidiaries acquired as part of the Veritas acquisition. This reorganization is expected to result in a rebalancing of our cash between the U.S. and foreign operations over the next several years.

On July 2, 2005, we completed our acquisition of Veritas and acquired its cash, cash equivalents, and short-term investments of approximately $2.9 billion and assumed contingently convertible debt with a principal amount of $520 million due August 1, 2013 and a short-term loan with a principal amount of EURO 411 million, which was paid in its entirety on July 7, 2005. The convertible debt may be converted by the holders at any time into 24.37288 shares of Symantec common stock per $1,000 principal amount, which is equivalent to a conversion price of approximately $41.03 per share of Symantec common stock. Upon conversion, we would be required to pay the holder the cash value of the applicable number of shares of Symantec common stock ($16.83 per share at March 31, 2006), up to the principal amount of the note. Amounts in excess of the principal amount, if any, may be paid in cash or in stock at Symantec's option. Interest payments of 0.25% per annum on the principal amount are payable semi-annually in arrears on February 1 and August 1 of each year. On or after August 5, 2006, we have the option to redeem all or a portion of the notes at a redemption price equal to the principal amount, plus accrued and unpaid interest. On August 1, 2006 and August 1, 2008, or upon a fundamental change involving Symantec, holders have the right to require us to repurchase the notes at a repurchase price equal to the principal amount, plus accrued and unpaid interest. The notes are classified as a current liability in our Consolidated Balance Sheets at March 31, 2006.

During fiscal 2006, in addition to Veritas, we completed acquisitions of five privately-held companies and one public company for $627 million in cash, including acquisition-related expenses resulting from financial advisory, legal and accounting services, duplicate sites, and severance costs.

During April 2006, we purchased an office building of approximately 236,000 square feet in Cupertino, California for $81 million. This property is currently leased to a third party.

We believe that our cash balances, including those assumed in the acquisition of Veritas, as well as cash that we generate over time from our combined 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.

**Operating Activities**

Net cash provided by operating activities in fiscal 2006 resulted largely from net income of $157 million, plus an increase in deferred revenue of $683 million, non-cash charges, primarily for depreciation and amortization, of $678 million, and the write off of IPR&D of $285 million related to the acquisitions of Veritas and BindView. These factors were partially offset by a decrease in deferred income taxes of $203 million and by an increase in trade accounts receivable of $87 million. We expect operating cash flow to continue to be positive in the future.

Net cash provided by operating activities in fiscal 2005 resulted largely from net income of $536 million, plus non-cash depreciation and amortization charges of $132 million, the income tax benefit from employee stock plans of $109 million, and deferred income taxes of $61 million. In addition, our deferred revenue increased by $319 million and income taxes payable increased by $56 million.

Net cash provided by operating activities in fiscal 2004 resulted largely from net income of $371 million, plus non-cash depreciation and amortization charges of $117 million and the income tax benefit from employee stock plans of $67 million. Deferred revenue increased by $345 million, partially offset by an increase in accounts receivable of $83 million. In addition, income taxes payable increased by $54 million.

**Investing Activities**

Net cash provided by investing activities in fiscal 2006 was primarily the result of net sales of available-for-sale securities of $3.4 billion and cash of $541 million acquired through the acquisition of Veritas, net of cash expenditures for our other acquisitions in fiscal 2006. These amounts were partially offset by capital expenditures of $267 million, including $63 million for the purchase of two buildings in Mountain View, California.

Net cash used for investing activities in fiscal 2005 was primarily the result of payments for business acquisitions of $424 million and net purchases of available-for-sale securities of $143 million.

Net cash used for investing activities in fiscal 2004 was primarily the result of net purchases of available-for-sale securities of $332 million, payments for business acquisitions of $287 million, and capital expenditures of $111 million.

We expect to continue our investing activities, including investments in available-for-sale securities. Furthermore, cash reserves may be used for strategic acquisitions of software companies or technologies that are complementary to our business.

**Financing Activities**

We have operated a stock repurchase program since 2001. On March 28, 2005, the Board of Directors increased the dollar amount of authorized stock repurchases by $3 billion, which became effective upon completion of the Veritas acquisition on July 2, 2005. We commenced repurchases under the $3 billion authorization on August 2, 2005 and as of December 31, 2005 all authorized repurchases, including $474 million from prior authorizations, were completed.

On January 31, 2006, the Board, through one of its committees, authorized the repurchase of $1 billion of Symantec common stock, without a scheduled expiration date. In connection with this stock repurchase authorization, we entered into Rule 10b5-1 trading plans intended to facilitate stock repurchases of $125 million per quarter during fiscal 2007. We used $154 million of the authorized amount to repurchase shares in the open market in the March 2006 quarter and we intend to use the remaining amount to make stock repurchases under Rule 10b5-1 trading plans and opportunistically in fiscal 2007.

In fiscal 2006, we repurchased 174 million shares at prices ranging from $15.83 to $23.85 per share for an aggregate amount of $3.6 billion. In fiscal 2005, we repurchased eight million shares at prices ranging from $21.05 to $30.77 per share for an aggregate amount of $192 million. In fiscal 2004, we repurchased three million shares at prices ranging from $19.52 to $20.82 per share for an aggregate amount of $60 million. As of March 31, 2006, $846 million remained authorized for future repurchases. For further information regarding stock repurchases, see Item 5, *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* of this annual report.

In fiscal 2006, 2005, and 2004, we received net proceeds of $210 million, $160 million, and $189 million, respectively, from the sale of our common stock through employee benefit plans.

In fiscal 2006, we repaid the entire balance of a short-term loan with a principal amount of EURO 411 million that we assumed in connection with our acquisition of Veritas.

**Contractual Obligations**

The contractual obligations presented in the table below represent our estimates of future payments under fixed contractual obligations and commitments. Changes in our business needs, cancellation provisions, interest rates, and other factors may result in actual payments differing from these estimates. We cannot provide certainty regarding the timing and amounts of payments related to the contractual obligations set forth

in the table below. The following table summarizes our fixed contractual obligations and commitments as of March 31, 2006:

| | Total Payments Due | Payments Due In | | | |
|---|---|---|---|---|---|
| | | Fiscal 2007 | Fiscal 2008 and 2009 | Fiscal 2010 and 2011 | Fiscal 2012 and thereafter |
| | | | (In thousands) | | |
| Convertible subordinated notes [1] | $520,000 | $ 520,000 | $ — | $ — | $ — |
| Purchase obligations [2] | 32,850 | 32,850 | — | — | — |
| Operating leases [3] | 386,121 | 91,339 | 117,100 | 66,334 | 111,348 |
| Total contractual obligations | $938,971 | $ 644,189 | $ 117,100 | $ 66,334 | $ 111,348 |

[1] Convertible subordinated notes, due August 1, 2013, assumed in connection with the Veritas acquisition. On or after August 5, 2006, Symantec has the option to redeem all or a portion of the 0.25% Notes at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest. On August 1, 2006 and August 1, 2008, or upon the occurrence of a fundamental change involving Symantec, holders of the 0.25% Notes may require Symantec to repurchase their notes at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

[2] Represents amounts associated with agreements that are enforceable, legally binding, and specify terms.

[3] Includes $22 million related to facilities included in our restructuring reserve.

***Development agreements***

In the June 2005 quarter, we entered into agreements in connection with the construction of, or refurbishments to, buildings in Springfield, Oregon and Culver City, California. Payment is contingent upon the achievement of certain agreed-upon milestones. The remaining commitment is $147 million as of March 31, 2006 which mainly relates to the construction of the Culver City, California facility.

***Royalties***

We have certain royalty commitments associated with the shipment and licensing of certain products. Royalty expense is generally based on a dollar amount per unit shipped or a percentage of underlying revenue and has not been included in the table above. Certain royalty commitments have minimum commitment obligations; however, as of March 31, 2006, all such obligations are immaterial.

***Indemnification***

As permitted under Delaware law, we have agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The maximum potential amount of future payments we could be required to make under these indemnification agreements is not limited; however, we have director and officer insurance coverage that reduces our exposure and enables us to recover a portion or all of any future amounts paid. We believe the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

**Newly Adopted And Recently Issued Accounting Pronouncements**

In February 2006, the Financial Accounting Standards Board, or FASB, issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* , which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* , and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the entire instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring in fiscal years beginning

after September 15, 2006. Earlier adoption is permitted, provided the company has not yet issued financial statements, including for interim periods, for that fiscal year. We do not expect the adoption of SFAS No. 155 to have a material impact on our consolidated financial position, results of operations, or cash flows.

In June 2005, the FASB issued FASB Staff Position, or FSP, FAS 143-1, *Accounting for Electronic Equipment Waste Obligations* , which provides guidance on the accounting for certain obligations associated with the Directive on Waste Electrical and Electronic Equipment, or the Directive, which was adopted by the European Union, or the EU. Under the Directive, the waste management obligation for historical equipment, defined as products put on the market on or prior to August 13, 2005, remains with the commercial user until the equipment is replaced. FSP FAS 143-1 is required to be applied to the later of the first fiscal period ending after June 8, 2005 or the date of the Directive's adoption into law by the applicable EU member countries in which we have significant operations. We are currently evaluating the impact of FSP FAS 143-1 on our financial position and results of operations. The effects will depend on the respective laws adopted by the EU member countries.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* , which replaces APB No. 20, *Accounting Changes* , and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements — An Amendment of APB Opinion No. 28.* SFAS No. 154 provides guidance on accounting for and reporting changes in accounting principle and error corrections. SFAS No. 154 requires that changes in accounting principle be applied retrospectively to prior period financial statements and is effective for fiscal years beginning after December 15, 2005. When adopted and if used, SFAS No. 154 would have a material impact on our consolidated financial position, results of operations, or cash flows.

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment* , which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. SFAS No. 123R is effective for annual periods beginning after June 15, 2005 and, thus, will be effective for us beginning with the first quarter of fiscal 2007. Generally, the approach in SFAS No. 123R is similar to the approach described in SFAS No. 123. However, SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options and purchases under employee stock purchase plans, to be recognized in the Consolidated Statements of Income based on their fair values. Pro forma disclosure of fair value recognition will no longer be an alternative. See *Stock-Based Compensation* in *Summary of Significant Accounting Policies* for information related to the pro forma effects on our reported net income and net income per share when applying the fair value recognition provisions of the previous SFAS No. 123 to stock-based employee compensation. On April 1, 2006, we adopted SFAS No. 123R using the modified prospective method. We expect the adoption of SFAS No. 123R to have a material impact on our consolidated financial position and results of operations.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets — An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions.* SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, *Accounting for Nonmonetary Transactions* , and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 did not have a material impact on our consolidated financial position, results of operations, or cash flow.

In December 2004, the FASB issued FSP FAS 109-1, *Application of FASB Statement No. 109, "Accounting for Income Taxes," to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004.* The American Jobs Creation Act introduces a special tax deduction on qualified production activities. FSP FAS 109-1 clarifies that this tax deduction should be accounted for as a special deduction in accordance with SFAS No. 109. FSP FAS 109-1 did not have a material impact on our consolidated financial position, results of operations, or cash flows.

## Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risk related to fluctuations in market prices, interest rates, and foreign currency exchange rates. We use certain derivative financial instruments to manage these risks. All financial instruments used are in accordance with our global investment policy and global foreign exchange policy. We do not use derivative financial instruments for trading purposes. We do not anticipate any material changes in our primary market risk exposures in fiscal 2007.

We also hold equity interests in several privately-held companies. These investments were recorded at cost, and are classified as Other long-term assets in the Consolidated Balance Sheets. These investments are inherently risky and we could lose our entire investment in these companies. As of March 31, 2006, these investments had an aggregate carrying value of $11 million.

### Interest Rate Sensitivity

We consider investments in highly liquid instruments purchased with an original maturity of 90 days or less to be cash equivalents. All of our cash equivalents and short-term investments are classified as available-for-sale securities as of the balance sheet dates. Our available-for-sale securities are reported at fair market value and any unrealized gains and losses are included as a component of Stockholders' equity in Accumulated other comprehensive income in our Consolidated Balance Sheets. Our cash equivalents and short-term investments consist primarily of corporate securities, corporate bonds, asset-backed securities, U.S. government and government-sponsored securities, and money market funds. The following table presents the fair value and hypothetical changes in fair market values of our significant financial instruments, which primarily consist of commercial paper, corporate debt securities, and government and government backed securities, held as of March 31, 2006 that are sensitive to changes in interest rates (in millions):

| | | Hypothetical Fair Market Values Given an Interest Rate Increase (Decrease) of X Basis Points (bps) | | | | |
|---|---|---|---|---|---|---|
| | Fair Value | 150 bps | 100 bps | 50 bps | (25 bps) | (75 bps) |
| Significant financial instruments | $ 1,517,037 | $ (11,087) | $ (7,392) | $ (3,696) | $ 1,848 | $ 5,544 |

The modeling technique used above measures the change in fair market value arising from selected potential changes in interest rates. Market changes reflect immediate hypothetical parallel shifts in the yield curve of minus 75 basis points, minus 25 basis points, plus 50 basis points, plus 100 basis points, and plus 150 basis points, which are representative of potential movements in the United States Federal Funds Rate and the Euro Area ECB Rate.

### Exchange Rate Sensitivity

We conduct business in 36 currencies through our worldwide operations. We believe that the use of foreign exchange forward contracts should reduce the risks that arise from conducting business in international markets.

We hedge certain risks associated with certain foreign currency cash and cash equivalents, investments, receivables, and payables in order to minimize the impact of changes in foreign currency fluctuations on these assets and liabilities denominated in foreign currencies. Foreign exchange forward contracts as of March 31, 2006 were as follows (in millions):

| | | Hypothetical Increase (Decrease) in FV of Foreign Forward Exchange Contracts Given X% Appreciation (Devaluation) of Foreign Currency | | | |
|---|---|---|---|---|---|
| Foreign Forward Exchange Contracts | Notional Amount | 10% | 5% | (5)% | (10)% |
| Purchased | $ 228 | $ 21 | $ 11 | $ (12) | $ (25) |
| Sold | $ 446 | $ (41) | $ (21) | $ 23 | $ 50 |

We believe that these foreign exchange forward contracts do not subject us to undue risk from the movement of foreign exchange rates because gains and losses on these contracts are offset by losses and gains on the underlying assets and liabilities. All contracts have a maturity of no more than 35 days. Gains and losses are accounted for as Interest and other income, net each period. We regularly review our hedging program and may make changes as a result of this review.

## Item 8. *Financial Statements and Supplementary Data*

### Annual Financial Statements

The consolidated financial statements and related disclosures included in Part IV, Item 15 of this annual report are incorporated by reference into this Item 8.

### Selected Quarterly Financial Data

We have a 52/53-week fiscal accounting year. Accordingly, we have presented quarterly fiscal periods, each comprised of 13 weeks, as follows:

| | Fiscal 2006 | | | | Fiscal 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar. 31, 2006 | Dec. 31, 2005 | Sep. 30, 2005 | Jun. 30, 2005 | Mar. 31, 2005 | Dec. 31, 2004 | Sep. 30, 2004 | Jun. 30, 2004 |
| | (In thousands, except net income (loss) per share) | | | | | | | |
| Net revenues | $1,238,560 | $1,149,026 | $1,055,864 | $699,942 | $712,678 | $695,224 | $618,313 | $556,634 |
| Gross profit | 955,406 | 880,548 | 742,422 | 583,147 | 591,547 | 573,726 | 509,094 | 456,373 |
| Stock-based compensation expense(a) | 9,459 | 12,329 | 13,389 | 2,785 | 2,844 | 1,041 | 639 | — |
| Acquired in-process research and development(b) | 1,100 | — | 284,000 | — | — | 1,218 | — | 2,262 |
| Restructuring | 4,426 | 15,566 | 1,452 | 3,474 | — | — | 1,916 | 860 |
| Patent settlement(c) | — | — | — | 2,200 | 375 | — | — | — |
| Integration planning(d) | 587 | 2,185 | 5,253 | 7,901 | 3,494 | — | — | — |
| Operating income (loss) | 180,333 | 119,661 | (258,347) | 232,318 | 231,822 | 228,069 | 192,117 | 167,258 |
| Net income (loss) | 118,813 | 90,734 | (251,328) | 198,633 | 119,682 | 163,577 | 135,623 | 117,277 |
| Net income (loss) per share — basic(e) | $ 0.11 | $ 0.08 | $ (0.21) | $ 0.28 | $ 0.17 | $ 0.24 | $ 0.22 | $ 0.19 |
| Net income (loss) per share — diluted(e) | $ 0.11 | $ 0.08 | $ (0.21) | $ 0.27 | $ 0.16 | $ 0.22 | $ 0.19 | $ 0.16 |

(a) In connection with our acquisition of Veritas in fiscal 2006, we assumed Veritas stock options and restricted stock units and converted them into options to purchase Symantec common stock and Symantec restricted stock units. In connection with the Brightmail acquisition during fiscal 2005, we assumed unvested Brightmail stock options and converted them into unvested options to purchase Symantec common stock. For more information, see Note 3 of the Notes to Consolidated Financial Statements. In addition, in fiscal 2006 and 2005, we issued restricted stock and restricted stock units to certain officers and employees. For more information, see Note 11 of the Notes to Consolidated Financial Statements.

(b) In fiscal 2006, we wrote off $284 million and $1 million of IPR&D in connection with our acquisitions of Veritas and BindView, respectively. In fiscal 2005, we wrote off $3 million of IPR&D in connection with our acquisition of Brightmail.

(c) During fiscal 2006, we recorded patent settlement costs and entered into a cross-licensing agreement with Altiris, Inc. For more information, see Note 4 of the Notes to Consolidated Financial Statements.

(d) During fiscal 2006, we acquired Veritas. In connection with this acquisition, we recorded integration planning costs. For more information, see Note 3 of the Notes to Consolidated Financial Statements.

(e) Per share amounts reflect the two-for-one stock split effected as a stock dividend, which occurred on November 30, 2004.

**Item 9.** ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

**Item 9A.** ***Controls and Procedures***

***(a) Evaluation of Disclosure Controls and Procedures***

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, as a result of the material weakness described below, such disclosure controls and procedures were not effective as of the end of the period covered by this report.

***(b) Management's Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended) for Symantec. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on its evaluation, our management has identified a material weakness in internal control over financial reporting related to accounting for income taxes as of March 31, 2006. A material weakness is a significant deficiency, as defined in Public Company Accounting Oversight Board Auditing Standard No. 2, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of a company's annual or interim financial statements would not be prevented or detected by company personnel in the normal course of performing their assigned functions.

Management has determined that we had insufficient personnel resources with adequate expertise to properly manage the increased volume and complexity of income tax matters associated with the acquisition of Veritas Software Corporation. This lack of resources resulted in inadequate levels of supervision and review related to the our IRS filings and our accounting for income taxes. This material weakness resulted in our failure to follow established policies and procedures designed to ensure timely income tax filings. Specifically, we did not complete the timely filing of an extension request with the IRS for the final pre-acquisition income tax return for Veritas and, accordingly, did not secure certain income tax related elections. In addition, this material weakness resulted in errors in our annual accounting for income taxes. These errors in accounting were corrected prior to the issuance of our 2006 consolidated financial statements. The aforementioned material weakness results in more than a remote likelihood that a material misstatement of our annual or interim financial statements, due to a failure to complete income tax filings consistent with management's intentions, and due to errors in accounting for income taxes, would not be prevented or detected.

Because of this material weakness, management has concluded Symantec did not maintain effective internal control over financial reporting as of March 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO.

Our independent registered public accounting firm, KPMG LLP, has audited management's assessment of the effectiveness of Symantec's internal control over financial reporting and has issued an audit report thereon, which is included in Part IV, Item 15 of this annual report.

***(c) Changes in Internal Control over Financial Reporting.***

At the end of February 2006, we hired a new Vice President of Tax and Treasury to help manage the increased complexity of our income tax matters. During the quarter ended March 31, 2006, there were no other changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Since April 1, 2006, we have implemented additional controls in our internal control over financial reporting that serve to remediate the material weakness described above, including the addition of resources dedicated to financial reporting for income taxes and the implementation of processes to identify and calendar all incremental tax compliance and financial accounting for income tax requirements arising from acquisitions. In addition, we intend to automate key elements of our processes to enhance the analysis and calculation of the income tax provision and the reconciliation of the tax accounts.

***(d) 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 Symantec have been detected.

**Item 9B.** ***Other Information***

None.

## PART III

**Item 10.** ***Directors and Executive Officers of the Registrant***

Information with respect to this Item may be found in the definitive Proxy Statement that we will deliver to stockholders in connection with our Annual Meeting of Stockholders for 2006, referred to as our 2006 Proxy Statement, including in the sections captioned “Directors and Management — Directors and Executive Officers,” and “Section 16(a) Beneficial Ownership Reporting Compliance.” Such information is incorporated herein by reference.

We have adopted a code of business conduct that applies to all Symantec employees. We have also adopted a code of ethics for our Chief Executive Officer and senior financial officers, including our principal financial officer and principal accounting officer. Our *Code of Conduct* and *Code of Ethics for Chief Executive Officer and Senior Financial Officers* are posted on our Web site at http://www.symantec.com, and may be found as follows:

1. From our main Web page, first click on “About Symantec”
2. Then click on “Investor Relations”
3. Next, under “Corporate Governance,” click on “Company Charters”

We will post any amendments to or waivers from our *Code of Conduct* and *Code of Ethics for Chief Executive Officer and Senior Financial Officers* at that location.

**Item 11.** ***Executive Compensation***

Information with respect to this Item may be found in our 2006 Proxy Statement, including in the sections captioned “Summary of Cash and Certain Other Compensation,” “Stock Options,” “Option Exercises and Holdings,” “Proposal No. 1 — Election of Symantec Directors — Director Compensation,”

"Employment, Severance, and Change of Control Agreements," and "Compensation Committee Interlocks and Insider Participation." Such information is incorporated herein by reference.

**Item 12.** ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information with respect to this Item may be found in our 2006 Proxy Statement, including in the sections captioned "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information." Such information is incorporated herein by reference.

**Item 13.** ***Certain Relationships and Related Transactions***

Information with respect to this Item may be found in our 2006 Proxy Statement, including in the section captioned "Related Party Transactions." Such information is incorporated herein by reference.

**Item 14.** ***Principal Accountant Fees and Services***

Information with respect to this Item may be found in our 2006 Proxy Statement, including in the sections captioned "Principal Accountant Fees and Services" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors." Such information is incorporated herein by reference.

## PART IV

**Item 15.** ***Exhibits and Financial Statement Schedules***

Upon written request, we will provide, without charge, a copy of this annual report, including the consolidated financial statements and financial statement schedule. All requests should be sent to:

**Symantec Corporation**
**Attn: Investor Relations**
**20330 Stevens Creek Boulevard**
**Cupertino, California 95014**
**408-517-8000**

(a) The following documents are filed as part of this report:


| | | Page Number |
|---|---|---|
| 1. | Consolidated Financial Statements: | |
| | Reports of Independent Registered Public Accounting Firm | 67 |
| | Consolidated Balance Sheets as of March 31, 2006 and 2005 | 70 |
| | Consolidated Statements of Income for the years ended March 31, 2006, 2005, and 2004 | 71 |
| | Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended March 31, 2006, 2005, and 2004 | 72 |
| | Consolidated Statements of Cash Flows for the years ended March 31, 2006, 2005, and 2004 | 73 |
| | Summary of Significant Accounting Policies | 74 |
| | Notes to Consolidated Financial Statements | 83 |
| 2. | Financial Statement Schedule: The following financial statement schedule of Symantec Corporation for the years ended March 31, 2006, 2005, and 2004 is filed as part of this Form 10-K and should be read in conjunction with the consolidated financial statements of Symantec Corporation | |
| | Schedule: | |
| | II Valuation and Qualifying Accounts | 114 |
| | Schedules other than that listed above have been omitted since they are either not required, not applicable, or the information is otherwise included. | |

3. Exhibits: The following exhibits are filed as part of or furnished with this Form 10-K, as applicable:

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 2.01§ | Agreement and Plan of Reorganization dated as of December 15, 2004 among Symantec Corporation, Carmel Acquisition Corp., and Veritas Software Corporation | 8-K | 000-17781 | 2.01 | 12/20/04 | |
| 3.01 | Amended and Restated Certificate of Incorporation of Symantec Corporation | S-8 | 333-119872 | 4.01 | 10/21/04 | |
| 3.02 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Symantec Corporation | S-8 | 333-126403 | 4.03 | 07/06/05 | |
| 3.03 | Certificate of Designations of Series A Junior Participating Preferred Stock of Symantec Corporation | 8-K | 000-17781 | 3.01 | 12/21/04 | |
| 3.04 | Bylaws of Symantec Corporation | 8-K | 000-17781 | 3.01 | 01/23/06 | |
| 4.01 | Rights Agreement, dated as of August 12, 1998, between Symantec Corporation and BankBoston, N.A., as Rights Agent, which includes as Exhibit A, the Form of Certificate of Designations of Series A Junior Participating Preferred Stock, as Exhibit B, the Form of Right Certificate, and as Exhibit C, the Summary of Rights to Purchase Preferred Shares | 8-A | 000-17781 | 4.1 | 08/19/98 | |
| 4.02 | Indenture dated as of August 1, 2003 between Veritas Software Corporation & U.S. Bank National Association, as Trustee | 8-K | 000-17781 | 10.04 | 07/08/05 | |
| 4.03 | First Supplemental Indenture dated as of October 25, 2004 between Veritas Software Corporation and U.S. Bank National Association, as Trustee | 8-K | 000-17781 | 10.05 | 07/08/05 | |
| 4.04 | Second Supplemental Indenture dated as of July 2, 2005 by and between Veritas Software Corporation, Symantec Corporation and U.S. Bank National Association, as Trustee | 8-K | 000-17781 | 10.03 | 07/08/05 | |
| 10.01* | Form of Indemnification Agreement with Officers and Directors, as amended (form for agreements entered into prior to January 17, 2006) | S-1 | 33-28655 | 10.17 | 06/21/89 | |
| 10.02* | Form of Indemnification Agreement for Officers, Directors and Key Employees | 8-K | 000-17781 | 10.01 | 01/23/06 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.03* | Veritas Software Corporation 1993 Equity Incentive Plan, including form of Stock Option Agreement | | | | | X |
| 10.04* | Veritas Software Corporation 1993 Directors Stock Option Plan, including form of Stock Option Agreement | | | | | X |
| 10.05* | Symantec Corporation 1996 Equity Incentive Plan, as amended, including form of Stock Option Agreement and form of Restricted Stock Purchase Agreement | | | | | X |
| 10.06* | Symantec Corporation Deferred Compensation Plan, as adopted November 7, 1996 | 10-K | 000-17781 | 10.11 | 06/24/97 | |
| 10.07* | Symantec Corporation 1998 Employee Stock Purchase Plan, as amended | | | | | X |
| 10.08* | Brightmail Inc. 1998 Stock Option Plan, including form of Stock Option Agreement and form of Notice of Assumption | | | | | X |
| 10.09* | Symantec Corporation Acquisition Plan, as adopted July 15, 1999 | S-8 | 333-31526 | 4.03 | 03/02/00 | |
| 10.10* | Symantec Corporation Stock Option Grant dated January 1, 2000 to John W. Thompson | S-8 | 333-102096 | 99.3 | 12/20/02 | |
| 10.11* | Symantec Corporation 2000 Directors Equity Incentive Plan, as amended | S-8 | 333-119872 | 99.02 | 10/21/04 | |
| 10.12* | Symantec Corporation 2001 Non- Qualified Equity Incentive Plan | | | | | X |
| 10.13* | Symantec Corporation 2002 Executive Officers' Stock Purchase Plan, as amended | 10-K | 000-17781 | 10.12 | 06/15/05 | |
| 10.14* | Veritas Software Corporation 2002 Directors Stock Option Plan, including form of Stock Option Agreement and forms of Notice of Stock Option Grant | | | | | X |
| 10.15* | Veritas Software Corporation 2003 Stock Incentive Plan, as amended and restated, including form of Stock Option Agreement, form of Stock Option Agreement for Executive Officers and form of Notice of Stock Option Assumption | | | | | X |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.16* | Symantec Corporation 2004 Equity Incentive Plan, as amended, including form of Stock Option Agreement, and form of Restricted Stock Unit Award Agreement | | | | | X |
| 10.17* | Offer Letter, dated February 8, 2006, from Symantec Corporation to James A. Beer | | | | | X |
| 10.18* | Employment Agreement, dated December 15, 2004, between Symantec Corporation and Gary Bloom, as amended | S-4/A | 333-122724 | 10.01 | 05/18/05 | |
| 10.19* | Employment Agreement, dated December 15, 2004, between Symantec Corporation and Jeremy Burton, as amended | S-4/A | 333-122724 | 10.06 | 05/18/05 | |
| 10.20* | Employment Agreement, dated December 15, 2004, between Symantec Corporation and Kris Hagerman, as amended | S-4/A | 333-122724 | 10.07 | 05/18/05 | |
| 10.21* | Offer Letter, dated January 12, 2004, from Symantec Corporation to Thomas W. Kendra | 10-Q | 000-17781 | 10.01 | 02/04/05 | |
| 10.22* | Employment Agreement, dated April 11, 1999, between Symantec Corporation and John W. Thompson | 10-K | 000-17781 | 10.67 | 07/01/99 | |
| 10.23* | Form of FY06 Executive Incentive Plan | 10-Q | 000-17781 | 10.01 | 11/09/05 | |
| 10.24* | Form of FY06 Executive Supplemental Incentive Plan | 10-Q | 000-17781 | 10.02 | 11/09/05 | |
| 10.25* | Symantec Senior Executive Incentive Plan | 10-K | 000-17781 | 10.18 | 06/14/04 | |
| 10.26* | Symantec Corporation Executive Retention Plan, as amended | 8-K | 000-17781 | 10.01 | 04/27/06 | |
| 10.27‡ | Amended and Restated Authorized Symantec Electronic Reseller for Shop Symantec Agreement dated as of July 1, 2003 by and among Symantec Corporation, Symantec Limited and Digital River, Inc., as amended | 10-K | 000-17781 | 10.35 | 06/15/05 | |
| 10.28‡ | Amendment Eleven to the Amended and Restated Authorized Symantec Electronic Reseller For Shop Symantec Agreement | 10-Q | 000-17781 | 10.01 | 08/10/05 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.29 | Amended Agreement Respecting Certain Rights of Publicity, by and between Peter Norton and Peter Norton Computing, Inc., dated August 31, 1990 | S-4 | 33-35385 | 10.04 | 06/13/90 | |
| 10.30 | Assignment of Copyright and Other Intellectual Property Rights, by and between Peter Norton and Peter Norton Computing, Inc., dated August 31, 1990 | S-4 | 33-35385 | 10.37 | 06/13/90 | |
| 10.31 | Environmental Indemnity Agreement, dated April 23, 1999, between Veritas and Fairchild Semiconductor Corporation, included as Exhibit C to that certain Agreement of Purchase and Sale, dated March 29, 1999, between Veritas and Fairchild Semiconductor of California | S-1/A | 333-83777† | 10.27 Exhibit C | 08/06/99 | |
| 21.01 | Subsidiaries of Symantec Corporation | | | | | X |
| 23.01 | Consent of Independent Registered Public Accounting Firm | | | | | X |
| 24.01 | Power of Attorney (see Signature page to this annual report) | | | | | 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 |

§ The exhibits and schedules to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. We will furnish copies of any of the exhibits and schedules to the Securities and Exchange Commission upon request.

* Indicates a management contract or compensatory plan or arrangement.

‡ Confidential treatment has been received for certain portions of this documents.

† Filed by Veritas Software Corporation.

†† 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.

(c) Financial Statement Schedules: We hereby file as part of this Annual Report on Form 10-K the schedule listed in Item 15(a)2, as set forth above.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS


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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Symantec Corporation:

We have audited the accompanying consolidated balance sheets of Symantec Corporation and subsidiaries (the Company) as of March 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended March 31, 2006. In connection with our audits of the consolidated financial statements, we also have audited the related financial statement schedule listed in the Index at Item 15(a)2. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Symantec Corporation and subsidiaries as of March 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Symantec Corporation's internal control over financial reporting as of March 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 8, 2006 expressed an unqualified opinion on management's assessment of, and an adverse opinion on the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

Mountain View, California
June 8, 2006

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Symantec Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A(b), that Symantec Corporation and subsidiaries (the Company) did not maintain effective internal control over financial reporting as of March 31, 2006 because of the effect of a material weakness identified in management's assessment based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Symantec Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness related to accounting for income taxes has been identified and included in management's assessment as of March 31, 2006.

The Company had insufficient personnel resources with adequate expertise to properly manage the increased volume and complexity of income tax matters associated with the acquisition of Veritas Software Corporation. This lack of resources resulted in inadequate levels of supervision and review related to the Company's Internal Revenue Service (IRS) filings and the Company's accounting for income taxes. This material weakness resulted in the Company's failure to follow established policies and procedures designed to ensure timely income tax filings. Specifically, the Company did not complete the timely filing of an extension request with the IRS for the final pre-acquisition income tax return for Veritas and, accordingly, did not secure certain income tax related elections. In addition, this material weakness resulted in errors in the Company's annual accounting for income taxes. The aforementioned material weakness results in more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements due

to a failure to complete income tax filings consistent with management's intentions, and due to errors in accounting for income taxes, would not be prevented or detected.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Symantec Corporation and subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended March 31, 2006. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the Company's consolidated financial statements as of and for the year ended March 31, 2006, and this report does not affect our report dated June 8, 2006, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, management's assessment that Symantec Corporation did not maintain effective internal control over financial reporting as of March 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control — Integrated Framework* issued by COSO. Also, in our opinion, because of the material weakness described above on the achievement of the objectives of the control criteria, Symantec Corporation has not maintained effective internal control over financial reporting as of March 31, 2006, based on the criteria established in *Internal Control — Integrated Framework* issued by COSO.

/s/ KPMG LLP

Mountain View, California
June 8, 2006

## SYMANTEC CORPORATION

## CONSOLIDATED BALANCE SHEETS

| | March 31, 2006 | March 31, 2005 |
|---|---|---|
| | (In thousands, except par value) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,315,622 | $ 1,091,433 |
| Short-term investments | 550,180 | 2,115,154 |
| Trade accounts receivable, net | 670,937 | 285,325 |
| Inventories | 48,687 | 19,118 |
| Current deferred income taxes | 131,833 | 97,279 |
| Other current assets | 190,673 | 79,973 |
| Total current assets | 3,907,932 | 3,688,282 |
| Property and equipment, net | 946,217 | 382,689 |
| Acquired product rights, net | 1,238,511 | 127,619 |
| Other intangible assets, net | 1,440,873 | 30,739 |
| Goodwill | 10,331,045 | 1,365,213 |
| Other long-term assets | 48,605 | 19,679 |
| | $ 17,913,183 | $ 5,614,221 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Convertible subordinated notes | $ 512,800 | $ — |
| Accounts payable | 167,135 | 74,685 |
| Accrued compensation and benefits | 277,170 | 140,543 |
| Current deferred revenue | 1,915,179 | 1,215,537 |
| Other accrued expenses | 185,882 | 91,033 |
| Income taxes payable | 419,401 | 179,225 |
| Total current liabilities | 3,477,567 | 1,701,023 |
| Long-term deferred revenue | 248,273 | 114,724 |
| Long-term deferred tax liabilities | 493,956 | 88,613 |
| Other long-term obligations | 24,916 | 4,408 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock (par value: $0.01, 1,000 shares authorized; none issued and outstanding) | — | — |
| Common stock (par value: $0.01, 3,000,000 shares authorized; 1,210,660 and 710,522 shares issued at March 31, 2006 and 2005; 1,040,885 and 710,522 shares outstanding at March 31, 2006 and 2005) | 10,409 | 7,105 |
| Capital in excess of par value | 12,426,690 | 2,412,947 |
| Accumulated other comprehensive income | 146,810 | 191,938 |
| Deferred stock-based compensation | (43,595) | (21,070) |
| Retained earnings | 1,128,157 | 1,114,533 |
| Total stockholders' equity | 13,668,471 | 3,705,453 |
| | $ 17,913,183 | $ 5,614,221 |

The accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these statements.

## SYMANTEC CORPORATION
## CONSOLIDATED STATEMENTS OF INCOME

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | (In thousands, except net income per share) | | |
| Net revenues: | | | |
| Content, subscriptions, and maintenance | $ 2,873,211 | $ 1,945,310 | $ 1,191,257 |
| Licenses | 1,270,181 | 637,539 | 678,872 |
| Total net revenues | 4,143,392 | 2,582,849 | 1,870,129 |
| Cost of revenues [1]: | | | |
| Content, subscriptions, and maintenance | 621,636 | 351,077 | 220,795 |
| Licenses | 45,943 | 52,138 | 65,769 |
| Amortization of acquired product rights | 314,290 | 48,894 | 40,990 |
| Total cost of revenues | 981,869 | 452,109 | 327,554 |
| Gross profit | 3,161,523 | 2,130,740 | 1,542,575 |
| Operating expenses: | | | |
| Sales and marketing | 1,486,590 | 843,724 | 660,573 |
| Research and development | 664,628 | 332,266 | 252,284 |
| General and administrative | 221,412 | 115,419 | 94,645 |
| Amortization of other intangible assets | 148,822 | 5,416 | 2,954 |
| Stock-based compensation expense [1] | 37,962 | 4,524 | — |
| Acquired in-process research and development | 285,100 | 3,480 | 3,710 |
| Restructuring | 24,918 | 2,776 | 907 |
| Integration planning | 15,926 | 3,494 | — |
| Patent settlement | 2,200 | 375 | 13,917 |
| Total operating expenses | 2,887,558 | 1,311,474 | 1,028,990 |
| Operating income | 273,965 | 819,266 | 513,585 |
| Interest and other income, net | 106,754 | 51,185 | 40,254 |
| Interest expense | (17,996) | (12,323) | (21,164) |
| Income, net of expense, from sale of technologies and product lines | — | — | 9,547 |
| Income before income taxes | 362,723 | 858,128 | 542,222 |
| Provision for income taxes | 205,871 | 321,969 | 171,603 |
| Net income | $ 156,852 | $ 536,159 | $ 370,619 |
| Net income per share — basic | $ 0.16 | $ 0.81 | $ 0.61 |
| Net income per share — diluted | $ 0.15 | $ 0.74 | $ 0.54 |
| Shares used to compute net income per share — basic | 998,733 | 660,631 | 611,970 |
| Shares used to compute net income per share — diluted | 1,025,856 | 738,245 | 719,110 |

[1] Stock-based compensation expense is allocated as follows:

| | | |
|---|---|---|
| Included in Cost of revenues — Content, subscriptions, and maintenance | $ 439 | $ — |
| Sales and marketing | $ 13,314 | $ 1,298 |
| Research and development | 17,497 | 1,780 |
| General and administrative | 7,151 | 1,446 |
| | $ 37,962 | $ 4,524 |

The accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these statements.

## SYMANTEC CORPORATION

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

| | Common Stock | | Capital in Excess of Par Value | Accumulated Other Comprehensive Income (Loss) | Deferred Stock-Based Compensation | Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| | | | | (In thousands) | | | |
| Balances, March 31, 2003 | 148,785 | $ 1,488 | $ 1,335,028 | $ 30,121 | $ — | $ 397,742 | $ 1,764,379 |
| Components of comprehensive income: | | | | | | | |
| Net income | — | — | — | — | — | 370,619 | 370,619 |
| Change in unrealized loss on available-for-sale securities, net of tax | — | — | — | (1,420) | — | — | (1,420) |
| Translation adjustment, net of tax of $13,657 | — | — | — | 96,783 | — | — | 96,783 |
| Total comprehensive income | | | | | | | 465,982 |
| Issuance of common stock under employee stock benefit plans | 10,383 | 103 | 189,051 | — | — | — | 189,154 |
| Stock dividend | 154,179 | 1,542 | — | — | — | (1,542) | — |
| Repurchases of common stock | (1,493) | (15) | (17,305) | — | — | (42,680) | (60,000) |
| Conversion of convertible debt | — | 1 | 10 | — | — | — | 11 |
| Income tax benefit from employee stock transactions | — | — | 66,682 | — | — | — | 66,682 |
| Balances, March 31, 2004 | 311,854 | 3,119 | 1,573,466 | 125,484 | — | 724,139 | 2,426,208 |
| Components of comprehensive income: | | | | | | | |
| Net income | — | — | — | — | — | 536,159 | 536,159 |
| Change in unrealized loss on available-for-sale securities, net of tax | — | — | — | (1,776) | — | — | (1,776) |
| Translation adjustment, net of tax of $18,014 | — | — | — | 68,230 | — | — | 68,230 |
| Total comprehensive income | | | | | | | 602,613 |
| Issuance of common stock under employee stock benefit plans | 14,951 | 149 | 159,778 | — | — | — | 159,927 |
| Stock dividend | 352,623 | 3,526 | — | — | — | (3,526) | — |
| Repurchases of common stock | (4,148) | (41) | (49,636) | — | — | (142,239) | (191,916) |
| Conversion of convertible debt | 35,142 | 352 | 593,182 | — | — | — | 593,534 |
| Restricted stock grant | 100 | — | 5,535 | — | (5,535) | — | — |
| Assumed Brightmail stock options, net of forfeitures | — | — | 21,298 | — | (20,059) | — | 1,239 |
| Amortization of deferred stock-based compensation, net of forfeitures | — | — | — | — | 4,524 | — | 4,524 |
| Income tax benefit from employee stock transactions | — | — | 109,324 | — | — | — | 109,324 |
| Balances, March 31, 2005 | 710,522 | 7,105 | 2,412,947 | 191,938 | (21,070) | 1,114,533 | 3,705,453 |
| Components of comprehensive income: | | | | | | | |
| Net income | — | — | — | — | — | 156,852 | 156,852 |
| Change in unrealized loss on available-for-sale securities, net of tax | — | — | — | (4,264) | — | — | (4,264) |
| Translation adjustment, net of tax of $16,641 | — | — | — | (40,864) | — | — | (40,864) |
| Total comprehensive income | | | | | | | 111,724 |
| Issuance of common stock under employee stock benefit plans | 21,010 | 210 | 217,248 | — | — | — | 217,458 |
| Repurchases of common stock | (173,666) | (1,737) | (3,483,200) | — | — | (143,228) | (3,628,165) |
| Issuance of restricted stock units | — | — | 3,388 | — | (3,388) | — | — |
| Stock issued for acquisition of Veritas | 483,119 | 4,831 | 12,493,505 | — | — | — | 12,498,336 |
| Fair value of assumed Veritas stock options and restricted stock units | — | — | 698,514 | — | (63,092) | — | 635,422 |
| Amortization of deferred stock-based compensation, net of forfeitures | — | — | — | — | 37,712 | — | 37,712 |
| Reduction of deferred stock-based compensation due to stock option and restricted stock unit cancellations... | (100) | — | (6,243) | — | 6,243 | — | — |
| Other stock transactions... | — | — | 386 | — | — | — | 386 |
| Income tax benefit from employee stock transactions | — | — | 90,145 | — | — | — | 90,145 |
| Balances, March 31, 2006 | 1,040,885 | $10,409 | $12,426,690 | $ 146,810 | $ (43,595) | $1,128,157 | $ 13,668,471 |

The accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these statements.

## SYMANTEC CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | (In thousands) | |
| *OPERATING ACTIVITIES:* | | | |
| Net income | $ 156,852 | $ 536,159 | $ 370,619 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization of property and equipment | 191,204 | 90,838 | 75,886 |
| Accretion of fair market value adjustment related to convertible subordinated notes | 16,200 | — | — |
| Amortization of debt issuance costs | — | 1,846 | 3,165 |
| Amortization of discounts and premiums on investments, net | (30,700) | (22,645) | (7,142) |
| Amortization and write-off of acquired product rights | 314,290 | 51,979 | 42,363 |
| Amortization of other intangible assets | 148,822 | 5,416 | 2,954 |
| Impairment of equity investments | 4,273 | 696 | 3,047 |
| Stock-based compensation expense | 38,401 | 4,524 | — |
| Write-off of acquired in-process research and development | 285,100 | 3,480 | 3,710 |
| Deferred income taxes | (202,677) | 60,861 | 27,181 |
| Income tax benefit from employee stock transactions | 90,145 | 109,324 | 66,682 |
| Other | 120 | 3,748 | 2,052 |
| Net change in assets and liabilities, excluding effects of acquisitions: | | | |
| Trade accounts receivable, net | (87,434) | (3,636) | (82,687) |
| Inventories | (29,828) | (3,621) | (8,303) |
| Other current assets | (24,791) | (18,106) | (19,840) |
| Other long-term assets | 6,320 | (5,817) | (1,591) |
| Accounts payable | 40,168 | (960) | (7,846) |
| Accrued compensation and benefits | (22,229) | 19,380 | 17,836 |
| Deferred revenue | 683,226 | 318,928 | 345,394 |
| Other accrued expenses | 16,174 | 1,287 | 16,221 |
| Income taxes payable | (25,997) | 55,526 | 53,602 |
| Other long-term obligations | (30,743) | (1,748) | (698) |
| Net cash provided by operating activities | 1,536,896 | 1,207,459 | 902,605 |
| *INVESTING ACTIVITIES:* | | | |
| Capital expenditures | (267,217) | (91,536) | (111,210) |
| Purchased intangible assets | (7,204) | (800) | (61,166) |
| Proceeds from sales of intangible assets | 1,000 | — | — |
| Cash acquired in (payments for) business acquisitions, net | 540,604 | (424,212) | (286,862) |
| Purchase of equity investments | (2,694) | (3,600) | (3,972) |
| Proceeds from sales of equity investments | 1,500 | — | — |
| Purchases of available-for-sale securities | (1,729,922) | (3,856,833) | (5,007,549) |
| Proceeds from sales of available-for-sale securities | 5,083,538 | 3,713,822 | 4,675,161 |
| Net cash provided by (used for) investing activities | 3,619,605 | (663,159) | (795,598) |
| *FINANCING ACTIVITIES:* | | | |
| Repurchases of common stock | (3,628,165) | (191,916) | (60,000) |
| Net proceeds from sale of common stock | 209,563 | 159,926 | 189,154 |
| Repayment of line of credit | (491,462) | — | — |
| Net cash (used for) provided by financing activities | (3,910,064) | (31,990) | 129,154 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (22,248) | 18,261 | 30,095 |
| Increase in cash and cash equivalents | 1,224,189 | 530,571 | 266,256 |
| Beginning cash and cash equivalents | 1,091,433 | 560,862 | 294,606 |
| Ending cash and cash equivalents | $ 2,315,622 | $ 1,091,433 | $ 560,862 |
| **Supplemental schedule of non-cash transactions:** | | | |
| Issuance of common stock, stock options, and restricted stock units for business acquisitions | $ 13,196,850 | $ 22,578 | $ — |
| **Supplemental cash flow disclosures:** | | | |
| Income taxes paid (net of refunds) during the year | $ 339,081 | $ $97,151 | $ 34,955 |
| Interest expense paid during the year | $ 1,748 | $ 18,000 | $ 18,000 |

The accompanying Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements are an integral part of these statements.

## SYMANTEC CORPORATION

### Summary of Significant Accounting Policies

**Business**

Symantec Corporation ("we," "us," and "our" refer to Symantec Corporation and all of its subsidiaries) is the world leader in providing a wide range of solutions to help individuals and enterprises assure the security, availability, and integrity of their information technology, or IT, infrastructure as well as the information itself. With innovative technology solutions and services, we help individuals and enterprises protect and manage their digital assets. We provide a wide range of solutions including enterprise and consumer security, data protection, application and infrastructure management, security management, storage and server management, and response and managed security services. Founded in 1982, we have operations in 40 countries worldwide.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Symantec Corporation and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

**Reclassifications**

Certain previously reported amounts have been reclassified to conform to the current presentation. In particular, we have reclassified certain amounts related to auction-rate securities for the fiscal year ended March 31, 2004 from cash equivalents to short-term investments to comply with Statement of Financial Accounting Standards, or SFAS, No. 95, *Statement of Cash Flows.* As a result, our Consolidated Statement of Cash Flows for the year ended March 31, 2004 reflects an increase of $278 million in Net cash used for investing activities and corresponding decreases in Increase in cash and cash equivalents and Ending cash and cash equivalents when compared to amounts previously reported in our Form 10-K for the year ended March 31, 2004.

**Acquisitions and Divestitures**

On July 2, 2005, we completed our acquisition of Veritas Software Corporation, or Veritas, a leading provider of software and services to enable storage and backup. The results of operations of Veritas have been included in our results of operations beginning on July 2, 2005. For pro forma results of operations of Symantec and Veritas, see Note 3. In addition, in fiscal 2006, we acquired five privately-held companies and one public company. In fiscal 2005, we acquired five privately-held companies and in fiscal 2004, we acquired two privately-held companies and two public companies. Each of these acquisitions was accounted for as a purchase and, accordingly, each acquired company's operating results has been included in our consolidated financial statements since its respective date of acquisition.

**Fiscal years**

We have a 52/53-week fiscal accounting year. Accordingly, all references as of and for the periods ended March 31, 2006, 2005, and 2004 reflect amounts as of and for the periods ended March 31, 2006, April 1, 2005, and April 2, 2004, respectively. The fiscal accounting years ended March 31, 2006 and April 1, 2005 are each comprised of 52 weeks of operations, while the fiscal accounting year ended April 2, 2004 is comprised of 53 weeks of operations. The fiscal accounting year ending March 30, 2007 will comprise 52 weeks of operations.

Symantec share and per share amounts in the Consolidated Statements of Income and the Notes to Consolidated Financial Statements retroactively reflect the two-for-one stock splits effected as stock dividends, which occurred on November 30, 2004 and November 19, 2003.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Foreign Currency Translation**

The functional currency of our foreign subsidiaries is generally the local currency. Assets and liabilities denominated in foreign currencies are translated using the exchange rate on the balance sheet dates. The translation adjustments resulting from this process are included as a component of Stockholders' equity in Accumulated other comprehensive income. Revenues and expenses are translated using monthly average exchange rates prevailing during the year. Foreign currency transaction gains and losses are included Interest and other income, net in the Consolidated Statements of Income. Deferred tax assets (liabilities) are established on the cumulative translation adjustment attributable to unremitted foreign earnings that are not intended to be indefinitely reinvested.

**Revenue Recognition**

We market and distribute our software products both as stand-alone software products and as integrated product suites. We recognize revenue when the following conditions have been met:

- Persuasive evidence of an arrangement exists
- Delivery has occurred or services have been rendered
- Collection of a fixed or determinable amount is considered probable
- If appropriate, reasonable estimates of future product returns can be made

We derive revenue primarily from sales of content, subscriptions, and maintenance and licenses.

Content, subscriptions, and maintenance revenue includes arrangements for software maintenance and technical support for our products, content and subscription services primarily related to our security products, revenue from arrangements where vendor-specific objective evidence, or VSOE, of the fair value of undelivered elements does not exist, and managed security services. These arrangements are generally offered to our customers over a specified period of time and we recognize the related revenue ratably over the maintenance, subscription, or service period.

Content, subscriptions, and maintenance revenue also includes professional services revenue, which consists primarily of the fees we earn related to consulting and educational services. We generally recognize revenue from professional services as the services are performed or upon written acceptance from customers, if applicable, assuming all other conditions for revenue recognition noted above have been met.

License revenue is derived primarily from the licensing of our various products and technology. We generally recognize license revenue upon delivery of the product, assuming all other conditions for revenue recognition noted above have been met.

We enter into perpetual software license agreements through direct sales to customers and indirect sales with distributors and resellers. The license agreements generally include product maintenance agreements, for which the related revenue is included with Content, subscriptions, and maintenance and is deferred and recognized ratably over the period of the agreements.

In arrangements that include multiple elements, including perpetual software licenses and maintenance and/or services and packaged products with content updates, we allocate and defer revenue for the undelivered items based on VSOE of fair value of the undelivered elements, and recognize the difference between the total arrangement fee and the amount deferred for the undelivered items as license revenue. VSOE of each element is based on the price for which the undelivered element is sold separately. We determine fair value of the undelivered elements based on historical evidence of our stand-alone sales of these elements to third parties or from the stated renewal rate for the undelivered elements. When VSOE does not exist for undelivered items such as maintenance, the entire arrangement fee is recognized ratably over the performance period. Our deferred revenue consists primarily of the unamortized balance of enterprise product maintenance and consumer product content update subscriptions.

***Indirect channel sales***

For our Consumer Products segment, we sell packaged software products through a multi-tiered distribution channel. We also sell electronic download and packaged products via the Internet. We separately

sell annual content update subscriptions directly to end-users primarily via the Internet. As a result of increases in future subscription pricing for the 2006 versions of our consumer products that include content updates, we recognize revenue for these products ratably over the term of the subscription upon sell-through to end users. For most other consumer products, we recognize package product revenue on distributor and reseller channel inventory that is not in excess of specified inventory levels in these channels. We offer the right of return of our products under various policies and programs with our distributors, resellers, and end-user customers. We estimate and record reserves for product returns as an offset to revenue. We fully reserve for obsolete products in the distribution channel as an offset to revenue.

For our Enterprise Security, Data Protection, and Storage and Server Management segments, we generally recognize revenue from licensing of software products through our indirect sales channel upon sell-through or with evidence of an end user. For licensing of our software to original equipment manufacturers, or OEMs, royalty revenue is recognized when the OEM reports the sale of the software products to an end-user customer, generally on a quarterly basis. In addition to license royalties, some OEMs pay an annual flat fee and/or support royalties for the right to sell maintenance and technical support to the end user. We recognize revenue from OEM support royalties and fees ratably over the term of the support agreement.

We offer channel and end-user rebates for our products. Our estimated reserves for channel volume incentive rebates are based on distributors' and resellers' actual performance against the terms and conditions of volume incentive rebate programs, which are typically entered into quarterly. Our reserves for end-user rebates are estimated based on the terms and conditions of the promotional program, actual sales during the promotion, amount of actual redemptions received, historical redemption trends by product and by type of promotional program, and the value of the rebate. We estimate and record reserves for channel and end-user rebates as an offset to revenue. For 2006 consumer products that include content updates, rebates are recorded as a ratable offset to revenue over the term of the subscription.

**Cash Equivalents and Short-Term Investments**

We classify our cash equivalents and short-term investments in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* We consider investments in instruments purchased with an original maturity of 90 days or less to be cash equivalents. We classify our short-term investments as available-for-sale, and short-term investments consist of marketable debt or equity securities with original maturities in excess of 90 days. Our short-term investments do not include equity investments in privately held companies. Our short-term investments are reported at fair value with unrealized gains and losses, net of tax, included in Accumulated other comprehensive income within Stockholders' equity in the Consolidated Balance Sheets. The amortization of premiums and discounts on the investments, realized gains and losses, and declines in value judged to be other-than-temporary on available-for-sale securities are included in Interest and other income, net in the Consolidated Statements of Income. We use the specific identification method to determine cost in calculating realized gains and losses upon sale of short-term investments.

**Trade Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount and are not interest bearing. We maintain an allowance for doubtful accounts to reserve for potentially uncollectible trade receivables. Additions to the allowance for doubtful accounts are recorded as operating expenses. We review our trade receivables by aging category to identify specific customers with known disputes or collectibility issues. We exercise judgment when determining the adequacy of these reserves as we evaluate historical bad debt trends, general economic conditions in the U.S. and internationally, and changes in customer financial conditions. We also offset deferred revenue against accounts receivable when channel inventories are in excess of specified levels and for transactions where collection of a receivable is not considered probable.

**Equity Investments**

We have equity investments in privately held companies for business and strategic purposes. These investments are included in Other long-term assets in the Consolidated Balance Sheets and are accounted for under the cost method as we do not have significant influence over these investees. Under the cost method, the

investment is recorded at its initial cost and is periodically evaluated for impairment. During our review for impairment, we examine the investees' actual and forecasted operating results, financial position, and liquidity, as well as business/industry factors in assessing whether a decline in value of an equity investment has occurred that is other-than-temporary. When such a decline in value is identified, the fair value of the equity investment is estimated based on the preceding factors and an impairment loss is recognized in Interest and other income, net in the Consolidated Statements of Income. In fiscal 2006, 2005, and 2004, we recognized impairment losses on our equity investments of $4 million, $1 million, and $3 million, respectively.

Each quarter we assess our compliance with accounting guidance, including the provisions of Financial Accounting Standards Board Interpretation No., or FIN, 46R, *Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51* , and any impairment issues. Under FIN 46R, we must consolidate a variable interest entity if we have a variable interest (or combination of variable interests) in the entity that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. Currently, our equity investments are not subject to consolidation under FIN 46R as we do not have significant influence over these investees and we do not receive a majority of the returns.

**Derivative Financial Instruments**

We utilize some natural hedging to mitigate our foreign currency exposures and we manage certain residual exposures through the use of one-month forward foreign exchange contracts. We enter into forward foreign exchange contracts with high-quality financial institutions primarily to minimize currency exchange risks associated with certain balance sheet positions denominated in foreign currencies. We do not utilize derivative instruments for trading or speculative purposes. Gains and losses on the contracts are included in Interest and other income, net in the Consolidated Statements of Income in the period that gains and losses on the underlying maturing forward transactions are recognized. The gains and losses on the contracts generally offset the gains and losses on the underlying transactions. Changes in the fair value of forward foreign exchange contracts are included in earnings. As of March 31, 2006, the notional amount of our forward exchange contracts was $674 million, which approximates fair value due to their short time to maturity. All of our forward exchange contracts mature in 35 days or less. We do not hedge our foreign currency translation risk.

**Inventories**

Inventories are valued at the lower of cost or market. Cost is principally determined using currently adjusted standards, which approximate actual cost on a first-in, first-out basis. Inventory consists of raw materials and finished goods as well as deferred costs of revenue. Deferred costs of revenue were $41 million at March 31, 2006 and $14 million at March 31, 2005, of which $29 million and zero, respectively, are related to 2006 consumer products that include content updates and will be recognized ratably over the term of the subscription.

**Property, Equipment, and Leasehold Improvements**

Property, equipment, and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the respective assets as follows:

- Computer hardware and software — two to five years
- Office furniture and equipment — three to five years
- Leasehold improvements — the shorter of the lease term or seven years
- Buildings — twenty-five to thirty years

**Capitalized Software Development Costs**

Costs incurred in connection with the development of software products are accounted for in accordance with SFAS No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed.* Development costs incurred in the research and development of new software products and enhancements to existing software products are expensed as incurred until technological feasibility in the form of a working

model has been established. Our software has been available for general release concurrent with the establishment of technological feasibility, and accordingly no software development costs have been capitalized in fiscal 2006, 2005, and 2004.

**Acquired Product Rights**

Acquired product rights are comprised of purchased product rights, technologies, databases and revenue-related order backlog, and contracts from acquired companies. Acquired product rights are stated at cost less accumulated amortization. Amortization of acquired product rights is provided on a straight-line basis over the estimated useful lives of the respective assets, generally one to eight years, and is included in Cost of revenues in the Consolidated Statements of Income.

**Goodwill and Other Intangible Assets**

We account for goodwill and other intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets.* SFAS No. 142 requires that goodwill and identifiable intangible assets with indefinite useful lives be tested for impairment at least annually, or more frequently if events and circumstances warrant. We evaluate goodwill for impairment by comparing the fair value of each of our reporting units, which are the same as our operating segments, to its carrying value, including the goodwill allocated to that reporting unit. To determine the reporting units' fair values in the current year evaluation, we used the income approach under which we calculate the fair value of each reporting unit based on the estimated discounted future cash flows of that unit. Our cash flow assumptions are based on historical and forecasted revenue, operating costs, and other relevant factors. SFAS No. 142 also requires that intangible assets with finite useful lives be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.*

**Long-Lived Assets**

We account for long-lived assets in accordance with SFAS No. 144, which requires that long-lived and intangible assets, including Property and equipment, net, Acquired product rights, net, and Other intangible assets, net be evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We would recognize an impairment loss when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Such impairment loss would be measured as the difference between the carrying amount of the asset and its fair value. Assets to be disposed of would be separately presented in the Consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the Consolidated Balance Sheets.

**Income Taxes**

We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes.* The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carryforwards in each jurisdiction in which we operate. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. We also account for any income tax contingencies in accordance with SFAS No. 5, *Accounting for Contingencies.*

**Net Income Per Share**

Basic and diluted net income per share are presented in conformity with SFAS No. 128, *Earnings per Share* , for all periods presented. Basic net income per share is computed using the weighted average number of common shares outstanding during the periods. Diluted net income per share is computed using the weighted average number of common shares outstanding and potentially dilutive common shares outstanding during the periods. Potentially dilutive common shares include the assumed exercise of stock options using the treasury

stock method, the dilutive impact of restricted stock and restricted stock units using the treasury stock method, and conversion of debt, if dilutive in the period. Potentially dilutive common shares are excluded in net loss periods, as their effect would be antidilutive.

**Stock-Based Compensation**

We account for stock-based compensation awards to employees using the intrinsic value method in accordance with Accounting Principles Board Opinion, or APB, No. 25, *Accounting for Stock Issued to Employees* , and to non-employees using the fair value method in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation.* In addition, we apply applicable provisions of FIN 44, *Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB No. 25.* As discussed in Note 3, in connection with the acquisition of Veritas, we assumed outstanding options to purchase shares of Veritas common stock and converted them into options to purchase 66 million shares of Symantec common stock.

Pro forma information regarding net income and net income per share is required by SFAS No. 123. This information is required to be determined as if we had accounted for our employee stock options, including shares issued under the Employee Stock Purchase Plan, or ESPP, granted subsequent to March 31, 1995, under the fair value method of that statement. The following table illustrates the effect on net income and net income per share as if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation using the Black-Scholes option-pricing model for the three years ended March 31, 2006, 2005, and 2004:

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | (In thousands, except per share data) | | |
| Net income, as reported | $ 156,852 | $ 536,159 | $ 370,619 |
| Add: Employee stock-based compensation expense included in reported net income, net of tax | 26,996 | 3,087 | — |
| Less: Stock-based employee compensation expense determined using the fair value method for all awards, net of tax | (239,071) [1] | (116,957) | (97,711) |
| Pro forma net income (loss) | $ (55,223) | $ 422,289 | $ 272,908 |
| Basic net income (loss) per share: | | | |
| As reported | $ 0.16 | $ 0.81 | $ 0.61 |
| Pro forma | $ (0.06) | $ 0.64 | $ 0.45 |
| Diluted net income (loss) per share: | | | |
| As reported | $ 0.15 | $ 0.74 | $ 0.54 |
| Pro forma | $ (0.06) | $ 0.59 | $ 0.41 |

[1] Includes a charge of $18 million resulting from the inclusion of unamortized expense for ESPP offering periods that were cancelled as a result of a plan amendment to eliminate the two-year offering period effective July 1, 2005. Also includes a charge resulting from the acceleration of certain stock options with exercise prices equal to or greater than $27 per share outstanding on March 30, 2006.

In light of new accounting guidance under SFAS No. 123R, *Share-Based Payment* , which addresses option valuation for employee awards, we have reevaluated our assumptions used in estimating the fair value of employee options granted beginning in the December 2005 quarter. Based on this assessment, management has determined that historical volatility adjusted for the effect of implied volatility is a better indicator of expected volatility than historical volatility alone. Also, beginning with the December 2005 quarter, we decreased our estimate of the expected life of new options granted to our employees from five years to three years. The reduction in the estimated expected life was a result of an analysis of our historical experience and a decrease in the contractual term of the options from ten to seven years. As a result of the change from solely historical volatility to historical volatility adjusted to reflect the effect of implied volatility and the reduction of

the expected life, the pro forma expense will be reduced by an aggregate of approximately $32 million over the four-year average vesting period beginning with options granted in the quarter ended December 31, 2005.

For the pro forma amounts determined under SFAS No. 123, as set forth above, the fair value of each stock option granted under the stock option plans or assumed in a business combination is estimated on the date of grant or assumption using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | Employee Stock Options | | | Employee Stock Purchase Plans | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2006 | 2005 | 2004 |
| Expected life (years) | 3 | 5 | 5 | 0.5 | 1.25 | 1.25 |
| Expected volatility | 0.45 | 0.64 | 0.69 | 0.33 | 0.36 | 0.46 |
| Risk free interest rate | 3.55% | 3.71% | 3.00% | 4.26% | 2.33% | 1.00% |

The weighted average estimated fair value of employee stock options granted in fiscal 2006, 2005, and 2004 was $7.81, $15.46, and $8.73 per share, respectively. The weighted average estimated fair value of employee stock purchase rights granted under the ESPP in fiscal 2006, 2005, and 2004 was $3.16, $8.19, and $4.36, respectively.

For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense using the straight-line method over the options' vesting period for employee stock options and over the six-month purchase period for stock purchases under the ESPP.

On March 30, 2006, we accelerated the vesting of certain stock options with exercise prices equal to or greater than $27.00 per share that were outstanding on that date. We did not accelerate the vesting of any stock options held by our executive officers or directors. The vesting of options to purchase approximately 6.7 million shares of common stock, or approximately 14% of our outstanding unvested options, was accelerated. The weighted average exercise price of the stock options for which vesting was accelerated was $28.73. We accelerated the vesting of the options to reduce future stock-based compensation expense that we would otherwise be required to recognize in our results of operations after adoption of SFAS No. 123R. We adopted SFAS No. 123R on April 1, 2006, which is the beginning of our 2007 fiscal year. Because of system constraints, it is not practicable for us to estimate the amount by which the acceleration of vesting will reduce our future stock-based compensation expense. The acceleration of the vesting of these options did not result in a charge to expense in fiscal 2006.

**Concentrations of Credit Risk**

A significant portion of our revenues and net income is derived from international sales and independent agents and distributors. Fluctuations of the U.S. dollar against foreign currencies, changes in local regulatory or economic conditions, piracy, or nonperformance by independent agents or distributors could adversely affect operating results.

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, trade accounts receivable, and forward foreign exchange contracts. Our investment portfolio is diversified and consists of investment grade securities. Our investment policy limits the amount of credit risk exposure to any one issuer and in any one country. We are exposed to credit risks in the event of default by the issuers to the extent of the amount recorded in the Consolidated Balance Sheets. The credit risk in our trade accounts receivable is substantially mitigated by our credit evaluation process, reasonably short collection terms, and the geographical dispersion of sales transactions. We maintain reserves for potential credit losses and such losses have been within management's expectations.

**Legal Expenses**

We accrue estimated legal expenses when the likelihood of the incurrence of the related costs is probable and management has the ability to estimate such costs. If both of these conditions are not met, management

records the related legal expenses when incurred. Amounts that we accrue are not discounted. The material assumptions used to estimate the amount of legal expenses include:

- The monthly legal expense incurred by our external attorneys on the particular case being evaluated
- Communication between us and our external attorneys on the expected duration of the lawsuit and the estimated expenses during that time
- Our strategy regarding the lawsuit
- Deductible amounts under our insurance policies
- Past experiences with similar lawsuits

**Accumulated Other Comprehensive Income**

We report comprehensive income or loss in accordance with the provisions of SFAS No. 130, *Reporting Comprehensive Income*, which establishes standards for reporting comprehensive income and its components in the financial statements. The components of other comprehensive income (loss) consist of unrealized gains and losses on available-for-sale securities, net of tax, and foreign currency translation adjustments, net of tax. Unrealized gains and losses on our available-for-sale securities were $6 million in fiscal 2006 and insignificant in fiscal 2005 and 2004. Comprehensive income is presented in the accompanying Consolidated Statements of Stockholders' Equity and Comprehensive Income.

**Newly Adopted and Recently Issued Accounting Pronouncements**

In February 2006, the Financial Accounting Standards Board, or FASB, issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments* , which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* , and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the entire instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued, or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006. Earlier adoption is permitted, provided the company has not yet issued financial statements, including for interim periods, for that fiscal year. We do not expect the adoption of SFAS No. 155 to have a material impact on our consolidated financial position, results of operations, or cash flows.

In June 2005, the FASB issued FASB Staff Position, or FSP, FAS 143-1, *Accounting for Electronic Equipment Waste Obligations* , which provides guidance on the accounting for certain obligations associated with the Directive on Waste Electrical and Electronic Equipment, or the Directive, which was adopted by the European Union, or the EU. Under the Directive, the waste management obligation for historical equipment, defined as products put on the market on or prior to August 13, 2005, remains with the commercial user until the equipment is replaced. FSP FAS 143-1 is required to be applied to the later of the first fiscal period ending after June 8, 2005 or the date of the Directive's adoption into law by the applicable EU member countries in which we have significant operations. We are currently evaluating the impact of FSP FAS 143-1 on our financial position and results of operations. The effects will depend on the respective laws adopted by the EU member countries.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* , which replaces APB No. 20, *Accounting Changes* , and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements — An Amendment of APB Opinion No. 28.* SFAS No. 154 provides guidance on accounting for and reporting changes in accounting principle and error corrections. SFAS No. 154 requires that changes in accounting principle be applied retrospectively to prior period financial statements and is effective for fiscal years beginning after December 15, 2005. When adopted and if used, SFAS No. 154 would have a material impact on our consolidated financial position, results of operations, or cash flows.

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment* , which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. SFAS No. 123R is effective for annual periods beginning after June 15, 2005 and, thus, will be effective for us beginning with the

first quarter of fiscal 2007. Generally, the approach in SFAS No. 123R is similar to the approach described in SFAS No. 123. However, SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options and purchases under employee stock purchase plans, to be recognized in the Consolidated Statements of Income based on their fair values. Pro forma disclosure of fair value recognition will no longer be an alternative. See *Stock-Based Compensation* above for information related to the pro forma effects on our reported net income and net income per share when applying the fair value recognition provisions of the previous SFAS No. 123 to stock-based employee compensation. On April 1, 2006, we adopted SFAS No. 123R using the modified prospective method. We expect the adoption of SFAS No. 123R to have a material impact on our consolidated financial position and results of operations.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets — An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions.* SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, *Accounting for Nonmonetary Transactions* , and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 did not have a material impact on our consolidated financial position, results of operations, or cash flow.

In December 2004, the FASB issued FSP FAS 109-1, *Application of FASB Statement No. 109, "Accounting for Income Taxes," to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004.* The American Jobs Creation Act introduces a special tax deduction on qualified production activities. FSP FAS 109-1 clarifies that this tax deduction should be accounted for as a special deduction in accordance with SFAS No. 109. FSP FAS 109-1 did not have a material impact on our consolidated financial position, results of operations, or cash flows.

SYMANTEC CORPORATION

Notes to Consolidated Financial Statements

## Note 1. Consolidated Balance Sheet Information

| | March 31, 2006 | March 31, 2005 |
|---|---|---|
| | (In thousands) | |
| *Trade accounts receivable, net:* | | |
| Receivables | $ 679,731 | $ 289,993 |
| Less: allowance for doubtful accounts | (8,794) | (4,668) |
| | $ 670,937 | $ 285,325 |
| *Property and equipment, net:* | | |
| Computer hardware and software | $ 654,946 | $ 419,127 |
| Office furniture and equipment | 149,591 | 82,310 |
| Buildings | 434,548 | 156,472 |
| Leasehold improvements | 190,385 | 100,881 |
| | 1,429,470 | 758,790 |
| Less: accumulated depreciation and amortization | (612,072) | (433,265) |
| | 817,398 | 325,525 |
| Land | 128,819 | 57,164 |
| | $ 946,217 | $ 382,689 |

## Note 2. Sales and Marketing Expense Information

***Technical Support Costs***

Technical support costs relate to the cost of providing free support and are accrued at the time of product sale. Technical support costs included in Sales and marketing in the Consolidated Statements of Income for fiscal 2006, 2005, and 2004 were $24 million, $21 million, and $20 million, respectively.

***Advertising Costs***

Advertising costs are charged to operations as incurred. Advertising costs included in Sales and marketing in the Consolidated Statements of Income for fiscal 2006, 2005, and 2004 were $253 million, $172 million, and $128 million, respectively.

## Note 3. Acquisitions

***Fiscal 2006 acquisitions***

*Acquisition of Veritas Software Corporation*

On July 2, 2005, we completed our acquisition of Veritas, a leading provider of software and services to enable storage and backup, whereby Veritas became a wholly owned subsidiary of Symantec in a transaction accounted for using the purchase method of accounting. The total purchase price of $13.2 billion includes Symantec common stock valued at $12.5 billion, assumed stock options and restricted stock units, or RSUs, with a fair value of $699 million, and acquisition-related expenses of $39 million. The combined company offers customers a broad portfolio of leading software and solutions across all tiers of the infrastructure. In addition, we believe that bringing together the market leading capabilities of Symantec and Veritas improves our ability to continuously optimize performance and help companies recover from disruptions when they occur.

As a result of the acquisition, we issued approximately 483 million shares of Symantec common stock, net of treasury stock retained, based on an exchange ratio of 1.1242 shares of Symantec common stock for each outstanding share of Veritas common stock as of July 2, 2005. The common stock issued had a fair value

of $12.5 billion and was valued using the average closing price of our common stock of $25.87 over a range of trading days (December 14, 2004 through December 20, 2004, inclusive) around the announcement date (December 16, 2004) of the transaction.

Under the terms of the agreement, we also assumed each outstanding option to purchase Veritas common stock with an exercise price equal to or less than $49.00 as well as each additional option required to be assumed by applicable law. Each option assumed was converted into an option to purchase Symantec common stock after applying the exchange ratio. All other options to purchase shares of Veritas common stock not exercised prior to the acquisition were cancelled immediately prior to the acquisition and were not converted or assumed by Symantec. In total, we assumed and converted Veritas options into options to purchase 66 million shares of Symantec common stock. In addition, we assumed and converted all outstanding Veritas RSUs into approximately 425,000 Symantec RSUs, based on the exchange ratio.

Acquisition-related costs of $39 million consist of $32 million for accounting, legal, and other professional fees and $7 million of restructuring costs for severance, associated benefits, outplacement services, and excess facilities. As of March 31, 2006, substantially all costs for accounting, legal, and other professional fees have been paid. Total cash expenditures as of March 31, 2006 for restructuring costs for severance, associated benefits, outplacement services, and excess facilities were approximately $4 million. Acquisition-related costs are included in Other accrued expenses in the Consolidated Balance Sheets.

The total purchase price of the acquisition is as follows (in thousands):

| | | |
|---|---|---|
| Value of Symantec stock issued | $ | 12,498,336 |
| Estimated fair value of options assumed and RSUs exchanged | | 698,514 |
| Acquisition related expenses | | 38,791 |
| Total purchase price | $ | 13,235,641 |

The acquisition was structured to qualify as a tax-free reorganization and we have accounted for the acquisition using the purchase method of accounting. The results of operations of Veritas have been included in the Consolidated Statements of Income beginning on July 2, 2005 and had a significant impact on our revenues, cost of revenues, and operating expenses.

The Veritas business is included in our Data Protection, Storage and Server Management, and Services segments.

**Purchase price allocation**

In accordance with SFAS No. 141, *Business Combinations* , the total purchase price was allocated to Veritas' net tangible and intangible assets based on their estimated fair values as of July 2, 2005. The excess purchase price over the value of the net tangible and identifiable intangible assets was recorded as goodwill. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on

SYMANTEC CORPORATION

Notes to Consolidated Financial Statements — (Continued)

estimates and assumptions provided by management. The following represents the allocation of the purchase price to the acquired net assets of Veritas and the associated estimated useful lives:

| | Amount | Estimated Useful Life |
|---|---|---|
| | (In thousands) | |
| Net tangible assets | $ 2,300,199 | n/a |
| Identifiable intangible assets: | | |
| Acquired product rights | 1,301,600 | 4 to 5 years [1] |
| Customer contracts and relationships | 1,419,400 | 8 years |
| Trade name | 96,800 | 10 years |
| Goodwill | 8,597,768 | n/a |
| In-process research and development | 284,000 | n/a |
| Deferred stock-based compensation | 63,092 | 2.8 years [2] |
| Deferred tax liability | (827,218) | n/a |
| Total purchase price | $ 13,235,641 | |

[1] The Veritas backlog included in Acquired product rights was charged to Cost of revenues in the September 2005 quarter.

[2] Estimated weighted-average remaining vesting period.

The purchase price allocation may be adjusted in future periods pending resolution of the Veritas pre-acquisition income tax matters discussed in Note 13.

**Net tangible assets**

Veritas' tangible assets and liabilities as of July 2, 2005 were reviewed and adjusted to their fair value as necessary, including a write down in the amount of $113 million relating to land owned in various locations. Net tangible assets include net deferred tax assets of $223 million and income taxes payable of $269 million.

**Deferred revenue**

In connection with the acquisition of Veritas, we assumed Veritas' contractual obligations related to its deferred revenue. Veritas' deferred revenue was derived from licenses, maintenance, consulting, education, and other services. We estimated our obligation related to the Veritas deferred revenue using the cost build-up approach. The cost build-up approach determines fair value by estimating the costs relating to fulfilling the obligation plus a normal profit margin. The sum of the costs and operating profit approximates, in theory, the amount that we would be required to pay a third party to assume the support obligation. The estimated costs to fulfill the support obligation were based on the historical direct costs related to providing the support. As a result, we recorded an adjustment to reduce the carrying value of deferred revenue by $359 million to $173 million, which represents our estimate of the fair value of the contractual obligations assumed.

**Identifiable intangible assets**

Acquired product rights include developed and core technology, patents, and backlog. Developed technology relates to Veritas' products across all of their product lines that have reached technological feasibility. Core technology and patents represent a combination of Veritas processes, patents, and trade secrets developed through years of experience in design and development of their products. Backlog relates to firm customer orders that generally are scheduled for delivery within the next quarter, as well as OEM revenues that are reported in the next quarter. We amortized the fair value of the backlog to Cost of revenues in the September 2005 quarter. We are amortizing the fair values of all other Acquired product rights to Cost of revenues on a straight-line basis over their estimated lives of four to five years.

Customer contracts and relationships represent existing contracts that relate primarily to underlying customer relationships. We are amortizing the fair values of these assets to Operating expenses in the Consolidated Statements of Income on a straight-line basis over an average estimated life of eight years.

Trade names relate to the Veritas product names that will continue in use. We are amortizing the fair values of these assets to Operating expenses in the Consolidated Statements of Income on a straight-line basis over an estimated life of ten years.

**Goodwill**

Approximately $8.6 billion of the purchase price has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets. The goodwill was attributed to the premium paid for the opportunity to expand and better serve the addressable market and achieve greater long-term growth opportunities than either company had operating alone. Management believes that the combined company will be better positioned to deliver security and availability solutions across all platforms, from the desktop to the data center, to customers ranging from consumers and small businesses to large organizations and service providers. Goodwill recorded as a result of this acquisition is not deductible for tax purposes.

In accordance with SFAS No. 142, goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that management determines that the value of goodwill has become impaired, we would incur an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made.

**In-process research and development (IPR&D)**

We wrote off acquired IPR&D totaling $284 million in connection with our acquisition of Veritas. The IPR&D was written off because the acquired technologies had not reached technological feasibility and had no alternative uses. Technological feasibility is defined as being equivalent to completion of a beta-phase working prototype in which there is no remaining risk relating to the development. At the time of the acquisition, Veritas was developing new products in multiple product areas that qualify as IPR&D. These efforts included NetBackup 6.1, Backup Exec 11.0, Server Management 5.0, and various other projects. At the time of the acquisition, it was estimated that these IPR&D efforts would be completed over the following 12 to 18 months at an estimated total cost of $120 million. As of March 31, 2006, the development efforts were continuing on schedule and within expected costs.

The value assigned to IPR&D was determined by estimating costs to develop the purchased IPR&D into commercially viable products, estimating the resulting net cash flows from the projects when completed, and discounting the net cash flows to their present value. The revenue estimates used in the net cash flow forecasts were based on estimates of relevant market sizes and growth factors, expected trends in technology, and the nature and expected timing of new product introductions by Veritas and its competitors.

The rate utilized to discount the net cash flows to their present value was based on Veritas' weighted average cost of capital. The weighted average cost of capital was adjusted to reflect the difficulties and uncertainties in completing each project and thereby achieving technological feasibility, the percentage of completion of each project, anticipated market acceptance and penetration, market growth rates, and risks related to the impact of potential changes in future target markets. Based on these factors, a discount rate of 13.5% was deemed appropriate for valuing the IPR&D.

The estimates used in valuing IPR&D were based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

**Deferred stock-based compensation**

We assumed Veritas' stock options and RSUs, and converted them into stock options to purchase 66 million shares of Symantec common stock and 425,000 Symantec RSUs. The fair value of the assumed stock options was $688 million using the Black-Scholes valuation model with the following weighted average assumptions: volatility of 36%, risk-free interest rate of 3.4%, expected life of 3.5 years, and dividend yield of zero. The fair value of the RSUs was $11 million based on the fair value of the underlying shares on the announcement date. The intrinsic value of the unvested options and RSUs was valued at $63 million and was recorded in Deferred stock-based compensation within Stockholders' equity in the Consolidated Balance Sheets in the September 2005 quarter. The difference between the fair value and the intrinsic value of the unvested portion of the options and RSUs was $636 million and was included in the purchase price consideration.

The deferred stock-based compensation is being amortized to operating expense over the remaining vesting periods of the underlying options or RSUs on a straight-line basis. During the period from the acquisition date through March 31, 2006, certain unvested options and RSUs were cancelled as a result of employee terminations, and deferred stock-based compensation was reduced by $6 million. We recorded amortization of deferred stock-based compensation from the Veritas transaction of $27 million in fiscal 2006.

**Deferred tax liability**

We have recognized deferred tax assets and liabilities for the tax effects of differences between assigned values in the purchase price and the tax bases of assets acquired and liabilities assumed. A significant portion of the net deferred tax liability in the purchase price allocation is attributable to the tax effect of the difference between the assigned value of identified intangible assets and their tax bases. In determining the tax effect of these basis differences, we have taken into account the allocation of these identified intangibles among different taxing jurisdictions, including those with nominal or zero percent tax rates.

**Short-term loan**

In connection with the acquisition of Veritas, we assumed a short-term loan with a principal amount of EURO 411 million. We paid the entire balance of the short-term loan on July 7, 2005.

**Pro forma results**

The following table presents pro forma results of operations of Symantec and Veritas, as though the companies had been combined as of the beginning of the earliest period presented. The unaudited pro forma results of operations are not necessarily indicative of results that would have occurred had the acquisition taken place on April 1, 2004 or of results that may occur in the future. Pro forma net income includes amortization of intangible assets related to the acquisition of $119 million per quarter and amortization of deferred stock-based compensation of $6 million per quarter. Pro forma net income also includes amortization of backlog of $46 million for fiscal 2005. We excluded the effect of the purchase accounting adjustment to

SYMANTEC CORPORATION

Notes to Consolidated Financial Statements — (Continued)

reduce the carrying value of deferred revenue and the write-off of acquired IPR&D of $284 million for all periods presented. The unaudited pro forma information is as follows:

| | Year Ended March 31, | |
|---|---|---|
| | 2006(a) | 2005(b) |
| | (In thousands, except per share data) | |
| Net revenues | $ 4,702,650 | $ 4,624,723 |
| Net income | $ 464,172 | $ 563,151 |
| Basic net income per share | $ 0.42 | $ 0.49 |
| Diluted net income per share | $ 0.40 | $ 0.46 |

(a) The results of operations include our results for the year ended March 31, 2006, including Veritas beginning from July 2, 2005, and Veritas' historical results for the three months ended March 31, 2005, including amortization related to fair value adjustments based on the fair values of assets acquired and liabilities assumed as of the acquisition date of July 2, 2005.

(b) The results of operations include our results for the year ended March 31, 2005 and Veritas' historical results for the year ended December 31, 2004, including amortization related to fair value adjustments based on the fair values of assets acquired and liabilities assumed as of the acquisition date of July 2, 2005.

*Other fiscal 2006 acquisitions*

During fiscal 2006, in addition to Veritas, we completed acquisitions of five privately-held companies and one public company for an aggregate of $627 million in cash, including acquisition-related expenses resulting from financial advisory, legal and accounting services, duplicate sites, and severance costs of approximately $18 million, of which approximately $7 million remains as an accrual as of March 31, 2006. We recorded goodwill in connection with each of these acquisitions. In each acquisition, goodwill resulted primarily from our expectation of synergies from the integration of the acquired company's technology with our technology and the acquired company's access to our global distribution network. In addition, each acquired company provided a knowledgeable and experienced workforce. The results of operations for the acquired companies have been included in our results of operations since their respective acquisition dates. XtreamLok Pty. Ltd and substantially all of WholeSecurity, Inc. are included in our Consumer Products segment, Sygate Technologies, Inc., the remainder of WholeSecurity, BindView Development Corporation, and IMlogic, Inc. are included in our Enterprise Security segment, and Relicore, Inc. is included in our Storage Management segment. Details of the purchase price allocations related to these other fiscal 2006 acquisitions are included in the table below. The financial results of these other fiscal 2006 acquisitions were considered insignificant for pro forma financial disclosure, both individually and in the aggregate.

| | XtreamLok | WholeSecurity | Sygate Technologies | BindView | IMlogic | Relicore | Total |
|---|---|---|---|---|---|---|---|
| | (In thousands) | | | | | | |
| Acquisition date | May 16, 2005 | Oct 4, 2005 | Oct 7, 2005 | Jan 6, 2006 | Feb 13, 2006 | Feb 17, 2006 | |
| Net tangible assets (liabilities) | $ (59) | $ 632 | $ 10,764 | $ 37,691 | $ 8,019 | $ (987) | $ 56,060 |
| Acquired product rights | 4,000 | 11,600 | 23,712 | 38,100 | 10,300 | 9,600 | 97,312 |
| Other intangible assets | — | 200 | 2,496 | 27,200 | 10,100 | 2,800 | 42,796 |
| IPR&D | — | — | — | 1,100 | — | — | 1,100 |
| Goodwill | 15,132 | 50,111 | 130,184 | 93,078 | 61,512 | 31,748 | 381,765 |
| Deferred tax asset (liability), net | (1,200) | 5,727 | 9,815 | 23,547 | 769 | 8,910 | 47,568 |
| Total purchase price | $ 17,873 | $ 68,270 | $ 176,971 | $220,716 | $ 90,700 | $ 52,071 | $626,601 |

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Notes to Consolidated Financial Statements — (Continued)

These allocations are preliminary pending the finalization of various estimates and the analysis of income taxes. The amounts allocated to Acquired product rights are being amortized to Cost of revenues in the Consolidated Statements of Income over their useful lives of four to five years. The amounts allocated to Other intangible assets are being amortized to Operating expenses in the Consolidated Statements of Income over their useful lives of one to eight years. The IPR&D was written off on the acquisition date.

***Fiscal 2005 Acquisitions***

During fiscal 2005, we acquired five privately-held companies for a total purchase price of $461 million, including acquisition-related expenses resulting from financial advisory, legal and accounting services, duplicate sites, and severance costs. The purchase price consisted of $439 million in cash and assumed stock options valued at $22 million. We recorded goodwill in connection with each of these acquisitions. In each acquisition, goodwill resulted primarily from our expectation of synergies from the integration of the acquired company's technology with our technology and the acquired company's access to our global distribution network. In addition, each acquired company provided a knowledgeable and experienced workforce. The results of operations of the acquired companies have been included in our operations from the dates of acquisition. Brightmail Incorporated, TurnTide, Inc., and Platform Logic, Inc. are included in our Enterprise Security segment and @stake, Inc. and LIRIC Associates are included in our Services segment. Details of the purchase price allocations related to our fiscal 2005 acquisitions are included in the table below. Our fiscal 2005 acquisitions were considered insignificant for pro forma financial disclosure, both individually and in the aggregate.

| | Brightmail | TurnTide | @stake | LIRIC | Platform Logic | Total |
|---|---|---|---|---|---|---|
| | | | (In thousands) | | | |
| Acquisition date | June 21, 2004 | July 7, 2004 | Oct 7, 2004 | Oct 11, 2004 | Dec 9, 2004 | |
| Net tangible assets (liabilities) | $ 23,999 | $ (305) | $ 4,201 | $ 617 | $ (221) | $ 28,291 |
| Acquired product rights | 40,020 | 4,200 | 9,200 | 540 | 3,900 | 57,860 |
| Other intangible assets | 8,439 | 60 | 11,100 | 6,475 | 50 | 26,124 |
| IPR&D | 3,480 | — | — | — | — | 3,480 |
| Goodwill | 226,959 | 25,933 | 21,082 | 9,300 | 27,206 | 310,480 |
| Deferred tax asset (liability), net | 14,805 | (1,704) | 3,454 | (2,105) | (599) | 13,851 |
| Deferred stock-based compensation | 21,339 | — | — | — | — | 21,339 |
| Total purchase price | $ 339,041 | $ 28,184 | $ 49,037 | $ 14,827 | $ 30,336 | $461,425 |

The amounts allocated to Acquired product rights are being amortized to Cost of revenues in the Consolidated Statements of Income over their estimated lives of one to five years. The amounts allocated to Other intangible assets are being amortized to Operating expenses in the Consolidated Statements of Income over their estimated lives of one to eight years. The Deferred stock-based compensation is being amortized to Operating expenses over the remaining service periods of one to four years. The IPR&D was written off on the acquisition date.

SYMANTEC CORPORATION

Notes to Consolidated Financial Statements — (Continued)

***Fiscal 2004 Acquisitions***

During fiscal 2004, we acquired two public and two privately-held companies for a total of $311 million in cash, including acquisition-related expenses resulting from financial advisory, legal, and accounting services, duplicate sites, and severance costs. An insignificant amount of acquisition-related expenses remains as an accrual as of March 31, 2006. We recorded goodwill in connection with each of these acquisitions. In each acquisition, goodwill resulted primarily from our expectation of synergies from the integration of the acquired company's technology with our technology and the acquired company's access to our global distribution network. In addition, each acquired company provided a knowledgeable and experienced workforce. The results of operations of the acquired companies have been included in our operations from the dates of acquisition. ON Technology Corp. and PowerQuest, Inc. are included in our Storage and Server Management segment, and SafeWeb, Inc. and Nexland, Inc. are included in our Enterprise Security segment. Details of the purchase price allocations related to our fiscal 2004 acquisitions are included in the table below. Our fiscal 2004 acquisitions were considered insignificant for pro forma financial disclosure, both individually and in the aggregate.

| | Nexland | SafeWeb | PowerQuest | ON Technology | Total |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Acquisition date | July 17, 2003 | Oct 15, 2003 | Dec 5, 2003 | Feb 13, 2004 | |
| Net tangible assets (liabilities) | $ (2,507) | $ 366 | $ 16,125 | $ 14,420 | $ 28,404 |
| Acquired product rights | 1,000 | 1,000 | 19,600 | 7,410 | 29,010 |
| Other intangible assets | 60 | — | 2,400 | 5,660 | 8,120 |
| IPR&D | 1,000 | — | 1,600 | 1,110 | 3,710 |
| Goodwill | 20,791 | 21,603 | 114,352 | 70,463 | 227,209 |
| Deferred tax asset, net | 547 | 3,600 | 270 | 10,293 | 14,710 |
| Total purchase price | $ 20,891 | $ 26,569 | $ 154,347 | $ 109,356 | $311,163 |

The amounts allocated to Acquired product rights are being amortized to Cost of revenues in the Consolidated Statements of Income over their estimated lives of four to five years. The amounts allocated to Other intangible assets are being amortized to Operating expenses in the Consolidated Statements of Income over their estimated lives of two to seven years. The IPR&D was written off on the acquisition date.

## Note 4. 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:

| | Enterprise Security | Storage & Server Management | Data Protection | Services | Consumer Products | Total |
|---|---|---|---|---|---|---|
| | | | (In thousands) | | | |
| Balance as of March 31, 2005 | $1,017,622 | $ 193,192 | $ — | $ 149,183 | $ 5,216 | $ 1,365,213 |
| Goodwill acquired through the Veritas acquisition | — | 3,439,107 | 4,986,706 | 171,955 | — | 8,597,768 |
| Goodwill acquired through other acquisitions | 287,280 | 31,748 | — | — | 62,737 | 381,765 |
| Operating segment reclassification(a) | 116,543 | — | — | (116,543) | — | — |
| Goodwill adjustments(b) | (10,584) | 405 | — | (3,522) | — | (13,701) |
| Balance as of March 31, 2006 | $1,410,861 | $3,664,452 | $4,986,706 | $ 201,073 | $ 67,953 | $10,331,045 |

(a) During the June 2005 quarter, we reclassified our operating segments as described in Note 15, tested our goodwill for impairment under the new segment structure, and determined that there was no impairment of goodwill.

(b) During fiscal 2006, we adjusted the goodwill related to several prior acquisitions for individually insignificant amounts based on final income tax returns and continued post-closing review.

Goodwill is tested for impairment on an annual basis, or earlier if indicators of impairment exist. We completed our annual goodwill impairment test required by SFAS No. 142 during the March 2006 quarter and determined that there was no impairment of goodwill.

***Acquired product rights, net***

Acquired product rights subject to amortization are as follows:

| | March 31, 2006 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (In thousands) | |
| Developed technology | $ 1,597,567 | $ (420,887) | $ 1,176,680 |
| Patents | 78,713 | (18,416) | 60,297 |
| Backlog and other | 60,661 | (59,127) | 1,534 |
| | $ 1,736,941 | $ (498,430) | $ 1,238,511 |

| | March 31, 2005 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (In thousands) | |
| Developed technology | $ 243,958 | $ (167,061) | $ 76,897 |
| Patents | 53,559 | (11,030) | 42,529 |
| Backlog and other | 14,761 | (6,568) | 8,193 |
| | $ 312,278 | $ (184,659) | $ 127,619 |

In addition to the business combinations discussed in Note 3, we acquired Acquired product rights in the following transactions:

On October 7, 2005, in connection with the acquisition of Sygate, we obtained certain acquired product rights related to patent licenses held by Sygate valued at approximately $18 million. The Acquired product rights are being amortized to Cost of revenues in the Consolidated Statements of Income over their estimated life of twelve years.

On May 12, 2005, we resolved patent litigation matters with Altiris, Inc. by entering into a cross-licensing agreement that resolved all legal claims between the companies. As part of the settlement, we paid Altiris $10 million for use of the disputed technology. Under the transaction, we expensed $2 million of patent settlement costs in the June 2005 quarter that was related to benefits received by us in and prior to the June 2005 quarter. The remaining $8 million was recorded as Acquired product rights and is being amortized to Cost of revenues in the Consolidated Statements of Income over the remaining life of the primary patent, which expires in May 2017.

On August 6, 2003, we purchased a security technology patent as part of a settlement in *Hilgraeve, Inc. v. Symantec Corporation.* As part of the settlement, we also received licenses to the remaining patents in Hilgraeve's portfolio. The total cost of purchasing the patent and licensing additional patents was $63 million, which was paid in cash in August 2003. Under the transaction, we recorded $14 million of patent settlement costs in the June 2003 quarter that were related to benefits received by us in and prior to the June 2003 quarter. The remaining $49 million was recorded as Acquired product rights and is being amortized to Cost of revenues in the Consolidated Statements of Income over the remaining life of the primary patent, which expires in June 2011.

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Notes to Consolidated Financial Statements — (Continued)

On April 17, 2003, we purchased acquired product rights related to Roxio Inc.'s GoBack computer recovery software business for $13 million in cash. The acquired product rights are being amortized to Cost of revenues in the Consolidated Statements of Income over their estimated life of three years.

In fiscal 2006, 2005, and 2004, amortization expense for acquired product rights was $314 million, $49 million, and $41 million, respectively. Amortization of acquired product rights was included in Cost of revenues in the Consolidated Statements of Income. The weighted average remaining estimated lives of acquired product rights are approximately four years for developed technology, approximately seven years for patents, and less than one year for backlog and other. The weighted average remaining estimated life of acquired product rights in total is approximately four years. Annual amortization of acquired product rights, based upon our existing acquired product rights and their current useful lives, is estimated to be the following as of March 31, 2006:

| | |
|---|---|
| 2007 | $ 343 million |
| 2008 | $ 335 million |
| 2009 | $ 329 million |
| 2010 | $ 176 million |
| 2011 | $ 41 million |
| Thereafter | $ 15 million |

***Other intangible assets, net***

Other intangible assets subject to amortization are as follows:

| | March 31, 2006 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (In thousands) | |
| Customer base | $ 1,493,982 | $ (147,168) | $ 1,346,814 |
| Trade name | 107,202 | (15,426) | 91,776 |
| Marketing-related assets | 2,100 | (1,925) | 175 |
| Partnership agreements | 2,300 | (192) | 2,108 |
| | $ 1,605,584 | $ (164,711) | $ 1,440,873 |

| | March 31, 2005 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (In thousands) | |
| Customer base | $ 36,898 | $ (7,543) | $ 29,355 |
| Trade name | 7,606 | (6,922) | 684 |
| Marketing-related assets | 2,100 | (1,400) | 700 |
| | $ 46,604 | $ (15,865) | $ 30,739 |

In fiscal 2006, 2005, and 2004, amortization expense for other intangible assets was $149 million, $5 million, and $3 million, respectively. Amortization of other intangible assets was included in Operating expenses in the Consolidated Statements of Income. The weighted average remaining estimated lives for other intangible assets are approximately seven years for customer base, approximately nine years for trade name, less than one year for marketing-related assets, and approximately two years for partnership agreements. The weighted average remaining estimated life of other intangible assets in total is approximately seven years.

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Notes to Consolidated Financial Statements — (Continued)

Annual amortization of other intangible assets, based upon our existing intangible assets and their current estimated lives, is estimated to be the following as of March 31, 2006:

| | |
|---|---|
| 2007 | $ 201 million |
| 2008 | $ 199 million |
| 2009 | $ 197 million |
| 2010 | $ 196 million |
| 2011 | $ 195 million |
| Thereafter | $ 453 million |

## Note 5. Investments

***Cash, cash equivalents, and short-term investments***

Cash, cash equivalents, and short-term investments are as follows:

| | March 31, 2006 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| | (In thousands) | | | |
| Cash and cash equivalents: | | | | |
| Cash | $ 558,361 | $ — | $ — | $ 558,361 |
| Money market funds | 736,174 | — | — | 736,174 |
| Commercial paper | 632,447 | — | — | 632,447 |
| Corporate debt securities | 16,261 | — | — | 16,261 |
| Bank debt securities and deposits | 67,108 | — | — | 67,108 |
| Government and government-sponsored debt securities | 305,271 | — | — | 305,271 |
| Total cash and cash equivalents | $ 2,315,622 | $ — | $ — | $ 2,315,622 |
| Short-term investments: | | | | |
| Asset-backed debt securities | $ 96,397 | $ 14 | $ (451) | $ 95,960 |
| Corporate debt securities | 221,423 | — | (2,449) | 218,974 |
| Government and government-sponsored debt securities | 214,703 | — | (2,973) | 211,730 |
| Other investments | 23,516 | — | — | 23,516 |
| Total short-term investments | $ 556,039 | $ 14 | $ (5,873) | $ 550,180 |

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Notes to Consolidated Financial Statements — (Continued)

| | March 31, 2005 | | | |
|---|---|---|---|---|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value |
| | (In thousands) | | | |
| Cash and cash equivalents: | | | | |
| Cash | $ 243,305 | $ — | $ — | $ 243,305 |
| Money market funds | 337,056 | — | — | 337,056 |
| Commercial paper | 319,094 | — | — | 319,094 |
| Bank debt securities and deposits | 31,186 | — | — | 31,186 |
| Government and government-sponsored debt securities | 160,792 | — | — | 160,792 |
| Total cash and cash equivalents | $ 1,091,433 | $ — | $ — | $ 1,091,433 |
| Short-term investments: | | | | |
| Corporate debt securities | $ 1,517,688 | $ 88 | $ (1,563) | $ 1,516,213 |
| Government and government-sponsored debt securities | 592,112 | — | (634) | 591,478 |
| Other investments | 7,463 | — | — | 7,463 |
| Total short-term investments | $ 2,117,263 | $ 88 | $ (2,197) | $ 2,115,154 |

As of March 31, 2006, the unrealized losses in the above table relate to short-term investment securities for which the fair value is less than the cost basis. In all cases, this condition has existed for less than one year. We expect to receive the full principal and interest on these securities. When evaluating our investments for possible impairment, we review factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the investee, and our ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. The changes in the values in the above securities are considered to be temporary in nature and, accordingly, we do not believe that the values of these securities are impaired as of March 31, 2006. Unrealized gains and losses on available-for-sale securities are reported as a component of Stockholders' equity in the Consolidated Balance Sheets.

The estimated fair value of cash equivalents and short-term investments by contractual maturity as of March 31, 2006 is as follows:

| | (In thousands) |
|---|---|
| Due in one year or less | $ 2,068,891 |
| Due after one year and through 5 years | 238,550 |
| | $ 2,307,441 |

***Equity investments in privately held companies***

As of March 31, 2006 and 2005, we held equity investments with a carrying value of $11 million, in several privately-held companies. These investments are recorded at cost as we do not have significant influence over the investees and are included in Other long-term assets in the Consolidated Balance Sheets. In fiscal 2006, 2005 and 2004, we recognized declines in value of these investments that were determined to be other-than-temporary of $4 million, $1 million, and $3 million, respectively. The other-than-temporary declines in fair value were recorded as Interest and other income, net in the Consolidated Statements of Income.

## Note 6. Convertible Subordinated Notes

In connection with the acquisition of Veritas, we assumed the Veritas 0.25% convertible subordinated notes. In August 2003, Veritas issued $520 million of 0.25% convertible subordinated notes due August 1,

2013, or 0.25% Notes, to several initial purchasers in a private offering. The 0.25% Notes were issued at their face value and provide for semi-annual interest payments of an insignificant amount each February 1 and August 1, beginning February 1, 2004. On July 2, 2005, in connection with the acquisition, Veritas, Symantec, and U.S. Bank National Association, as Trustee, entered into a Second Supplemental Indenture. As a result of the Second Supplemental Indenture, the 0.25% Notes became convertible, under specified circumstances, into shares of common stock of Symantec at a conversion rate of 24.37288 shares per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $41.03 per share of Symantec common stock. Symantec agreed to fully and unconditionally guarantee all of Veritas' obligations under the 0.25% Notes and the indenture, including all payments of principal and interest.

The conversion rate of the 0.25% Notes is subject to adjustment upon the occurrence of specified events. On or after August 5, 2006, Symantec has the option to redeem all or a portion of the 0.25% Notes at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest. On August 1, 2006 and August 1, 2008, or upon the occurrence of a fundamental change involving Symantec, holders of the 0.25% Notes may require Symantec to repurchase their notes at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

Standard & Poor's withdrew its corporate credit rating for Veritas on July 6, 2005 and, as a result, the 0.25% Notes are currently convertible into shares of Symantec common stock at the option of the holder. If any holder elected to convert, Symantec would pay the holder the cash value of the applicable number of shares of Symantec common stock ($16.83 per share at March 31, 2006), up to the principal amount of the note in accordance with the terms of a supplemental indenture dated as of October 25, 2004. Amounts in excess of the principal amount, if any, may be paid in cash or in stock at Symantec's option. As of the acquisition of Veritas, the fair value of the 0.25% Notes was $496 million. We will accrete the value of the 0.25% Notes to their face value by August 1, 2006, the first date that holders may require us to repurchase the 0.25% Notes. The book value of the 0.25% Notes was $513 million as of March 31, 2006.

On October 24, 2001, we completed a private offering of $600 million 3% convertible subordinated notes due November 1, 2006, the net proceeds of which were $585 million. The notes were convertible into shares of our common stock by the holders at any time before maturity at a conversion price of $8.54 per share, subject to certain adjustments. We had the right to redeem the remaining notes on or after November 5, 2004, at a redemption price of 100.75% of stated principal during the period November 5, 2004 through October 31, 2005. Interest was paid semi-annually and we commenced making these payments on May 1, 2002. Debt issuance costs of $16 million related to the notes were being amortized on a straight-line basis through November 1, 2006. We had reserved 70.3 million shares of common stock for issuance upon conversion of the notes. On July 20, 2004, our Board of Directors approved the redemption of all of the outstanding convertible subordinated notes. As of November 4, 2004 (the day prior to the redemption date), substantially all of the outstanding convertible subordinated notes were converted into 70.3 million shares of our common stock. The remainder was redeemed for cash. Unamortized debt issuance costs of $6 million relative to the converted notes were charged to Capital in excess of par value in the Consolidated Balance Sheets during fiscal 2005.

## Note 7. Commitments

### *Leases*

We lease certain of our facilities and equipment under operating leases that expire at various dates through 2026. We currently sublease some space under various operating leases that will expire on various dates through 2012.

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Notes to Consolidated Financial Statements — (Continued)

The future fiscal year minimum operating lease commitments and existing sublease information were as follows as of March 31, 2006:

| | Lease Commitment | Sublease Income | Net Lease Commitment |
|---|---|---|---|
| | | (In thousands) | |
| 2007 | $ 91,339 | $ (10,218) | $ 81,121 |
| 2008 | 68,609 | (4,558) | 64,051 |
| 2009 | 48,491 | (3,196) | 45,295 |
| 2010 | 38,791 | (2,803) | 35,988 |
| 2011 | 27,543 | (2,270) | 25,273 |
| Thereafter | 111,348 | (3,108) | 108,240 |
| | $ 386,121 | $ (26,153) | $ 359,968 |

The net lease commitment amount includes $22 million related to facilities that are included in our restructuring reserve. For more information, see Note 12.

Rent expense charged to operations totaled $70 million, $35 million, and $27 million in fiscal 2006, 2005, and 2004, respectively.

***Development agreements***

In the June 2005 quarter, we entered into agreements in connection with the construction of or refurbishments to buildings in Springfield, Oregon and Culver City, California. Payment is contingent upon the achievement of certain agreed-upon milestones. The remaining commitment is $147 million as of March 31, 2006 which mainly relates to the construction of the Culver City, California facility.

***Royalties***

We have certain royalty commitments associated with the shipment and licensing of certain products. Royalty expense is generally based on a dollar amount per unit shipped or a percentage of underlying revenue. Certain royalty commitments have minimum commitment obligations; however, as of March 31, 2006 all such obligations are immaterial.

***Indemnification***

As permitted under Delaware law, we have agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The maximum potential amount of future payments we could be required to make under these indemnification agreements is not limited; however, we have director and officer insurance coverage that reduces our exposure and enables us to recover a portion or all of any future amounts paid. We believe the estimated fair value of these indemnification agreements in excess of applicable insurance coverage is minimal.

**Note 8. Stock Transactions**

***Stock repurchases***

We have operated a stock repurchase program since 2001. On March 28, 2005, the Board of Directors increased the dollar amount of authorized stock repurchases by $3 billion, which became effective upon completion of the Veritas acquisition on July 2, 2005. We commenced repurchases under the $3 billion authorization on August 2, 2005 and as of December 31, 2005 all authorized repurchases, including $474 million from prior authorizations, were completed.

On January 31, 2006, the Board, through one of its committees, authorized the repurchase of $1 billion of Symantec common stock, without a scheduled expiration date. In connection with this stock repurchase authorization, we entered into Rule 10b5-1 trading plans intended to facilitate stock repurchases of

**SYMANTEC CORPORATION**

**Notes to Consolidated Financial Statements — (Continued)**

$125 million per quarter during fiscal 2007. We used $154 million of the authorized amount to repurchase shares in the open market in the March 2006 quarter and we intend to use the remaining amount to make stock repurchases under Rule 10b5-1 trading plans and opportunistically in fiscal 2007.

In fiscal 2006, we repurchased 174 million shares at prices ranging from $15.83 to $23.85 for an aggregate amount of $3.6 billion. In fiscal 2005, we repurchased eight million shares at prices ranging from $21.05 to $30.77 per share, for an aggregate amount of $192 million. In fiscal 2004, we repurchased three million shares at prices ranging from $19.52 to $20.82 per share, for an aggregate amount of $60 million. As of March 31, 2006, $846 million remained authorized for future repurchases.

***Stock dividends***

On October 19, 2004, our Board of Directors approved a two-for-one stock split to be effected in the form of a stock dividend. Stockholders of record at the close of business on November 11, 2004 were issued one additional share of common stock for each share owned as of that date. An additional 353 million shares resulting from the stock dividend were issued in book-entry form on November 30, 2004.

On October 22, 2003, our Board of Directors approved a two-for-one stock split to be effected in the form of a stock dividend. Stockholders of record at the close of business on November 5, 2003 were issued one additional share of common stock for each share owned as of that date. An additional 154 million shares resulting from the stock dividend were issued in book-entry form on November 19, 2003.

***Increase to authorized shares***

On June 24, 2005, our stockholders approved the adoption of our amended and restated certificate of incorporation, which increased the number of authorized shares of common stock to 3,000,000,000 from 1,600,000,000. The increase was sought in order to carry out our acquisition of Veritas. On September 15, 2004, our stockholders approved the adoption of our amended and restated certificate of incorporation, which increased the number of authorized shares of common stock to 1,600,000,000 from 900,000,000.

SYMANTEC CORPORATION

Notes to Consolidated Financial Statements — (Continued)

## Note 9. Net Income Per Share

The components of net income per share are as follows:

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | (In thousands, except per share data) | | |
| **Basic net income per share** | | | |
| Net income | $ 156,852 | $ 536,159 | $ 370,619 |
| Weighted average number of common shares outstanding during the period | 998,733 | 660,631 | 611,970 |
| Basic net income per share | $ 0.16 | $ 0.81 | $ 0.61 |
| **Diluted net income per share** | | | |
| Net income | $ 156,852 | $ 536,159 | $ 370,619 |
| Interest on convertible subordinated notes, net of income tax effect | — | 8,380 | 14,392 |
| Net income, as adjusted | $ 156,852 | $ 544,539 | $ 385,011 |
| Weighted average number of common shares outstanding during the period | 998,733 | 660,631 | 611,970 |
| Shares issuable from assumed exercise of options using the treasury stock method | 27,081 | 35,745 | 36,842 |
| Shares issuable from assumed conversion of 3% convertible subordinated notes | — | 41,780 | 70,298 |
| Dilutive impact of restricted stock and restricted stock units using the treasury stock method | 42 | 89 | — |
| Total shares for purpose of calculating diluted net income per share | 1,025,856 | 738,245 | 719,110 |
| Diluted net income per share | $ 0.15 | $ 0.74 | $ 0.54 |

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

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | (In thousands) | | |
| Stock options [1] | 56,348 | 4,225 | 1,665 |
| Restricted stock units [1] | 146 | — | — |
| Veritas 0.25% Notes [2] | 12,674 | — | — |
| | 69,168 | 4,225 | 1,665 |

[1] These employee stock options and restricted stock units were excluded from the computation of diluted net income per share because their impact is antidilutive.

[2] Potential common shares related to 0.25% Notes were excluded from the computation of diluted net income per share because the effective conversion price was higher than the average market price of our common stock during the period, and therefore the effect was antidilutive.

## Note 10. Adoption of Stockholder Rights Plan

On August 11, 1998, the Board of Directors adopted a stockholder rights plan designed to ensure orderly consideration of any future unsolicited acquisition attempt to ensure a fair value of Symantec for our stockholders. In connection with the plan, the Board of Directors declared and paid a dividend of one preferred share purchase right for each share of Symantec common stock outstanding on the record date, August 21,

1998. The rights are initially attached to Symantec common stock and will not trade separately. If a person or a group, an Acquiring Person, acquires 20% or more of our common stock, or announces an intention to make a tender offer for 20% or more of our common stock, the rights will be distributed and will thereafter trade separately from the common stock.

If the rights become exercisable, each right (other than rights held by the Acquiring Person) will entitle the holder to purchase, at a price equal to the exercise price of the right, a number of shares of our common stock having a then-current value of twice the exercise price of the right. If, after the rights become exercisable, we agree to merge into another entity or we sell more than 50% of our assets, each right will entitle the holder to purchase, at a price equal to the exercise price of the right, a number of shares of common stock of such entity having a then-current value of twice the exercise price.

We may exchange the rights at a ratio of one share of common stock for each right (other than the Acquiring Person) at any time after an Acquiring Person acquires 20% or more of our common stock but before such person acquires 50% or more of our common stock. We may also redeem the rights at our option at a price of $0.001 per right at any time before an Acquiring Person has acquired 20% or more of our common stock. The rights will expire on August 12, 2008.

## Note 11. Employee Benefits

***401(k) plan***

We maintain a salary deferral 401(k) plan for all of our domestic employees. This plan allows employees to contribute up to 50% of their pretax salary up to the maximum dollar limitation prescribed by the Internal Revenue Code. We match 50% of the employee's contribution. The maximum match in any given plan year is the lower of 3% of the employees' eligible compensation or $6,000. Our contributions under the plan were $14 million, $8 million, and $7 million in fiscal 2006, 2005, and 2004, respectively.

***Stock purchase plans***

*2002 Executive Officers' Stock Purchase Plan*

In September 2002, our stockholders approved the 2002 Executive Officers' Stock Purchase Plan and reserved 250,000 shares of common stock for issuance thereunder, of which no shares are subject to adjustment pursuant to changes in capital. The purpose of the plan is to provide executive officers with a means to acquire an equity interest in Symantec at fair market value by applying a portion or all of their respective bonus payments towards the purchase price. Each executive officer may purchase up to 10,000 shares in any fiscal year. As of March 31, 2006, 25,413 shares have been issued under the plan and 224,587 shares remain available for future issuance. Shares reserved for issuance under this plan have not been adjusted for the stock dividends.

*1998 Employee Stock Purchase Plan*

In September 1998, our stockholders approved the 1998 Employee Stock Purchase Plan, or ESPP, and reserved 4.0 million shares of common stock for issuance thereunder. In September 1999, the ESPP was amended by our stockholders to increase the shares available for issuance by 6.1 million and to add an "evergreen" provision whereby the number of shares available for issuance increased automatically on January 1 of each year (beginning in 2000) by 1% of our outstanding shares of common stock on each immediately preceding December 31 during the term of the plan. In July 2004, the Board of Directors eliminated this provision. As of March 31, 2006, 18.4 million shares remain available for issuance under the plan.

Subject to certain limitations, our employees may elect to have 2% to 10% of their compensation withheld through payroll deductions to purchase shares of common stock under the ESPP. Employees purchase shares of common stock at a price per share equal to 85% of the fair market value on the purchase date at the end of each six-month purchase period. For purchases prior to July 1, 2005, employees purchased shares at a price

equal to the lesser of 85% of the fair market value as of the beginning of the two-year offering period or the end of the six-month purchase period. The Board of Directors eliminated the two-year offering period in March 2005, effective July 1, 2005. Under the ESPP, 3.9 million, 3.2 million, and 2.9 million shares were issued during fiscal 2006, 2005, and 2004, respectively, representing $59 million, $32 million, and $23 million in contributions, respectively. As of March 31, 2006, a total of 20.2 million shares had been issued under this plan.

***Stock award plan***

*2000 Director Equity Incentive Plan*

In September 2000, our stockholders approved the 2000 Director Equity Incentive Plan and reserved 50,000 shares of common stock for issuance thereunder. In September 2004, stockholders increased the number of shares of stock that may be issued by 50,000. The purpose of this plan is to provide the members of the Board of Directors with an opportunity to receive common stock for all or a portion of the retainer payable to each director for serving as a member. Each director may elect to receive 50% to 100% of the retainer to be paid in the form of stock. As of March 31, 2006, a total of 58,468 shares had been issued under this plan and 41,532 shares remained available for future issuance.

***Stock option plans***

We maintain stock option plans pursuant to which the Board of Directors, or a committee of the Board of Directors, may grant incentive and nonqualified stock options to employees, officers, directors, consultants, independent contractors, and advisors to us, or of any parent, subsidiary, or affiliate of Symantec. The purpose of these plans is to attract, retain, and motivate eligible persons whose present and potential contributions are important to our success by offering them an opportunity to participate in our future performance through awards of stock options and stock bonuses. Under the terms of these plans, the option exercise price may not be less than 100% of the fair market value on the date of grant and options generally vest over a four-year period. Options granted prior to October 2005 generally have a maximum term of ten years and options granted thereafter generally have a maximum term of seven years.

*2004 and 1996 Equity Incentive Plans*

In September 2004, stockholders approved the terms of the 2004 Equity Incentive Plan and reserved 18.0 million shares for issuance thereunder. An additional 9.5 million shares were transferred to this plan from the 1996 Equity Incentive Plan upon that plan’s expiration in March 2006. Under the 2004 Equity Incentive Plan, we may grant options, stock appreciation rights, RSUs, or restricted stock awards to employees, officers, directors, consultants, independent contractors, and advisors to us, or of any parent, subsidiary, or affiliate of Symantec as the Board of Directors or committee may determine. A maximum of 10% of the shares reserved under the plan may be granted in the form of restricted stock awards. Under the terms of this plan, the Compensation Committee determines whether an option will be an incentive stock option or a non-qualified stock option. This plan superseded the 1996 Equity Incentive Plan upon its expiration. As of March 31, 2006, 25.8 million shares remain available for future grant.

During fiscal 2006, we granted an aggregate of 200,000 RSUs to two officers. The market value of the underlying common stock on the dates of grant was $3 million, which was recorded in Deferred stock-based compensation within Stockholders’ equity in the Consolidated Balance Sheets in fiscal 2006. The deferred stock-based compensation is being amortized over the three to four-year vesting periods.

On October 20, 2004, we issued 200,000 restricted shares of common stock to our then-current Chief Financial Officer, at a purchase price of $1,000 (representing the aggregate par value at the time of issuance), vesting 50% at each anniversary date. The market value of the common stock on the date of grant, less the purchase price, was $6 million and was recorded in Deferred stock-based compensation within Stockholders’ equity in the Consolidated Balance Sheets in fiscal 2005. Upon the retirement of the former Chief Financial

Officer in December 2005, 100,000 shares were forfeited and we reversed the related deferred stock-based compensation.

We recorded amortization of deferred stock-based compensation related to restricted stock and restricted stock units issued under the 2004 and 1996 Equity Incentive Plans of $2 million and $1 million during fiscal 2006 and 2005, respectively.

*Assumed Veritas stock options*

In connection with our acquisition of Veritas, we assumed each outstanding option to purchase Veritas common stock with an exercise price equal to or less than $49.00 as well as each additional option required to be assumed by applicable law. Each option assumed was converted into an option to purchase Symantec common stock after applying the exchange ratio of 1.1242 shares of Symantec common stock for each share of Veritas common stock. In total, we assumed and converted Veritas options into options to purchase 66 million shares of Symantec common stock. In addition, we assumed and converted all outstanding Veritas RSUs into approximately 425,000 Symantec RSUs, based on the exchange ratio.

The assumed options and RSUs retained all applicable terms and vesting periods. In general, the assumed options vest over a four-year period from the original date of grant. Options granted prior to May 2004 generally have a maximum term of 10 years and options granted thereafter generally have a maximum term of seven years. The assumed RSUs generally vest over a three or four year period from the original date of grant.

*Other stock option plans*

Options remain outstanding under several other stock option plans, including the 2001 Non-Qualified Equity Incentive Plan, the 1999 Acquisition Plan, the 1996 Equity Incentive Plan, the 1988 Employee Stock Option Plan, and various plans assumed in connection with acquisitions. No further options may be granted under any of these plans.

*Acceleration of stock option vesting*

On March 30, 2006, we accelerated the vesting of certain stock options with exercise prices equal to or greater than $27.00 per share that were outstanding on that date. We did not accelerate the vesting of any stock options held by our executive officers or directors. The vesting of options to purchase approximately 6.7 million shares of common stock, or approximately 14% of our outstanding unvested options, was accelerated. The weighted average exercise price of the stock options for which vesting was accelerated was $28.73. We accelerated the vesting of the options to reduce future stock-based compensation expense that we would otherwise be required to recognize in our results of operations after adoption of SFAS No. 123R. We adopted SFAS No. 123R on April 1, 2006, which is the beginning of our 2007 fiscal year. Because of system constraints, it is not practicable for us to estimate the amount by which the acceleration of vesting will reduce our future stock-based compensation expense. The acceleration of the vesting of these options did not result in a charge to expense in fiscal 2006.

In January and March 2006, we accelerated the vesting of options held by three former officers of Veritas upon their resignation from Symantec. We accelerated the vesting of options to purchase an aggregate of 728,106 shares and recorded a charge to Stock-based compensation expense of $441,000 in connection with the modification of these stock options.

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Notes to Consolidated Financial Statements — (Continued)

***Stock option activity***

The following table summarizes our stock option plans as of March 31, 2006, 2005, and 2004 and the activity for the years ended on those dates.

| | Year Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | 2005 | | 2004 | |
| | Number of Shares | Weighted-Average Exercise Price | Number of Shares | Weighted-Average Exercise Price | Number of Shares | Weighted-Average Exercise Price |
| | (In thousands, except per share amounts) | | | | | |
| Outstanding, beginning of year | 68,773 | $ 12.08 | 79,542 | $ 8.36 | 94,476 | $ 6.36 |
| Granted and assumed in acquisitions | 85,858 | $ 21.27 | 14,496 | 24.06 | 18,996 | 14.49 |
| Exercised | (17,152) | $ 9.50 | (21,132) | 6.13 | (28,708) | 5.83 |
| Cancelled | (14,456) | $ 22.51 | (4,133) | 12.92 | (5,222) | 8.26 |
| Outstanding, end of year | 123,023 | $ 17.72 | 68,773 | 12.08 | 79,542 | 8.36 |
| Exercisable, end of year | 83,213 | $ 17.04 | 35,663 | 7.48 | 35,648 | 5.95 |

The following table summarizes information about options outstanding as of March 31, 2006:

| | Outstanding Options | | | Exercisable Options | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number of Shares | Weighted Average Contractual Life (In Years) | Weighted Average Exercise Price | Number of Shares | Weighted Average Exercise Price |
| | (In thousands) | | | (In thousands) | |
| $ 0.52 - $ 5.00 | 11,521 | 4.39 | $ 3.72 | 10,888 | $ 3.81 |
| $ 5.01 - $ 10.00 | 20,422 | 5.18 | $ 7.86 | 18,278 | $ 7.80 |
| $10.01 - $ 15.00 | 19,254 | 6.66 | $ 13.48 | 13,763 | $ 13.59 |
| $15.01 - $ 20.00 | 15,513 | 6.33 | $ 17.30 | 7,378 | $ 17.22 |
| $20.01 - $ 26.99 | 35,600 | 6.59 | $ 22.72 | 12,899 | $ 23.27 |
| $27.00 - $ 35.00 | 15,195 | 7.84 | $ 29.00 | 14,519 | $ 29.04 |
| $35.01 - $118.70 | 5,518 | 5.24 | $ 36.01 | 5,488 | $ 36.01 |
| | 123,023 | 6.22 | $ 17.72 | 83,213 | $ 17.04 |

These options will expire if not exercised by specific dates through October 2015. During the three years ended March 31, 2006, options were exercised at prices ranging from $0.17 to $23.63.

***Share reserves***

As of March 31, 2006, we had reserved the following shares of authorized but unissued common stock:

| | |
|---|---|
| Stock purchase plans | 18,608,000 |
| Stock award plans | 42,000 |
| Employee stock option plans | 149,201,000 |
| Total | 167,851,000 |

## Note 12. Restructuring

As of March 31, 2006, we had a restructuring reserve of $30 million, of which $20 million was included in Other accrued expenses in the Consolidated Balance Sheets and $10 million was included in Other long-term liabilities in the Consolidated Balance Sheets. The restructuring reserve consists of $9 million related to a

restructuring reserve assumed from Veritas in connection with the acquisition, $21 million related to restructuring reserves established in fiscal 2006, and an insignificant amount related to our fiscal 2002 restructuring plan. Restructuring reserves established in fiscal 2006 include $9 million related to our 2006 restructuring plan, $3 million related to restructuring costs as a result of the Veritas acquisition, and $9 million related to restructuring costs as a result of our other acquisitions.

***Restructuring expense***

In fiscal 2006, we recorded $25 million of restructuring costs, of which $18 million related to severance, associated benefits, and outplacement services and $7 million related to excess facilities. These restructuring costs reflect the termination of 446 redundant employees located in the United States, Europe, and Asia Pacific and the consolidation of certain facilities in Europe and Asia Pacific. In fiscal 2006, we paid $16 million related to this restructuring reserve. We expect the remainder of the costs to be paid by the end of fiscal 2018.

In fiscal 2005, we recorded $3 million of restructuring charges, of which $2 million was for costs of severance, related benefits, and outplacement services related to the termination of 51 employees located in the U.S. and Europe due to the consolidation and relocation of engineering and development functions. In addition we recorded an increase to the accrual relating to the fiscal 2002 restructuring plan of $1 million due to the termination of a sublease agreement for facilities in Eugene, Oregon. Substantially all of the costs had been paid by March 31, 2005.

In fiscal 2004, we recorded $1 million of restructuring charges for costs of severance, related benefits, and outplacement services for a member of our senior management team, as well as an increase to the accrual for excess facilities in Eugene, Oregon in connection with our fiscal 2002 restructuring plan. Substantially all of the costs had been paid by March 31, 2005.

The fiscal 2002 restructuring reserve consisted of the costs of excess facilities in Europe and Eugene, Oregon, net of sublease income. In fiscal 2006, we paid $2 million upon termination of the remaining leases. Substantially all of the costs had been paid by March 31, 2006.

Amounts related to restructuring expense are included in Restructuring in the Consolidated Statements of Income.

***Acquisition-related restructuring***

In connection with the Veritas acquisition on July 2, 2005, we assumed a restructuring reserve of $53 million related to the 2002 Veritas facilities restructuring plan. From the date of the acquisition through March 31, 2006, we paid $25 million related to this reserve. Also during this period, we reduced this reserve by $19 million as we returned some facilities to use and negotiated early lease terminations on others for amounts less than originally accrued. The remaining reserve amount of $9 million will be paid over the remaining lease terms, ending at various dates through 2022. The majority of costs are currently scheduled to be paid by the end of fiscal 2011.

With regard to the 2002 Veritas facilities restructuring plan, our actual costs have varied and could continue to vary significantly from our current estimates, depending, in part, on the commercial real estate market in the applicable metropolitan areas, our ability to obtain subleases related to these facilities and the time period to do so, the sublease rental market rates, and the outcome of negotiations with lessors regarding terminations of some of the leases. Some of these factors are beyond our control. Adjustments to the 2002 Veritas facilities restructuring plan will be made if actual lease exit costs or sublease income differ materially from amounts currently expected.

In connection with the Veritas acquisition on July 2, 2005, we recorded $7 million of restructuring costs, of which $2 million related to excess facilities costs and $5 million related to severance, associated benefits, and outplacement services. These restructuring costs reflect the termination of redundant employees and the

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Notes to Consolidated Financial Statements — (Continued)

consolidation of certain facilities as a result of the Veritas acquisition. In fiscal 2006, we paid $4 million related to this reserve. We expect the remainder of the costs to be paid by the end of fiscal 2012.

For information on the acquisition related costs incurred in connection with the Veritas acquisition, see Note 3.

In connection with our other acquisitions in fiscal 2006, we recorded $12 million of restructuring costs, of which $8 million related to severance, associated benefits, and outplacement services and $4 million related to excess facilities costs. These restructuring costs reflect the termination of redundant employees and the consolidation of certain facilities as a result of our other acquisitions. In fiscal 2006, we paid $3 million in connection with this reserve. We expect the remainder of the costs to be paid by the end of fiscal 2012.

Amounts related to acquisition-related restructuring are reflected in the purchase price allocation of the applicable acquisition.

## Note 13. Income Taxes

The components of the provision for income taxes are as follows:

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | (In thousands) | |
| Current: | | | |
| Federal | $ 269,825 | $ 128,025 | $ 60,528 |
| State | 49,656 | 36,460 | 18,084 |
| International | 89,067 | 96,623 | 65,810 |
| | 408,548 | 261,108 | 144,422 |
| Deferred: | | | |
| Federal | (152,041) | 66,234 | 24,248 |
| State | (26,799) | (804) | 4,401 |
| International | (23,837) | (4,569) | (1,468) |
| | (202,677) | 60,861 | 27,181 |
| | $ 205,871 | $ 321,969 | $ 171,603 |

Pretax income from international operations was $451 million, $499 million, and $354 million for fiscal 2006, 2005, and 2004, respectively.

The difference between our effective income tax rate and the federal statutory income tax rate as a percentage of income before income taxes is as follows:

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| Federal statutory rate | 35.0% | 35.0% | 35.0% |
| State taxes, net of federal benefit | 2.1 | 2.0 | 2.6 |
| Foreign earnings taxed at less than the federal rate | (3.5) | (6.5) | (7.0) |
| American Jobs Creation Act — tax expense on repatriation of foreign earnings | (5.8) | 6.3 | — |
| Non-deductible IPR&D | 27.5 | — | — |
| Domestic production activities deduction | (2.0) | — | — |
| Penalties | 1.9 | — | — |
| Other, net | 1.6 | 0.7 | 1.0 |
| | 56.8% | 37.5% | 31.6% |

**SYMANTEC CORPORATION**

**Notes to Consolidated Financial Statements — (Continued)**

The principal components of deferred tax assets are as follows:

| | March 31, 2006 | March 31, 2005 |
|---|---|---|
| | (In thousands) | |
| Deferred tax assets: | | |
| Tax credit carryforwards | $ 45,911 | $ 8,497 |
| Net operating loss carryforwards of acquired companies | 274,103 | 73,313 |
| Other accruals and reserves not currently tax deductible | 75,905 | 46,233 |
| Deferred revenue | 18,503 | 16,336 |
| Loss on investments not currently tax deductible | 18,313 | 2,582 |
| Book over tax depreciation | 48,021 | — |
| State income taxes | 13,738 | — |
| Other | 38,488 | 5,326 |
| | 532,982 | 152,287 |
| Valuation allowance | (66,324) | (7,125) |
| Deferred tax assets | 466,658 | 145,162 |
| Deferred tax liabilities: | | |
| Acquired intangible assets | (688,857) | (27,001) |
| Tax over book depreciation | — | (12,086) |
| Unremitted earnings of foreign subsidiaries | (125,996) | (95,033) |
| Other | (2,376) | (2,376) |
| Net deferred tax (liabilities) assets | $ (350,571) | $ 8,666 |

The valuation allowance on our deferred tax assets increased by $59 million in fiscal 2006, of which approximately $58 million is attributable to acquisition-related assets, the benefit of which will reduce goodwill when and if realized. The valuation allowance on our deferred tax assets increased by an immaterial amount in fiscal 2005.

As of March 31, 2006, we have net operating loss carryforwards attributable to various acquired companies of approximately $485 million, which, if not used, will expire between fiscal 2007 and 2025. These net operating loss carryforwards are subject to an annual limitation under Internal Revenue Code §382, but are expected to be fully realized. In addition, we have foreign net operating loss carryforwards attributable to various acquired foreign companies of approximately $561 million, which, under current applicable foreign tax law, can be carried forward indefinitely.

No provision has been made for federal or state income taxes on $821 million of cumulative unremitted earnings of certain of our foreign subsidiaries as of March 31, 2006, since we plan to indefinitely reinvest these earnings. As of March 31, 2006, the unrecognized deferred tax liability for these earnings was $234 million.

In the March 2005 quarter, we repatriated $500 million from certain of our foreign subsidiaries under provisions of the American Jobs Creation Act of 2004, or the Jobs Act, enacted in October 2004. We recorded a tax charge for this repatriation of $54 million in the March 2005 quarter.

In May 2005, clarifying language was issued by the U.S. Department of Treasury and the IRS with respect to the treatment of foreign taxes paid on the earnings repatriated under the Jobs Act and in September 2005, additional clarifying language was issued regarding the treatment of certain deductions attributable to the earnings repatriation. As a result of this clarifying language, we reduced the tax expense attributable to the repatriation by approximately $21 million in fiscal 2006, which reduced the cumulative tax charge on the repatriation to $33 million.

The $500 million repatriation under the Jobs Act was deemed to be distributed entirely from foreign earnings that had been previously treated as indefinitely reinvested. However, this distribution from previously indefinitely reinvested earnings does not change our position going forward that future earnings of certain of our foreign subsidiaries will be indefinitely reinvested.

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, which we acquired in July 2005. The incremental tax liability asserted by the IRS with regard to the Veritas claim is $867 million, excluding penalties and interest. The Notice of Deficiency primarily relates to transfer pricing in connection with a technology license agreement between Veritas and a foreign subsidiary. We do not agree with the IRS position and we intend to file a timely petition to the Tax Court to protest the assessment. No payments will be made on the assessment until the issue is definitively resolved. If, upon resolution, we are required to pay an amount in excess of our provision for this matter, 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.

In the fourth quarter of fiscal 2006, we made $90 million of tax-related adjustments to the purchase accounting for Veritas, consisting of $120 million of additional pre-acquisition tax reserve-related adjustments, partially offset by a $30 million reduction in other pre-acquisition taxes payable. While we strongly disagree with the IRS over both its transfer pricing methodologies and the amount of the assessment, we have established additional tax reserves for all Veritas pre-acquisition years to account for both contingent tax and interest risk.

On March 30, 2006, we received notices of proposed adjustment from the IRS with regard to an unrelated audit of Symantec for fiscal years 2003 and 2004. The IRS claimed that we owed an incremental tax liability with regard to this audit of $110 million, excluding penalties and interest. The incremental tax liability primarily relates to transfer pricing matters between Symantec and a foreign subsidiary. For information related to a proposed settlement of this IRS claim, see Note 17.

In the fourth quarter of fiscal 2006, we increased our tax reserves by an additional $64 million in connection with all open Symantec tax years (fiscal 2003 to 2006). Since these reserves relate to licensing arising from acquired technology, the additional accruals are primarily offset by deferred taxes.

We are as yet unable to confirm our eligibility to claim a lower tax rate on a distribution made from a Veritas foreign subsidiary prior to the acquisition. The distribution was intended to be made pursuant to the Jobs Act, and therefore eligible for a 5.25% effective U.S. federal rate of tax, in lieu of the 35% statutory rate. We are seeking a ruling from the IRS on the matter. Because we were unable to obtain this ruling prior to filing the Veritas tax return in May 2006, we have paid $130 million of additional U.S. taxes. Since this payment relates to the taxability of foreign earnings that are otherwise the subject of the IRS assessment, this additional payment reduced the amount of taxes payable accrued as part of the purchase accounting for pre-acquisition contingent tax risks.

## Note 14. Litigation

As described more fully in Note 13 above, we intend to file a petition with the U.S. Tax Court prior to the end of June 2006, protesting an IRS claim for incremental taxes of $867 million relating to transfer pricing in connection with a technology license agreement between Veritas and a foreign subsidiary.

Since the September quarter of 2002, Veritas has received subpoenas issued by the Securities and Exchange Commission, or SEC, in the investigation entitled *In the Matter of AOL/ Time Warner*. The SEC has requested information regarding transactions with AOL Time Warner, or AOL, and related accounting and disclosure matters. Veritas' transactions with AOL, entered into in September 2000, involved a software and services purchase by AOL at a stated value of $50 million and the purchase by Veritas of advertising

services from AOL at a stated value of $20 million. In March 2003, Veritas restated its financial statements for 2001 and 2000 to reflect a reduction in revenues and expenses of $20 million, as well as an additional reduction in revenues and expenses of $1 million related to two other contemporaneous transactions with other parties in 2000 that involved software licenses and the purchase of online advertising services. In March 2005, the SEC charged AOL with securities fraud pursuant to a complaint entitled *Securities and Exchange Commission v. Time Warner, Inc.* In its complaint, the SEC described certain transactions between AOL and a "California-based software company that creates and licenses data storage software" that appear to reference Veritas' transactions with AOL as described above, and alleged that AOL aided and abetted that California-based software company in violating Section 10(b) of the Securities Exchange Act of 1934 and Exchange Act Rule 10b-5.

In March 2004, Veritas announced its intention to restate its financial statements for 2002 and 2001 and to revise previously announced financial results for 2003. The decision resulted from the findings of an investigation into past accounting practices that concluded on March 12, 2004. In the first quarter of 2004, Veritas voluntarily disclosed to the staff of the SEC past accounting practices applicable to its 2002 and 2001 financial statements that were not in compliance with GAAP. In June 2004, Veritas restated its financial statements for 2002 and 2001 and reported revised financial results for 2003.

Prior to our acquisition of Veritas, Veritas had been in discussions with the staff of the SEC regarding the SEC's review of these matters and, based on communications with the staff, Veritas expected these discussions to result in a settlement with the SEC in which we would be required to pay a $30 million penalty. We would be unable to deduct the $30 million penalty for income tax purposes, be reimbursed or indemnified for such payment through insurance or any other source, or use the payment to setoff or reduce any award of compensatory damages to plaintiffs in related securities litigation. Final settlement with the SEC is subject to agreement on final terms and documentation, approval by Symantec's board of directors, and approval by the SEC Commissioners. In the March quarter of 2005, Veritas recorded a charge of $30 million in its consolidated statement of operations, and a corresponding accrual in its balance sheet. As of the filing of this annual report, the terms of the final settlement are still under consideration by the SEC Commissioners, and have not been approved. As part of our accounting for the acquisition of Veritas, we recorded the accrual of $30 million in Other accrued expenses in the Consolidated Balance Sheets. We intend to cooperate with the SEC in its investigation and review of the foregoing matters.

On August 2, 2004, Veritas received a copy of an amended complaint in *Stichting Pensioenfonds ABP v. AOL Time Warner, et. al.* in which Veritas was named as a defendant. The case was originally filed in the United States District Court for the Southern District of New York in July 2003 against Time Warner (formerly, AOL Time Warner), current and former officers and directors of Time Warner and AOL, and Time Warner's outside auditor, Ernst & Young LLP. The plaintiff alleges that Veritas aided and abetted AOL in alleged common law fraud and also alleges that it engaged in common law fraud as part of a civil conspiracy. The plaintiff seeks an unspecified amount of compensatory and punitive damages. On March 17, 2006, the parties entered into a Settlement Agreement and Mutual Release resolving all claims in the lawsuit. This action was dismissed by the Court with prejudice on May 31, 2006.

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, or 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 the company's 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. The defendants to this matter intend to defend this case vigorously.

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 affect on our financial condition or results of operations. We have accrued estimated legal fees and expenses related to certain of these matters; however, actual amounts may differ materially from those estimated amounts.

## Note 15. Segment Information

Our operating segments are significant strategic business units that offer different products and services, distinguished by customer needs. As of March 31, 2006, we operated in six operating segments:

- *Consumer Products.* Our Consumer Products segment focuses on delivering our Internet security and problem-solving products to individual users, home offices, and small businesses.
- *Enterprise Security.* Our Enterprise Security segment provides security solutions for all tiers of a network: at the server tier behind the gateway and at the client tier, including desktop personal computers, or PCs, laptops, and handhelds.
- *Data Protection.* Our Data Protection segment provides software products designed to protect, backup, archive, and restore data across a broad range of computing environments from large corporate data centers to remote groups and PC clients, such as desktop and laptop computers.
- *Storage and Server Management.* Our Storage and Server Management segment provides solutions to simplify and automate the administration of heterogeneous storage and server environments and provide continuous availability of mission-critical applications.
- *Services.* Our Services segment provides a full range of consulting and educational services to assist our customers in assessing, architecting, implementing, supporting, and maintaining their security, storage, and infrastructure software solutions.
- *Other.* Our Other segment is comprised of sunset products and products nearing the end of their life cycle and also includes all indirect costs; 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, patent settlement, amortization of deferred compensation, and restructuring, that are not charged to the other operating segments. The expenses of the former Veritas sales force that cannot be allocated to a specific operating segment are also reported in the Other segment. We expect this treatment to continue until we have completed the realignment of our combined sales force.

In the quarter ended September 2005, we renamed the Enterprise Administration segment to be the Storage and Server Management segment and added the Data Protection segment. In the quarter ended June 2005, we moved Managed Security Services from the Services segment to the Enterprise Security segment and moved the services-related revenue previously included in the Storage and Server Management segment to the Services segment. Net revenues for fiscal 2005 and 2004 have been reclassified to conform to our current presentation. Specifically, we reclassified $31 million and $27 million of Managed Security Services revenue from the Services segment to the Enterprise Security segment and $5 million and an insignificant amount of services-related revenue from the Storage and Server Management segment to the Services segment for fiscal 2005 and 2004, respectively.

SYMANTEC CORPORATION

Notes to Consolidated Financial Statements — (Continued)

Beginning in the June 2006 quarter, we will consolidate our Enterprise Security, Data Protection, and Storage and Server Management segments into two segments — the Security and Data Management segment and the Data Center Management segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, with the exception of the amortization of acquired product rights, which is included entirely in our Other segment. 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. The majority of our assets and liabilities are not discretely allocated or reviewed by segment. The depreciation and amortization of our property, equipment, and leasehold improvements are allocated based on headcount, unless specifically identified by segment.

***Segment information***

The following table presents a summary of our operating segments:

| | Consumer Products | Enterprise Security | Data Protection | Storage & Server Management | Services | Other | Total Company |
|---|---|---|---|---|---|---|---|
| | | | | (In thousands) | | | |
| **Fiscal 2006** | | | | | | | |
| Net revenues | $1,388,632 | $1,080,431 | $ 744,324 | $ 793,783 | $136,625 | $ (403) | $4,143,392 |
| Operating income (loss) | 925,148 | 384,085 | 444,966 | 352,339 | (38,272) | (1,794,301) | 273,965 |
| Depreciation & amortization expense | 1,560 | 21,234 | 7,840 | 16,319 | 3,384 | 627,439 | 677,776 |
| **Fiscal 2005** | | | | | | | |
| Net revenues [1] | $1,315,201 | $ 958,627 | $ — | $ 279,024 | $ 29,849 | $ 148 | $2,582,849 |
| Operating income (loss) | 858,088 | 198,719 | — | 129,465 | (18,178) | (348,828) | 819,266 |
| Depreciation & amortization expense | 3,469 | 21,346 | — | 1,610 | 481 | 105,052 | 131,958 |
| **Fiscal 2004** | | | | | | | |
| Net revenues [1] | $ 871,980 | $ 763,862 | $ — | $ 218,531 | $ 15,424 | $ 332 | $1,870,129 |
| Operating income (loss) | 530,473 | 126,785 | — | 143,586 | (3,232) | (284,027) | 513,585 |
| Depreciation & amortization expense | 3,617 | 19,543 | — | 615 | 596 | 92,855 | 117,226 |

[1] Net revenues for fiscal 2005 and 2004 have been reclassified to conform to current presentation. Specifically, we reclassified $31 million and $27 million of Managed Security Services revenue from the Services segment to the Enterprise Security segment and $5 million and an insignificant amount of services-related revenue from the Storage and Server Management segment to the Services segment for fiscal 2005 and 2004, respectively.

***Product revenue information***

Net revenues from sales of our antivirus products within our Consumer Products and Enterprise Security segments represented 34%, 55%, and 58% of our total net revenues for fiscal 2006, 2005, and 2004, respectively. Net revenues from sales of our Norton Internet security product within our Consumer Products segment represented 15%, 18%, and 12% of our total net revenues during fiscal 2006, 2005, and 2004, respectively. Net revenues from sales of our storage and server management products within our Storage and Server Management segment represented 12% of our total revenues during fiscal 2006.

SYMANTEC CORPORATION

Notes to Consolidated Financial Statements — (Continued)

***Geographical information***

The following table represents revenue amounts reported for products shipped to customers in the corresponding regions.

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| | | (In thousands) | |
| Net revenues from external customers: | | | |
| United States | $ 2,046,226 | $ 1,235,536 | $ 896,452 |
| United Kingdom | 425,717 | 184,295 | 125,346 |
| Other foreign countries* | 1,671,449 | 1,163,018 | 848,331 |
| | $ 4,143,392 | $ 2,582,849 | $ 1,870,129 |

* No individual country represented more than 10% of the respective totals.

| | March 31, | |
|---|---|---|
| | 2006 | 2005 |
| | (In thousands) | |
| Long-lived assets: | | |
| United States | $ 13,069,204 | $ 1,790,773 |
| Foreign countries* | 936,047 | 135,166 |
| | $ 14,005,251 | $ 1,925,939 |

* No individual country represented more than 10% of the respective totals.

***Significant customers***

In fiscal 2006, 2005, and 2004, two distributors each accounted for more than 10% of our total net revenues. In fiscal 2006 and 2005, one reseller accounted for more than 10% of our total net revenues.

**Note 16. Cumulative Adjustment to Net Revenues and Deferred Revenue**

In August 2004, during a review of our revenue maintenance application used to calculate the amount of deferred revenue for our consumer products, we discovered an error in the unit renewal prices manually entered into the application. The unit renewal prices used to calculate the deferred revenue did not reflect the correct subscription renewal prices for foreign currency sales, which serves as the basis for our deferral. As a result, the deferred revenue from these consumer products was understated and the portion of revenue from these products that was recognized at the time of sale was overstated. The cumulative overstatement of revenue for periods prior to the three months ended June 30, 2004 totaled approximately $20 million. The effect of the error was not material to any prior period. To correct this error, we recorded the cumulative $20 million as a reduction in Net revenues in the Consolidated Statements of Income and a corresponding $20 million increase in Current deferred revenue in the Consolidated Balance Sheets during the three-month period ended June 2004. Substantially all of the $20 million of current deferred revenue was recognized as revenue during fiscal 2005.

## Note 17. Subsequent Events

In April 2006, we purchased two buildings in Cupertino, California, for a total purchase price of $81 million. These buildings are currently leased to a third party.

From April 1 through May 31, 2006, we repurchased 8.2 million shares at prices ranging from $15.93 to $17.74 per share for an aggregate amount of $136 million. As of May 31, 2006, $710 million remained authorized for future repurchases.

On March 30, 2006, we received notices of proposed adjustment from the IRS with regard to an audit of Symantec for fiscal years 2003 and 2004. The IRS claimed that we owed an incremental tax liability with regard to this audit of $110 million, excluding penalties and interest. The incremental tax liability primarily relates to transfer pricing matters between Symantec and a foreign subsidiary. On June 2, 2006, we reached an agreement in principle with the IRS to settle the IRS claims relating to this audit for $36 million, excluding interest. The consolidated financial statements presented in this annual report reflect adequate accruals to address this settlement amount. We anticipate that we will finalize this settlement with the IRS before the end of June 2006. For further discussion, see Note 13.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cupertino, State of California, on the 8th day of June, 2006.

**SYMANTEC CORPORATION**

By /s/ John W. Thompson

John W. Thompson,
*Chairman and Chief Executive Officer*

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John W. Thompson, James A. Beer and Arthur F. Courville, and each or any of them, his attorneys-in -fact, each with the power of substitution, for him in any and all capacities to sign any and all amendments to this report on Form 10-K and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in -fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in -fact, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

| Signature | Title | Date |
|---|---|---|
| /s/ John W. Thompson<br>John W. Thompson | Chairman of the Board and Chief Executive Officer (Principal Executive Officer) | June 8, 2006 |
| /s/ James A. Beer<br>James A. Beer | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | June 8, 2006 |
| /s/ Stephen C. Markowski<br>Stephen C. Markowski | Vice President of Finance and Chief Accounting Officer (Principal Accounting Officer) | June 8, 2006 |
| /s/ Michael Brown<br>Michael Brown | Director | June 8, 2006 |
| /s/ William T. Coleman III<br>William T. Coleman III | Director | June 8, 2006 |
| /s/ David L. Mahoney<br>David L. Mahoney | Director | June 8, 2006 |
| /s/ Robert S. Miller<br>Robert S. Miller | Director | June 8, 2006 |
| /s/ George Reyes<br>George Reyes | Director | June 8, 2006 |

| Signature | Title | Date |
|---|---|---|
| /s/ David J. Roux<br>David J. Roux | Director | June 8, 2006 |
| /s/ Daniel H. Schulman<br>Daniel H. Schulman | Director | June 8, 2006 |
| /s/ V. Paul Unruh<br>V. Paul Unruh | Director | June 8, 2006 |

**Schedule II**

## SYMANTEC CORPORATION

## VALUATION AND QUALIFYING ACCOUNTS

| | Balance at Beginning of Period | Charged to Costs and Expenses | Amount Written Off or Used | Balance at End of Period |
|---|---|---|---|---|
| | | (In thousands) | | |
| Allowance for doubtful accounts: | | | | |
| Year ended March 31, 2006 | $ 4,668 | $ 6,786[1] | $ (2,660) | $ 8,794 |
| Year ended March 31, 2005 | 5,674 | (687) | (319) | 4,668 |
| Year ended March 31, 2004 | 9,753 | 61 | (4,140) | 5,674 |
| Reserve for product returns: | | | | |
| Year ended March 31, 2006 | $ 4,755 | $ 98,282[1] | $ (90,197) | $ 12,840 |
| Year ended March 31, 2005 | 6,613 | 67,604 | (69,462) | 4,755 |
| Year ended March 31, 2004 | 5,393 | 45,895 | (44,675) | 6,613 |
| Reserve for rebates: | | | | |
| Year ended March 31, 2006 | $ 50,804 | $ 245,026[1] | $ (231,240) | $ 64,590 |
| Year ended March 31, 2005 | 46,232 | 208,461 | (203,889) | 50,804 |
| Year ended March 31, 2004 | 33,926 | 162,448 | (150,142) | 46,232 |

[1] Includes balances assumed in connection with our acquisition of Veritas.

## EXHIBIT INDEX

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 2.01§ | Agreement and Plan of Reorganization dated as of December 15, 2004 among Symantec Corporation, Carmel Acquisition Corp., and Veritas Software Corporation | 8-K | 000-17781 | 2.01 | 12/20/04 | |
| 3.01 | Amended and Restated Certificate of Incorporation of Symantec Corporation | S-8 | 333-119872 | 4.01 | 10/21/04 | |
| 3.02 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Symantec Corporation | S-8 | 333-126403 | 4.03 | 07/06/05 | |
| 3.03 | Certificate of Designations of Series A Junior Participating Preferred Stock of Symantec Corporation | 8-K | 000-17781 | 3.01 | 12/21/04 | |
| 3.04 | Bylaws of Symantec Corporation | 8-K | 000-17781 | 3.01 | 01/23/06 | |
| 4.01 | Rights Agreement, dated as of August 12, 1998, between Symantec Corporation and BankBoston, N.A., as Rights Agent, which includes as Exhibit A, the Form of Certificate of Designations of Series A Junior Participating Preferred Stock, as Exhibit B, the Form of Right Certificate, and as Exhibit C, the Summary of Rights to Purchase Preferred Shares | 8-A | 000-17781 | 4.1 | 08/19/98 | |
| 4.02 | Indenture dated as of August 1, 2003 between Veritas Software Corporation & U.S. Bank National Association, as Trustee | 8-K | 000-17781 | 10.04 | 07/08/05 | |
| 4.03 | First Supplemental Indenture dated as of October 25, 2004 between Veritas Software Corporation and U.S. Bank National Association, as Trustee | 8-K | 000-17781 | 10.05 | 07/08/05 | |
| 4.04 | Second Supplemental Indenture dated as of July 2, 2005 by and between Veritas Software Corporation, Symantec Corporation and U.S. Bank National Association, as Trustee | 8-K | 000-17781 | 10.03 | 07/08/05 | |
| 10.01* | Form of Indemnification Agreement with Officers and Directors, as amended | S-1 | 33-28655 | 10.17 | 06/21/89 | |
| 10.02* | Form of Indemnification Agreement for Officers, Directors and Key Employees | 8-K | 000-17781 | 10.01 | 01/23/06 | |
| 10.03* | Veritas Software Corporation 1993 Equity Incentive Plan, including form of Stock Option Agreement | | | | | X |
| 10.04* | Veritas Software Corporation 1993 Directors Stock Option Plan, including form of Stock Option Agreement (form for agreements entered into prior to January 17, 2006) | | | | | X |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.05* | Symantec Corporation 1996 Equity Incentive Plan, as amended, including form of Stock Option Agreement and form of Restricted Stock Purchase Agreement | | | | | X |
| 10.06* | Symantec Corporation Deferred Compensation Plan, as adopted November 7, 1996 | 10-K | 000-17781 | 10.11 | 06/24/97 | |
| 10.07* | Symantec Corporation 1998 Employee Stock Purchase Plan, as amended | | | | | X |
| 10.08* | Brightmail Inc. 1998 Stock Option Plan, including form of Stock Option Agreement and form of Notice of Assumption | | | | | X |
| 10.09* | Symantec Corporation Acquisition Plan, as adopted July 15, 1999 | S-8 | 333-31526 | 4.03 | 03/02/00 | |
| 10.10* | Symantec Corporation Stock Option Grant dated January 1, 2000 to John W. Thompson | S-8 | 333-102096 | 99.3 | 12/20/02 | |
| 10.11* | Symantec Corporation 2000 Directors Equity Incentive Plan, as amended | S-8 | 333-119872 | 99.02 | 10/21/04 | |
| 10.12* | Symantec Corporation 2001 Non-Qualified Equity Incentive Plan | | | | | X |
| 10.13* | Symantec Corporation 2002 Executive Officers' Stock Purchase Plan, as amended | 10-K | 000-17781 | 10.12 | 06/15/05 | |
| 10.14* | Veritas Software Corporation 2002 Directors Stock Option Plan, including form of Stock Option Agreement and forms of Notice of Stock Option Grant | | | | | X |
| 10.15* | Veritas Software Corporation 2003 Stock Incentive Plan, as amended and restated, including form of Stock Option Agreement, form of Stock Option Agreement for Executive Officers and form of Notice of Stock Option Assumption | | | | | X |
| 10.16* | Symantec Corporation 2004 Equity Incentive Plan, as amended, including form of Stock Option Agreement, and form of Restricted Stock Unit Award Agreement | | | | | X |
| 10.17* | Offer Letter, dated February 8, 2006, from Symantec Corporation to James A. Beer | | | | | X |
| 10.18* | Employment Agreement, dated December 15, 2004, between Symantec Corporation and Gary Bloom, as amended | S-4/A | 333-122724 | 10.01 | 05/18/05 | |
| 10.19* | Employment Agreement, dated December 15, 2004, between Symantec Corporation and Jeremy Burton, as amended | S-4/A | 333-122724 | 10.06 | 05/18/05 | |
| 10.20* | Employment Agreement, dated December 15, 2004, between Symantec Corporation and Kris Hagerman, as amended | S-4/A | 333-122724 | 10.07 | 05/18/05 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.21* | Offer Letter, dated January 12, 2004, from Symantec Corporation to Thomas W. Kendra | 10-Q | 000-17781 | 10.01 | 02/04/05 | |
| 10.22* | Employment Agreement, dated April 11, 1999, between Symantec Corporation and John W. Thompson | 10-K | 000-17781 | 10.67 | 07/01/99 | |
| 10.23* | Form of FY06 Executive Incentive Plan | 10-Q | 000-17781 | 10.01 | 11/09/05 | |
| 10.24* | Form of FY06 Executive Supplemental Incentive Plan | 10-Q | 000-17781 | 10.02 | 11/09/05 | |
| 10.25* | Symantec Senior Executive Incentive Plan | 10-K | 000-17781 | 10.18 | 06/14/04 | |
| 10.26* | Symantec Corporation Executive Retention Plan, as amended | 8-K | 000-17781 | 10.01 | 04/27/06 | |
| 10.27‡ | Amended and Restated Authorized Symantec Electronic Reseller for Shop Symantec Agreement dated as of July 1, 2003 by and among Symantec Corporation, Symantec Limited and Digital River, Inc., as amended | 10-K | 000-17781 | 10.35 | 06/15/05 | |
| 10.28‡ | Amendment Eleven to the Amended and Restated Authorized Symantec Electronic Reseller For Shop Symantec Agreement | 10-Q | 000-17781 | 10.01 | 08/10/05 | |
| 10.29 | Amended Agreement Respecting Certain Rights of Publicity, by and between Peter Norton and Peter Norton Computing, Inc., dated August 31, 1990 | S-4 | 33-35385 | 10.04 | 06/13/90 | |
| 10.30 | Assignment of Copyright and Other Intellectual Property Rights, by and between Peter Norton and Peter Norton Computing, Inc., dated August 31, 1990 | S-4 | 33-35385 | 10.37 | 06/13/90 | |
| 10.31 | Environmental Indemnity Agreement, dated April 23, 1999, between Veritas and Fairchild Semiconductor Corporation, included as Exhibit C to that certain Agreement of Purchase and Sale, dated March 29, 1999, between Veritas and Fairchild Semiconductor of California | S-1/A | 333-83777† | 10.27 Exhibit C | 08/06/99 | |
| 21.01 | Subsidiaries of Symantec Corporation | | | | | X |
| 23.01 | Consent of Independent Registered Public Accounting Firm | | | | | X |
| 24.01 | Power of Attorney (see signature page to this annual report) | | | | | 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 |

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 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 |

§ The exhibits and schedules to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. We will furnish copies of any of the exhibits and schedules to the Securities and Exchange Commission upon request.

* Indicates a management contract or compensatory plan or arrangement.

‡ Confidential treatment has been received for certain portions of this documents.

† Filed by Veritas Software Corporation.

†† 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 10.03**

**VERITAS SOFTWARE CORPORATION**

**1993 EQUITY INCENTIVE PLAN**

AS ADOPTED OCTOBER 1, 1993, AND AS AMENDED APRIL 22, 1994, APRIL 20, 1995, JANUARY 12, 1997 AND JANUARY 26, 1999

**1. PURPOSE .** The purpose of the Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent, Subsidiaries and Affiliates, by offering them an opportunity to participate in the Company's future performance through awards of Options, Restricted Stock and Stock Bonuses. Capitalized terms not defined in the text are defined in Section 24.

**2. SHARES SUBJECT TO THE PLAN .**

2.1 Number of Shares Available . Subject to Sections 2.2 and 18, the total number of Shares reserved and available for grant and issuance pursuant to the Plan shall be 107,130,191 [1] Shares. In addition, on each January 1, the aggregate number of shares of the Company's Common Stock reserved for issuance under this Plan shall be increased automatically by a number of shares equal to four and one-half percent (4 1/2%) of the total outstanding shares of the Company as of the immediately preceding December 31; provided , however , that such increase shall in no event exceed 36,000,000 shares per year. Any Shares issuable upon exercise of options granted pursuant to the Company's 1991 Executive Stock Option Plan, and the Company's 1985 Stock Option Plan (the " Prior Plans ") that expire or become unexercisable for any reason without having been exercised in full, shall no longer be available for distribution under the Prior Plans, but shall be available for distribution under this Plan. Subject to Sections 2.2 and 18, Shares shall again be available for grant and issuance in connection with future Awards under the Plan that: (a) are subject to issuance upon exercise of an Option but cease to be subject to such Option for any reason other than exercise of such Option, (b) are subject to an Award granted hereunder but are forfeited or are repurchased by the Company at the original issue price, or (c) are subject to an Award that otherwise terminates without Shares being issued. The total number of Shares issued under the Plan upon exercise of ISOs will in no event exceed 225,000,000 Shares (adjusted in proportion to any adjustment under Section 2.2 below) over the term of the Plan.

2.2 Adjustment of Shares . In the event that the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, then (a) the number of Shares reserved for issuance under the Plan, (b) the Exercise Prices of and number of Shares subject to outstanding Options, and

[1] Includes 17,647,806 shares pursuant to the provision for automatic annual increase and registered on Form S-8 March 29, 2001.

(c) the number of Shares subject to other outstanding Awards shall be proportionately adjusted, subject to any required action by the Board or the shareholders of the Company and compliance with applicable securities laws; provided , however , that fractions of a Share shall not be issued but shall either be paid in cash at Fair Market Value or shall be rounded down to the nearest Share, as determined by the Committee; and provided , further , that the Exercise Price of any Option may not be decreased to below the par value of the Shares.

**3. ELIGIBILITY .** ISOs (as defined in Section 5 below) may be granted only to employees (including officers and directors who are also employees) of the Company or of a Parent or Subsidiary of the Company. All other Awards may be granted to employees, officers, directors, consultants, independent contractors and advisers of the Company or any Parent, Subsidiary or Affiliate of the Company; provided such consultants, contractors and advisers render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. “Named Executive Officers” (as that term is defined in Item 402(a)(3) of Regulation S-K promulgated under the Exchange Act) shall each be eligible to receive up to an aggregate maximum of 3,037,500 Shares at any time during the term of this Plan pursuant to the grant of Awards hereunder, not to exceed 3,037,500 Shares during any one twelve (12) month period. A person may be granted more than one Award under the Plan.

**4. ADMINISTRATION .**

4.1 Committee Authority . The Plan shall be administered by the Committee or the Board acting as the Committee. Subject to the general purposes, terms and conditions of the Plan, and to the direction of the Board, the Committee shall have full power to implement and carry out the Plan. The Committee shall have the authority to:

(a) construe and interpret the Plan, any Award Agreement and any other agreement or document executed pursuant to the Plan;

(b) prescribe, amend and rescind rules and regulations relating to the Plan;

(c) select persons to receive Awards;

(d) determine the form and terms of Awards;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine whether Awards will be granted singly, in combination, in tandem, in replacement of, or as alternatives to, other Awards under the Plan or any other incentive or compensation plan of the Company or any Parent, Subsidiary or Affiliate of the Company;

(g) grant waivers of Plan or Award conditions;

(h) determine the vesting, exercisability and payment of Awards;

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

(j) determine whether an Award has been earned; and

(k) make all other determinations necessary or advisable for the administration of the Plan.

4.2 Committee Discretion . Any determination made by the Committee with respect to any Award shall be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination shall be final and binding on the Company and all persons having an interest in any Award under the Plan. The Committee may delegate to one or more officers of the Company the authority to grant an Award under the Plan to Participants who are not Insiders of the Company, provided such officer is a member of the Board.

4.3 Compliance With Code Section 162m . If two or more members of the Board are Outside Directors, the Committee shall be comprised of at least two members of the Board, all of whom are Outside Directors.

**5. OPTIONS .** The Committee may grant Options to eligible persons and shall determine whether such Options shall be Incentive Stock Options within the meaning of the Code (" ISOs ") or Nonqualified Stock Options (" NQSOs "), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 Form of Option Grant . Each Option granted under the Plan shall be evidenced by an Award Agreement which shall expressly identify the Option as an ISO or NQSO (" Stock Option Agreement "), and be in such form and contain such provisions (which need not be the same for each Participant) as the Committee shall from time to time approve, and which shall comply with and be subject to the terms and conditions of the Plan.

5.2 Date of Grant . The date of grant of an Option shall be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Agreement and a copy of the Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 Exercise Period . Options shall be exercisable within the times or upon the events determined by the Committee as set forth in the Stock Option Agreement; provided , however , that no Option shall be exercisable after the expiration of

one hundred twenty (120) months from the date the Option is granted, and provided further that no Option granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company (" Ten Percent Shareholder ") shall be exercisable after the expiration of five (5) years from the date the Option is granted. The Committee also may provide for the exercise of Options to become exercisable at one time or from time to time, periodically or otherwise, in such number or percentage as the Committee determines.

5.4 Exercise Price . The Exercise Price shall be determined by the Committee when the Option is granted and may be not less than 85% of the Fair Market Value of the Shares on the date of grant; provided that (i) the Exercise Price of an ISO shall be not less than 100% of the Fair Market Value of the Shares on the date of grant and (ii) the Exercise Price of any Option granted to a Ten Percent Shareholder shall not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 8 of the Plan.

5.5 Method of Exercise . Options may be exercised only by delivery to the Company or its designee of a written stock option exercise agreement (the " Exercise Agreement ") in a form approved by the Committee (which need not be the same for each Participant), stating the number of Shares being purchased, the restrictions imposed on the Shares, if any, and such representations and agreements regarding Participant's investment intent and access to information, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price for the number of Shares being purchased.

5.6 Termination . Notwithstanding the exercise periods set forth in the Stock Option Agreement, exercise of an Option shall always be subject to the following:

(a) If the Participant is Terminated for any reason except death or Disability, then Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable upon the Termination Date no later than ninety (90) days after the Termination Date (or such shorter time period as may be specified in the Stock Option Agreement), but in any event, no later than the expiration date of the Options.

(b) If the Participant is terminated because of death or Disability (or the participant dies within three months of such termination), then Participant's Options may be exercised only to the extent that such Options would have been exercisable by Participant on the Termination Date and must be exercised by Participant (or Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (or such shorter time period as may be specified in the Stock Option Agreement), but in any event no later than the expiration date of the Options.

5.7 Limitations on Exercise . The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 Limitations on ISOs . The aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which ISOs are exercisable for the first time by a Participant during any calendar year (under the Plan or under any other incentive stock option plan of the Company or any Affiliate, Parent or Subsidiary of the Company) shall not exceed $100,000. If the Fair Market Value of Shares on the date of grant with respect to which ISOs are exercisable for the first time by a Participant during any calendar year exceeds $100,000, the Options for the first $100,000 worth of Shares to become exercisable in such calendar year shall be ISOs and the Options for the amount in excess of $100,000 that become exercisable in that calendar year shall be NQSOs. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date of the Plan to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit shall be automatically incorporated herein and shall apply to any Options granted after the effective date of such amendment.

5.9 Modification, Extension or Renewal . The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of Participant, impair any of Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered shall be treated in accordance with Section 424(h) of the Code. The Committee may reduce the Exercise Price of outstanding Options without the consent of Participants affected by a written notice to them; provided , however , that the Exercise Price may not be reduced below the minimum Exercise Price that would be permitted under Section 5.4 of the Plan for Options granted on the date the action is taken to reduce the Exercise Price; provided , further , that the Exercise Price shall not be reduced below the par value of the Shares, if any.

5.10 No Disqualification . Notwithstanding any other provision in the Plan, no term of the Plan relating to ISOs shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify the Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

**6. RESTRICTED STOCK** . A Restricted Stock Award is an offer by the Company to sell to an eligible person Shares that are subject to restrictions. The Committee shall determine to whom an offer will be made, the number of Shares the person may purchase, the price to be paid (the "Purchase Price"), the restrictions to which the Shares shall be subject, and all other terms and conditions of the Restricted Stock Award, subject to the following:

6.1 Form of Restricted Stock Award . All purchases under a Restricted Stock Award made pursuant to the Plan shall be evidenced by an Award Agreement (" Restricted Stock Purchase Agreement ") that shall be in such form (which need not be the same for each Participant) as the Committee shall from time to time approve, and shall comply with and be subject to the terms and conditions of the Plan. The offer of Restricted Stock shall be accepted by the Participant's execution and delivery of the Restricted Stock Purchase Agreement and full payment for the Shares to the Company within thirty (30) days from the date the Restricted Stock Purchase Agreement is delivered to the person. If such person does not execute and deliver the Restricted Stock Purchase Agreement along with full payment for the Shares to the Company within thirty (30) days, then the offer shall terminate, unless otherwise determined by the Committee.

6.2 Purchase Price . The Purchase Price of Shares sold pursuant to a Restricted Stock Award shall be determined by the Committee and shall be at least 85% of the Fair Market Value of the Shares when the Restricted Stock Award is granted, except in the case of a sale to a Ten Percent Shareholder, in which case the Purchase Price shall be 100% of the Fair Market Value. Payment of the Purchase Price may be made in accordance with Section 8 of the Plan.

6.3 Restrictions . Restricted Stock Awards shall be subject to such restrictions as the Committee may impose. The Committee may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions, in whole or part, based on length of service, performance or such other factors or criteria as the Committee may determine.

**7. STOCK BONUSES .**

7.1 Awards of Stock Bonuses . A Stock Bonus is an award of Shares (which may consist of Restricted Stock) for services rendered to the Company or any Parent, Subsidiary or Affiliate of the Company. A Stock Bonus may be awarded for past services already rendered to the Company, or any Parent, Subsidiary or Affiliate of the Company pursuant to an Award Agreement (the " Stock Bonus Agreement ") that shall be in such form (which need not be the same for each Participant) as the Committee shall from time to time approve, and shall comply with and be subject to the terms and conditions of the Plan. A Stock Bonus may be awarded upon satisfaction of such performance goals as are set out in advance in Participant's individual Award Agreement (the " Performance Stock Bonus Agreement ") that shall be in such form (which need not be the same for each Participant) as the Committee shall from time to time approve, and shall comply with and be subject to the terms and conditions of the Plan. Stock Bonuses may vary from Participant to Participant and between groups of Participants, and may be based upon the achievement of the Company, Parent, Subsidiary or Affiliate and/or individual performance factors or upon such other criteria as the Committee may determine.

7.2 Terms of Stock Bonuses . The Committee shall determine the number of Shares to be awarded to the Participant and whether such Shares shall be

Restricted Stock. If the Stock Bonus is being earned upon the satisfaction of performance goals pursuant to a Performance Stock Bonus Agreement, then the Committee shall determine: (a) the nature, length and starting date of any period during which performance is to be measured (the " Performance Period ") for each Stock Bonus; (b) the performance goals and criteria to be used to measure the performance, if any; (c) the number of Shares that may be awarded to the Participant; and (d) the extent to which such Stock Bonuses have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Stock Bonuses that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to the Stock Bonuses to take into account changes in law and accounting or tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships.

7.3 Form of Payment . The earned portion of a Stock Bonus may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee may determine. Payment may be made in the form of cash, whole Shares, including Restricted Stock, or a combination thereof, either in a lump sum payment or in installments, all as the Committee shall determine.

7.4 Termination During Performance Period . If a Participant is Terminated during a Performance Period for any reason, then such Participant shall be entitled to payment (whether in Shares, cash or otherwise) with respect to the Stock Bonus only to the extent earned as of the date of Termination in accordance with the Performance Stock Bonus Agreement, unless the Committee shall determine otherwise.

**8. PAYMENT FOR SHARE PURCHASES** .

8.1 Payment . Payment for Shares purchased pursuant to the Plan may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

(a) by cancellation of indebtedness of the Company to the Participant;

(b) by surrender of Shares that either: (1) have been owned by Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such Shares); or (2) were obtained by Participant in the public market;

(c) by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; provided , however , that Participants who are not employees of the Company shall not be

entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares; provided , further , that the portion of the Purchase Price equal to the par value of the Shares, if any, must be paid in cash;

(d) by waiver of compensation due or accrued to Participant for services rendered;

(e) by tender of property;

(f) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:

(1) through a "same day sale" commitment from Participant and a broker-dealer that is a member of the National Association of Securities Dealers (a " NASD Dealer ") whereby Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(2) through a "margin" commitment from Participant and a NASD Dealer whereby Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company;

or

(g) by any combination of the foregoing.

8.2 Loan Guarantees . The Committee may help the Participant pay for Shares purchased under the Plan by authorizing a guarantee by the Company of a third-party loan to the Participant.

**9. WITHHOLDING TAXES .**

9.1 Withholding Generally . Whenever Shares are to be issued in satisfaction of Awards granted under the Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. Whenever, under the Plan, payments in satisfaction of Awards are to be made in cash, such payment shall be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

9.2 Stock Withholding . When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may in its sole discretion allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that minimum number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined; but in no event will the Company withhold Shares if such withholding would result in adverse accounting consequences to the Company. All elections by a Participant to have Shares withheld for this purpose will be made in accordance with the requirements established by the Committee for such elections and be in writing in a form acceptable to the Committee.

**10. PRIVILEGES OF STOCK OWNERSHIP** .

10.1 Voting and Dividends . No Participant shall have any of the rights of a shareholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant shall be a shareholder and have all the rights of a shareholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided , that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company shall be subject to the same restrictions as the Restricted Stock; provided , further , that the Participant shall have no right to retain such dividends or distributions with respect to Shares that are repurchased at the Participant's original Purchase Price pursuant to Section 12.

10.2 Financial Statements . The Company shall provide financial statements to each Participant prior to such Participant's purchase of Shares under the Plan, and to each Participant annually during the period such Participant has Options outstanding; provided , however , the Company shall not be required to provide such financial statements to Participants whose services in connection with the Company assure them access to equivalent information.

**11. TRANSFERABILITY .** Awards granted under the Plan, and any interest therein, shall not be transferable or assignable by Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as consistent with the specific Plan and Award Agreement provisions relating thereto. During the lifetime of the Participant an Award shall be exercisable only by the Participant, and any elections with respect to an Award, may be made only by the Participant.

**12. RESTRICTIONS ON SHARES .** At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Award Agreement a right to repurchase a portion of or all Shares which have not yet vested that are held by a

Participant following such Participant's Termination at any time within ninety (90) days after the later of Participant's Termination Date and the date Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Exercise Price or Purchase Price, as the case may be.

**13. CERTIFICATES .** All certificates for Shares or other securities delivered under the Plan shall be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed.

**14. ESCROW; PLEDGE OF SHARES .** To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under the Plan shall be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of Participant's obligation to the Company under the promissory note; provided , however , that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company shall have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, Participant shall be required to execute and deliver a written pledge agreement in such form as the Committee shall from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a prorata basis as the promissory note is paid.

**15. EXCHANGE AND BUYOUT OF AWARDS .** The Committee may, at any time or from time to time, authorize the Company, with the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Committee may at any time buy from a Participant an Award previously granted with payment in cash, Shares (including Restricted Stock) or other consideration, based on such terms and conditions as the Committee and the Participant shall agree.

**16. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE .** An Award shall not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in the Plan, the Company shall have no obligation to issue or deliver certificates for Shares under the

Plan prior to (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable, and/or (b) completion of any registration or other qualification of such shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company shall be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company shall have no liability for any inability or failure to do so.

**17. NO OBLIGATION TO EMPLOY .** Nothing in the Plan or any Award granted under the Plan shall confer or be deemed to confer on any Participant any right to continue in the employ of, or other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

**18. CORPORATE TRANSACTIONS .**

18.1 Assumption or Replacement of Awards by Successor . In the event of (a) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the shareholders of the Company and the Awards granted under the Plan are assumed or replaced by the successor corporation, which assumption shall be binding on all Participants), (b) a dissolution or liquidation of the Company, (c) the sale of substantially all of the assets of the Company, or (d) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the shareholders of the Company give up all of their equity interest in the Company ( except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company), any or all outstanding Awards may be assumed or replaced by the successor corporation, which assumption or replacement shall be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to shareholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject repurchase restrictions no less favorable to the Participant.

18.2 Expiration of Options . In the event such successor corporation, if any, refuses to assume or substitute the Options, as provided above, pursuant to a transaction described in Subsection 18.1(a) above, such Options shall expire on such transaction at such time and on such conditions as the Board shall determine. In the event such successor corporation, if any, refuses to assume or substitute the Options as provided above, pursuant to a transaction described in Subsections 18.1(b), (c) or (d) above, or there is no successor corporation, and if the Company ceases to exist as a separate corporate entity, then, notwithstanding any contrary terms in the Award

Agreement, the Options shall expire on a date at least twenty (20) days after the Board gives written notice to Participants specifying the terms and conditions of such termination.

18.3 Other Treatment of Awards . Subject to any greater rights granted to Participants under the foregoing provisions of this Section 18, in the event of the occurrence of any transaction described in Section 18.1, any outstanding Awards shall be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, sale of assets or other "corporate transaction."

18.4 Assumption of Awards by the Company . The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either (a) granting an Award under the Plan in substitution of such other company's award, or (b) assuming such award as if it had been granted under the Plan if the terms of such assumed award could be applied to an Award granted under the Plan. Such substitution or assumption shall be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under the Plan if the other company had applied the rules of the Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award shall remain unchanged ( except that the exercise price and the number and nature of Shares issuable upon exercise of any such option will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

18.5 Acceleration of Officer Options . The Committee in its sole discretion may grant Options to certain officers under which the vesting will accelerate upon the occurrence of a transaction described in Subsections 18.1(a), 18.1(b), 18.1(c) or 18.1(d) above in which there is a successor corporation, as to an additional 1/48th of the Shares subject to such Options for each month of employment the officer completed with the Company from the date of the grant to the date of transaction. In addition, the vesting of such Options shall accelerate for an additional twenty four months at the rate of 1/48th of the Shares subject to such option; provided that: (i) if requested to do so, the officer remains employed with the successor for a period of six months following the date of such transaction or (ii) the officer is not requested to remain with the successor following the date of such transaction.

**19. ADOPTION AND SHAREHOLDER APPROVAL .** The Plan shall become effective on the date that it is adopted by the Board (the " Effective Date "). The Plan shall be approved by the shareholders of the Company (excluding Shares issued pursuant to this Plan), consistent with applicable laws, within twelve months before or after the Effective Date. Upon the Effective Date, the Board may grant Awards pursuant to the Plan; provided, however, that: (a) no Option may be exercised prior to initial shareholder approval of the Plan; (b) no Option granted pursuant to an increase in the number of Shares approved by the Board shall be exercised prior to the time such

increase has been approved by the shareholders of the Company; and (c) in the event that shareholder approval is not obtained within the time period provided herein, all Awards granted hereunder shall be cancelled, any Shares issued pursuant to any Award shall be cancelled and any purchase of Shares hereunder shall be rescinded.

**20. TERM OF PLAN .** The Plan will terminate ten (10) years from the Effective Date or, if earlier, the date of shareholder approval.

**21. AMENDMENT OR TERMINATION OF PLAN .** The Board may at any time terminate or amend the Plan in any respect, including without limitation amendment of any form of Award Agreement or instrument to be executed pursuant to the Plan; provided , however , that the Board shall not, without the approval of the shareholders of the Company, amend the Plan in any manner that requires such shareholder approval pursuant to the Code or the regulations promulgated thereunder as such provisions apply to ISO plans.

**22. NONEXCLUSIVITY OF THE PLAN .** Neither the adoption of the Plan by the Board, the submission of the Plan to the shareholders of the Company for approval, nor any provision of the Plan shall be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options and bonuses otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

**23. GOVERNING LAW .** The Plan and all agreements, documents and instruments entered into pursuant to the Plan shall be governed by and construed in accordance with the internal laws of the State of California, excluding that body of law pertaining to conflict of laws.

**24. DEFINITIONS .** As used in the Plan, the following terms shall have the following meanings:

" Affiliate " means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

" Award " means any award under the Plan, including any Option, Restricted Stock or Stock Bonus.

" Award Agreement " means, with respect to each Award, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Award.

" Board " means the Board of Directors of the Company.

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

" Committee " means the committee appointed by the Board to administer the Plan, or if no committee is appointed, the Board.

" Company " means VERITAS Software Corporation, a corporation organized under the laws of the State of Delaware, any successor corporation thereto and any corporation that assumes the Plan.

" Disability " means a disability, whether temporary or permanent, partial or total, within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

" Exchange Act " means the Securities Exchange Act of 1934, as amended.

" Exercise Price " means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option.

" Fair Market Value " means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(a) if such Common Stock is then quoted on the Nasdaq National Market, its last reported sale price on the Nasdaq National Market or, if no such reported sale takes place on such date, the average of the closing bid and asked prices;

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, the last reported sale price or, if no such reported sale takes place on such date, the average of the closing bid and asked prices on the principal national securities exchange on which the Common Stock is listed or admitted to trading;

(c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on such date, as reported by The Wall Street Journal, for the over-the-counter market;

or

(d) if none of the foregoing is applicable, by the Board of Directors of the Company in good faith.

" Insider " means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

" Option " means an award of an option to purchase Shares pursuant to Section 5.

" Outside Director " means any director who is not (i) a current employee of the Company or any Parent, Subsidiary or Affiliate of the Company; (ii) a former employee of the Company or any Parent, Subsidiary or Affiliate of the Company who is receiving compensation for prior services (other than benefits under a tax-qualified pension plan); (iii) a current or former officer of the Company or any Parent, Subsidiary or Affiliate of the Company; or (iv) currently receiving compensation for personal services in any capacity, other than as a director, from the Company or any Parent, Subsidiary or Affiliate of the Company; provided , however , that at such time as the term "Outside Director", as used in Section 162(m) is defined in regulations promulgated under Section 162(m) of the Code, "Outside Director" shall have the meaning set forth in such regulations, as amended from time to time and as interpreted by the Internal Revenue Service.

" Parent " means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if at the time of the granting of an Award under the Plan, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

" Participant " means a person who receives an Award under the Plan.

" Plan " means this VERITAS Software Corporation 1993 Equity Incentive Plan, as amended from time to time.

" Restricted Stock Award " means an award of Shares pursuant to Section 6.

" SEC " means the Securities and Exchange Commission.

" Securities Act " means the Securities Act of 1933, as amended.

" Shares " means shares of the Company's Common Stock reserved for issuance under the Plan, as adjusted pursuant to Sections 2 and 15, and any successor security.

" Stock Bonus " means an award of Shares, or cash in lieu of Shares, pursuant to Section 7.

" Subsidiary " means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

" Termination " or " Terminated " means, for purposes of the Plan with respect to a Participant, that the Participant has ceased to provide services as an employee, director, consultant, independent contractor or adviser, to the Company or a Parent, Subsidiary or Affiliate of the Company, except in the case of sick leave, military leave, or any other leave of absence approved by the Committee, provided , that such leave is for a period of not more than ninety (90) days, or reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Committee shall have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the " Termination Date ").

Exhibit A

Form of Stock Option Agreement

**VERITAS SOFTWARE CORPORATION**

**1993 EQUITY INCENTIVE PLAN**

**STOCK OPTION AGREEMENT**

**New Hire Stock Option Grants**

This Stock Option Agreement (" Agreement ") is made and entered into as of the effective date of grant (the " Date of Grant ") set forth in the attached Notice of Grant of Stock Options and Signature Page to Stock Option Agreement (the " Notice of Grant ") by and between VERITAS Software Corporation, a Delaware corporation (the " Company "), and the participant named in the Notice of Grant (" Participant "). Capitalized terms not defined herein shall have the meaning ascribed to them in the Company's 1993 Equity Incentive Plan, as amended January 26, 1999 (the " Plan ").

**1. Grant of Option** . The Company hereby grants to Participant an option (the " Option ") to purchase the total number of shares of Common Stock of the Company set forth in the Notice of Grant (the " Shares ") at the exercise price per share set forth in the Notice of Grant, subject to all of the terms and conditions of this Agreement and the Plan. If designated as an Incentive Stock Option above, the Option is intended to qualify as an "incentive stock option" (" ISO ") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the " Code ").

**2. Vesting Schedule** .

2.1 Vesting Schedule for New Hire Grants . Subject to the terms and conditions of the Plan and this Agreement, the Option shall be exercisable as it vests. The Shares subject to the Option shall vest as follows:

Provided Participant continues to provide services to the Company or any Subsidiary, Parent or Affiliate of the Company throughout the specified period, the Option shall vest as to portions of the Shares as follows: (a) the Option shall not vest with respect to any of the Shares until the Participant has completed six (6) months employment with the Company or any Subsidiary, Parent or Affiliate of the Company; (b) upon the Participant's completion of six (6) months employment with the Company or any Subsidiary, Parent or Affiliate of the Company, the Option shall vest as to twelve and one half percent (12.5%) of the Total Option Shares; and (c) each month thereafter, the Option shall vest as to 1/48th of the Total Option Shares until the Option is vested with respect to one hundred percent (100%) of the Shares. If application of the vesting percentage causes a fractional Share, such Share shall be rounded down to a whole Share.

2.2 Expiration . The Option shall expire on the Expiration Date set forth in the Notice of Grant and must be exercised, if at all, on or before the Expiration Date.

2.3 Extension of Vesting for Part-Time Employees . In the event Participant is a full time employee of the Company or any Subsidiary, Parent or Affiliate of the Company on the Date of Grant, and subsequently agrees with the Company or any Subsidiary, Parent or Affiliate of the Company to reduce Participant's normal working hours to at least twenty (20) and fewer than (30) hours per week, all references to 1/48th in Section 2.1 above shall be automatically deemed to be 1/96th from that date forward, until such time as Participant returns to a normal full time schedule, whereupon the vesting percentage shall revert to 1/48th per month from that date forward. In the event Participant is an employee of the Company or any Subsidiary on the Date of Grant with normal working hours of at least twenty (20) hours per week, and subsequently agrees with the Company or any Subsidiary, Parent or Affiliate of the Company to reduce Participant's normal working hours to fewer than twenty (20) per week,

the Option shall cease to vest until such time (if any) when Participant returns to a working schedule of at least twenty (20) hours per week.

**3. Termination** .

3.1 Termination for Any Reason Except Death or Disability . If Participant is Terminated for any reason, except death or Disability, the Option, to the extent (and only to the extent) that it would have been exercisable by Participant on the date of Termination, may be exercised by Participant no later than ninety (90) days after the date of Termination, but in any event no later than the Expiration Date.

3.2 Termination Because of Death or Disability . If Participant is Terminated because of death or Disability of Participant, the Option, to the extent that it is exercisable by Participant on the date of Termination, may be exercised by Participant (or Participant's legal representative) no later than twelve (12) months after the date of Termination, but in any event no later than the Expiration Date.

3.3 No Obligation to Employ . Nothing in the Plan or this Agreement shall confer on Participant any right to continue in the employ of, or any other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company, or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

**4. Manner of Exercise .**

4.1 Stock Option Exercise Agreement . To exercise this Option, Participant (or in the case of exercise after Participant's death, Participant's executor, administrator, heir or legatee, as the case may be) must deliver to the Company an executed stock option exercise agreement in the form as may be approved by the Company from time to time (the " Exercise Agreement "), which shall set forth, inter alia . Participant's election to exercise the Option, the number of Shares being purchased, any restrictions imposed on the Shares and any representations, warranties and agreements regarding Participant's investment intent and access to information as may be required by the Company to comply with applicable securities laws. If someone other than Participant exercises the Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise the Option. Alternatively, Participant may elect to exercise the Option by way of a Company-sponsored program with an on-line stock broker ("the Broker") whereby Participant conveys Participant's intent to exercise the Option through the Broker's Internet site.

4.2 Limitations on Exercise . The Option may not be exercised unless such exercise is in compliance with all applicable federal and state securities laws, as they are in effect on the date of exercise. The Option may not be exercised as to fewer than 100 Shares unless it is exercised as to all Shares as to which the Option is then exercisable.

4.3 Payment . The Exercise Agreement shall be accompanied by full payment of the Exercise Price for the Shares being purchased in cash (by check), or where permitted by law:

(a) provided that a public market for the Company's stock exists, (1) through a "same day sale" commitment from Participant and a broker-dealer that is a member of the National Association of Securities Dealers (a " NASD Dealer ") whereby Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company, or (2) through a "margin" commitment from Participant and a NASD Dealer whereby Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(b) by any combination of the foregoing.

4.4 Tax Withholding . Prior to the issuance of the Shares upon exercise of the Option, Participant must pay or provide for any applicable federal or state withholding obligations of the Company. If the Committee permits, Participant may provide for payment of withholding taxes upon exercise of the Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld. In such case, the Company shall issue the net number of Shares to the Participant by deducting the Shares retained from the Shares issuable upon exercise.

4.5 Issuance of Shares . Provided that the Exercise Agreement and payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Shares registered in the name of Participant, Participant's authorized assignee, or Participant's legal representative, and shall deliver certificates representing the Shares with the appropriate legends affixed thereto.

**5. Notice of Disqualifying Disposition of ISO Shares .** If the Option is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (1) the date two years after the Date of Grant, and (2) the date one year after transfer of such Shares to Participant upon exercise of the Option, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant from the early disposition by payment in cash or out of the current wages or other compensation payable to Participant.

**6. Compliance with Laws and Regulations .** The exercise of the Option and the issuance and transfer of Shares shall be subject to compliance by the Company and Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer. Participant understands that the Company is under no obligation to register or qualify the Shares with the Securities and Exchange Commission, any state securities commission or any stock exchange to effect such compliance.

**7. Nontransferability of Option .** The Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of Participant only by Participant. The terms of the Option shall be binding upon the executors, administrators, successors and assigns of Participant.

**8. Tax Consequences .** Set forth below is a brief summary as of the Date of Grant of some of the United States federal and California tax consequences of exercise of the Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. PARTICIPANT SHOULD CONSULT A TAX ADVISOR BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES. Participants residing in other states or other countries should contact their own tax advisors.

8.1 Exercise of ISO . If the Option qualifies as an ISO, there will be no regular federal or California income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as a tax preference item for federal and state income tax purposes and may subject the Participant to the alternative minimum tax in the year of exercise.

8.2 Exercise of Nonqualified Stock Option . If the Option does not qualify as an ISO, there may be regular federal and California income tax liability upon the exercise of the Option. Participant will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. The Company will be required to withhold from Participant's compensation or collect from Participant and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

8.3 Disposition of Shares . If the Shares are held for more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of the Option (and, in the case of an ISO, are disposed of more than two years after the Date of Grant), any gain realized on disposition of the Shares will be treated as long term capital gain for federal and California income tax purposes. If Shares purchased under an ISO are disposed of within one year of exercise or within two years after the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if

any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. The Company will be required to withhold from Participant's compensation or collect from Participant and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

**9. Privileges of Stock Ownership .** Participant shall not have any of the rights of a shareholder with respect to any Shares until Participant exercises the Option and pays the Exercise Price.

**10. Interpretation .** All disputes regarding the interpretation of this Agreement, the Plan or the Notice of Grant must be submitted by Participant or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Participant.

**11. Entire Agreement .** The Plan and the Notice of Grant are incorporated herein by reference. This Agreement, the Plan and the Notice of Grant constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof.

**12. Notices .** Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated on the Notice of Grant or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by facsimile or telecopier.

**13. Successors and Assigns .** The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

**14. Governing Law .** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**15. Acceptance .** Participant hereby acknowledges receipt of a copy of the Plan, this Agreement and the Notice of Grant. Participant has read and understands the terms and provisions thereof, and accepts the Option subject to all the terms and conditions of the Plan, this Agreement and the Notice of Grant. Participant acknowledges that there may be adverse tax consequences upon exercise of the Option or disposition of the Shares and that Participant should consult a tax adviser prior to such exercise or disposition.

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**Exhibit 10.04**

**VERITAS SOFTWARE CORPORATION**

**1993 DIRECTORS STOCK OPTION PLAN**

AS ADOPTED OCTOBER 1, 1993, AMENDED JANUARY 26, 1994, AMENDED OCTOBER 19, 1994, AMENDED APRIL 20, 1995, AMENDED APRIL 17, 1996, AMENDED JANUARY 12, 1997, AMENDED APRIL 15, 1999 AND AMENDED OCTOBER 14, 1999 (EFFECTIVE JANUARY 1, 1999)

1. PURPOSE. This Stock Option Plan (this "Plan") is established to provide equity incentives for nonemployee members of the Board of Directors of VERITAS Software Corporation, a corporation organized under the laws of the State of California, any successor corporation thereto and any corporation that assumes the Plan (the "Company") who are described in Section 6.1 below, by granting such persons options to purchase shares of stock of the Company.

2. ADOPTION AND SHAREHOLDER APPROVAL. This Plan shall become effective on the date that it is adopted by the Board of Directors (the "Board") of the Company. This Plan shall be approved by the affirmative vote or written consent of the holders of a majority of the outstanding shares of Common Stock of the Company, within twelve months after the date this Plan is adopted by the Board. Upon the effective date of this Plan, options under this Plan ("Options") may be granted provided that, in the event that shareholder approval is not obtained within the time period provided herein, this Plan, and all Options granted hereunder, shall terminate. No Option that is issued as a result of any increase in the number of shares authorized to be issued under this Plan shall be exercised prior to the time such increase has been approved by the shareholders of the Company and all such Options granted pursuant to such increase shall similarly terminate if such shareholder approval is not obtained.

3. TYPES OF OPTIONS AND SHARES. Options granted under this Plan shall be nonqualified stock options ("NQSOs"). The shares of stock that may be purchased upon exercise of Options granted under this Plan (the "Shares") are shares of the Common Stock of the Company or any successor security.

4. NUMBER OF SHARES. The maximum number of Shares that may be issued pursuant to Options granted under this Plan is 562,500 Shares, subject to adjustment as provided in this Plan. If any Option is terminated for any reason without being exercised in whole or in part, the Shares thereby released from such Option shall be available for purchase under other Options subsequently granted under this Plan. At all times during the term of this Plan, the Company shall reserve and keep available such number of Shares as shall be required to satisfy the requirements of outstanding Options under this Plan. The numbers of Shares represented in this Plan are stated as of January 1, 1999, and therefore do not reflect the two-for-one stock split announced by the Board on June

7, 1999 and paid as a stock dividend on July 8, 1999 to stockholders of record on June 18, 1999.

5. ADMINISTRATION. This Plan shall be administered by the Board or by a committee of not less than two members of the Board appointed to administer this Plan (the "Committee"). As used in this Plan, references to the Committee shall mean either such Committee or the Board if no committee has been established. The interpretation by the Committee of any of the provisions of this Plan or any Option granted under this Plan shall be final and binding upon the Company and all persons having an interest in any Option or any Shares purchased pursuant to an Option.

6. ELIGIBILITY AND AWARD FORMULA.

6.1 ELIGIBILITY. Options may be granted only to directors of the Company who are not employees of the Company or any Parent, Subsidiary or Affiliate of the Company, as those terms are defined in Section 17 below (each an "Optionee"). Directors who are consultants and independent contractors of the Company or of any Parent, Subsidiary or Affiliate of the Company are eligible to participate in the Directors Plan.

6.2 INITIAL GRANT. Each Optionee who is first elected or reelected to the Board after the effective date of the Company's registration statement (the "Registration Statement") filed with, and declared effective by, the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Securities Act") on or after January 1, 1999 will automatically be granted an option for 25,000 Shares on the later of (i) the date such Optionee is first elected or reelected to the Board or (ii) the date his or her most recent prior option becomes fully vested as to all Shares or terminates (whether such option was granted under this Plan, the Company's 1993 Equity Incentive Plan or otherwise) (the "Initial Grant"). An Optionee who has received an Initial Grant or a Succeeding Grant prior to any assumption of this Plan shall not be granted an Initial Grant. The Board will have the discretion to increase the number of Shares subject to the Initial Grant to 54,000 Shares without shareholder approval.

6.3 SUCCEEDING GRANTS. On the anniversary date of his or her most recent prior option (whether such option was granted under this Plan, the Company's 1993 Equity Incentive Plan or otherwise), Optionee will automatically be granted an Option for 6,500 Shares, provided that Optionee is still a member of the Board (a "Succeeding Grant"). Notwithstanding the foregoing, an Optionee shall not receive a Succeeding Grant earlier than the first anniversary of his or her Initial Grant. The Board will have the discretion to increase the number of Shares subject to a Succeeding Grant to 13,500 Shares without shareholder approval.

6.4 MAXIMUM SHARES. The maximum number of Shares that may be issued to any one director under this Plan is 108,000. No grant will be made, however, if such grant will cause the number of Shares issued or subject to outstanding Options under this Plan to exceed the number specified in Section 4 above.

7. TERMS AND CONDITIONS OF OPTIONS. Subject to the following and to Section 6 above:

7.1 FORM OF OPTION GRANT. Each Option granted under this Plan shall be evidenced by a written Stock Option Grant ("Grant") in such form (which need not be the same for each Optionee) as the Committee shall from time to time approve, which Grant shall comply with and be subject to the terms and conditions of this Plan.

7.2 VESTING. The date an Optionee is first elected or reelected to the Board for the first time, as to the Initial Grant, and the date a Succeeding Grant is granted, is referred to in this Plan as the "Start Date" for such Option. Each Initial Grant granted prior to January 1, 1999 will vest as to 3,375 Shares subject to it on the last day of each calendar quarter (not to exceed 13,500 Shares per year); provided that Optionee attended at least one Board meeting during such quarter and provided further that the Board meeting Optionee attended occurred after the date of grant. Each Initial Grant granted on or after January 1, 1999 will vest as to 521 Shares subject to it on the last day of each calendar month (not to exceed 6,250 Shares per year). Each Succeeding Grant granted prior to January 1, 1999 will vest as to 844 Shares subject to it on the last day of each calendar quarter (not to exceed 3,375 Shares per year); provided that Optionee attended at least one Board meeting during such quarter and provided further that the Board meeting Optionee attended occurred after the date of grant. Each Succeeding Grant granted on or after January 1, 1999 will vest as to 135 Shares per calendar month (not to exceed 1,625 Shares per year). Initial Grants granted on or after April 17, 1996 and Succeeding Grants shall be exercisable immediately upon grant for a period of ten years. Exercised unvested Shares shall be subject to a right of repurchase in the Company at the original purchase price that lapses as such Shares vest. Each Option will fully vest as to any Shares that remain unvested on the day immediately preceding the tenth anniversary of the Start Date of such Option. Each outstanding Option shall be exercisable and vest in accordance with the Grant by which it was originally granted.

7.3 EXERCISE PRICE. The exercise price of an Option shall be the Fair Market Value (as defined in Section 17.4) of the Shares, at the time that the Option is granted.

7.4 TERMINATION OF OPTION. Except as provided below in this Section, this Option shall terminate and may not be exercised if Optionee ceases to be a member of the Board or a consultant of the Company. The date on which Optionee ceases to be a member of the Board or a consultant of the Company shall be referred to as the "Termination Date."

(a) Termination Generally. If Optionee ceases to be a member of the Board or a consultant of the Company for any reason except death or disability, this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee within six (6) months after the Termination Date, but in no event later than the Expiration Date.

(b) Death or Disability. If Optionee ceases to be a member of the Board or a consultant of the Company because of the death of Optionee or the disability of Optionee within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended, (the "Code") this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee (or Optionee's legal representative) within twelve (12) months after the Termination Date, but in no event later than the Expiration Date.

8. EXERCISE OF OPTIONS.

8.1 NOTICE. Options may be exercised only by delivery to the Company of an exercise agreement in a form approved by the Committee, stating the number of Shares being purchased, the restrictions imposed on the Shares and such representations and agreements regarding the Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws, together with payment in full of the exercise price for the number of Shares being purchased.

8.2 PAYMENT. Payment for the Shares may be made (a) in cash or by check; (b) by surrender of shares of Common Stock of the Company that have been owned by Optionee for more than six (6) months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or were obtained by the Optionee in the open public market, having a Fair Market Value equal to the exercise price of the Option; (c) by waiver of compensation due or accrued to Optionee for services rendered; (d) provided that a public market for the Company's stock exists, through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (a "NASD Dealer") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the exercise price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; (e) provided that a public market for the Company's stock exists, through a "margin" commitment from Optionee and a NASD Dealer whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or (f) by any combination of the foregoing.

8.3 WITHHOLDING TAXES. Prior to issuance of the Shares upon exercise of an Option, Optionee shall pay or make adequate provision for any federal or state withholding obligations of the Company, if applicable.

8.4 LIMITATIONS ON EXERCISE. Notwithstanding the exercise periods set forth in the Grant, exercise of an Option shall always be subject to the following limitations:

(a) An Option shall not be exercisable unless such exercise is in compliance with the 1933 Securities Act and all applicable state securities laws, as they are in effect on the date of exercise.

(b) The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent Optionee from exercising the full number of Shares as to which the Option is then exercisable.

9. NONTRANSFERABILITY OF OPTIONS. During the lifetime of Optionee, an Option shall be exercisable only by Optionee or by Optionee's guardian or legal representative, unless otherwise permitted by the Committee. No Option may be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

10. PRIVILEGES OF STOCK OWNERSHIP. No Optionee shall have any of the rights of a shareholder with respect to any Shares subject to an Option until the Option has been validly exercised. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to the date of exercise, except as provided in this Plan. The Company shall provide to each Optionee a copy of the annual financial statements of the Company, at such time after the close of each fiscal year of the Company as they are released by the Company to its shareholders.

11. ADJUSTMENT OF OPTION SHARES. In the event that the number of outstanding shares of Common Stock of the Company is changed by a stock dividend, stock split, reverse stock split, combination, reclassification or similar change in the capital structure of the Company without consideration, the number of Shares available under this Plan, the maximum number of Shares that can be granted to a director and the number of Shares subject to outstanding Options, the number of Shares vesting per quarter or per month and the exercise price per Share of such Options shall be proportionately adjusted, subject to any required action by the Board or shareholders of the Company and compliance with applicable securities laws; provided, however, that no certificate or scrip representing fractional shares shall be issued upon exercise of any Option and any resulting fractions of a Share shall be ignored; provided further, however, that in the event that the number of shares of Common Stock of the Company is changed by a stock dividend or a stock split without consideration, the Board will have the discretion not to proportionately adjust the number of Shares subject to each Initial Grant and the number of Shares subject to each Succeeding Grant, and the number of Shares to vest per month subject to such Initial Grants and Succeeding Grants.

12. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Option granted under this Plan shall confer on any Optionee any right to continue as a director or a consultant of the Company.

13. COMPLIANCE WITH LAWS. The grant of Options and the issuance of Shares upon exercise of any Options shall be subject to and conditioned upon compliance with

all applicable requirements of law, including without limitation compliance with the 1933 Securities Act, any required approval by the Commissioner of Corporations of the State of California, compliance with all other applicable state securities laws and compliance with the requirements of any stock exchange or national market system on which the Shares may be listed. The Company shall be under no obligation to register the Shares with the Securities and Exchange Commission or to effect compliance with the registration or qualification requirement of any state securities laws, stock exchange or national market system.

14. ACCELERATION OF OPTIONS BY SUCCESSORS. In the event of a dissolution or liquidation of the Company, a merger in which the Company is not the surviving corporation, the sale of substantially all of the assets of the Company, or any other transaction which qualifies as a "corporate transaction" under Section 424 of the Code wherein the shareholders of the Company give up all of their equity interest in the Company (except for the acquisition of all or substantially all of the outstanding shares of the Company) the vesting of all options granted pursuant to the Plan will accelerate and the options will become exercisable in full prior to the consummation of such event at such times and on such conditions as the Committee determines.

15. AMENDMENT OR TERMINATION OF PLAN. The Committee may at any time terminate or amend this Plan but not the terms of any outstanding option; provided, however, that the Committee shall not, without the approval of the shareholders of the Company, increase the total number of Shares available under this Plan (except by operation of the provisions of Sections 4 and 11 above) or change the class of persons eligible to receive Options. In any case, no amendment of this Plan may adversely affect any then outstanding Options or any unexercised portions thereof without the written consent of Optionee.

16. TERM OF PLAN. Options may be granted pursuant to this Plan from time to time within a period of ten (10) years from the date this Plan is adopted by the Board of Directors.

17. CERTAIN DEFINITIONS. As used in this Plan, the following terms shall have the following meanings:

17.1 "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the granting of the Option, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

17.2 "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

17.3 “Affiliate” means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where “control” (including the terms “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

17.4 “Fair Market Value” shall mean the fair market value of the Shares as determined by the Committee from time to time in good faith. If a public market exists for the Shares, the Fair Market Value shall be the average of the last reported bid and asked prices for the common stock of the Company on the last trading day prior to the date of determination, or, in the event the common stock of the Company is listed on the Nasdaq National Market, the Fair Market Value shall be the average of the high and low prices of the common stock on the option grant date as quoted on the Nasdaq National Market and reported in The Wall Street Journal.

Exhibit A

Form of Stock Option Agreement

**Grant No.:**
**VERITAS SOFTWARE CORPORATION**

**DIRECTORS NONQUALIFIED STOCK OPTION GRANT**

Optionee:
Social Security Number:
Address:

Total Shares Subject to Option:
Exercise Price Per Share:
Date of Grant:
Expiration Date:

**1. Grant of Option . VERITAS Software Corporation,** a Delaware corporation (the " Company "), has granted to the optionee named above (" Optionee ") an option (this " Option ") to purchase the total number of shares of Common Stock of the Company set forth above (the " Shares ") at the exercise price per share set forth above (the " Exercise Price "), subject to all of the terms and conditions of this Grant and the Company's 1993 Directors Stock Option Plan, as amended through January 12, 1997 (the " Plan "). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan.

**2. Exercise Period of Option .** Subject to the terms and conditions of the Plan and this Grant, this Option shall be exercisable as it vests. Subject to the terms and conditions of the Plan and this Grant, this Option shall vest as to _____ Shares subject to it on the last day of each calendar quarter (not to exceed _____ Shares per year); provided that Optionee attended at least one Board meeting during such quarter and provided further that the Board meeting Optionee attended occurred after the date of grant. This Option shall be exercisable as it vests for a period of ten years and will fully vest as to any Shares that remain unvested on the day immediately preceding the tenth anniversary of the Start Date of such Option. This Option may not be exercised until the Plan, or in the case of Options granted pursuant to an amendment to the number of shares that may be issued under the Plan, the amendment has been approved by the shareholders of the Company as set forth in the Plan.

**3. Restriction on Exercise .** This Option may not be exercised unless such exercise is in compliance with the 1933 Securities Act, and all applicable state securities laws, as they are in effect on the date of exercise, and the requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of exercise. Optionee understands that the Company is under no obligation to register, qualify or list the Shares with the Securities and Exchange Commission (the " SEC "), any

state securities commission or any stock exchange or national market system to effect such compliance.

**4. Termination of Option** . Except as provided below in this Section, this Option shall terminate and may not be exercised if Optionee ceases to be a Board Member or a consultant of the Company. The date on which Optionee ceases to be a Board Member or a consultant of the Company shall be referred to as the " Termination Date ."

4.1 Termination Generally . If Optionee ceases to be a Board Member or a consultant of the Company for any reason except death or disability, this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee within six (6) months after the Termination Date, but in no event later than the Expiration Date.

4.2 Death or Disability . If Optionee ceases to be a Board Member or a consultant of the Company because of the death of Optionee or the disability of Optionee within the meaning of Section 22(e)(3) of the Code, this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee (or Optionee's legal representative) within twelve (12) months after the Termination Date, but in no event later than the Expiration Date.

**5. Manner of Exercise** .

5.1 Exercise Agreement . This Option shall be exercisable by delivery to the Company of an executed written Directors Stock Option Exercise Agreement in the form attached hereto as Exhibit A , or in such other form as may be approved by the Board or the committee thereof that administers the Plan, which shall set forth Optionee's election to exercise some or all of this Option, the number of Shares being purchased, any restrictions imposed on the Shares and such other representations and agreements as may be required by the Company to comply with applicable securities laws.

5.2 Payment . Payment for the Shares may be made (a) in cash or by check; (b) by surrender of shares of Common Stock of the Company that have been owned by Optionee for more than six (6) months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or were obtained by Optionee in the open public market, having a Fair Market Value equal to the exercise price of the Option; (c) by waiver of compensation due or accrued to Optionee for services rendered; (d) provided that a public market for the Company's stock exists, through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an " NASD Dealer ") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the exercise price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; (e) provided that a public market for the Company's stock exists, through a "margin" commitment from Optionee and an NASD Dealer whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to

the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or (f) by any combination of the foregoing.

5.3 Withholding Taxes . Prior to the issuance of the Shares upon exercise of this Option, Optionee shall pay or make adequate provision for any applicable federal or state withholding obligations of the Company.

5.4 Issuance of Shares . Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall cause the Shares to be issued in the name of Optionee or Optionee's legal representative.

**6. Nontransferability of Option** . During the lifetime of Optionee, an Option shall be exercisable only by Optionee or by the Optionee's guardian or legal representative, unless otherwise permitted by the Committee. No Option may be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

**7. Interpretation** . Any dispute regarding the interpretation of this Grant shall be submitted by Optionee or the Company to the Company's Board of Directors or the committee thereof that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Board or committee shall be final and binding on the Company and on Optionee. Nothing in the Plan or this Grant shall confer on Optionee any right to continue as a Board Member, employee, officer or consultant of the Company.

**8. Entire Agreement** . The Plan and the Directors Stock Option Exercise Agreement are incorporated herein by this reference. This Grant, the Plan and the Directors Stock Option Exercise Agreement constitute the entire agreement of the parties hereto and supersede all prior undertakings and agreements with respect to the subject matter hereof.

**VERITAS SOFTWARE CORPORATION**

By: _____

Name: _____

Title: _____

**ACCEPTANCE**

Optionee hereby acknowledges receipt of a copy of the Plan, represents that Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and conditions of the Plan and this Grant. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Shares and that Optionee should consult a qualified tax advisor prior to such exercise or disposition.

| | |
|---|---|
| Optionee | Date |

**EXHIBIT 10.05**

**SYMANTEC CORPORATION**
**1996 EQUITY INCENTIVE PLAN**
**(Amended August 21, 2003)**

1. *Purpose.* The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent, Subsidiaries and Affiliates, by offering them an opportunity to participate in the Company's future performance through awards of Options and Restricted Stock Awards. Capitalized terms not defined in the text are defined in Section 23.

2. *Shares Subject to the Plan.*

2.1 *Number of Shares Available.* Subject to Sections 2.2 and 18, the total number of Shares reserved and available for grant and issuance pursuant to this Plan will be 48,872,204 Shares, of which no more than ten percent (10%) shall be issued as Restricted Stock Awards. Subject to Sections 2.2 and 18, Shares that: (a) are subject to issuance upon exercise of an Option but cease to be subject to such Option for any reason other than exercise of such Option; (b) are subject to an Award granted hereunder but are forfeited or are repurchased by the Company at the original issue price; or (c) are subject to an Award that otherwise terminates without Shares being issued; will again be available for grant and issuance in connection with future Awards under this Plan. At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Options granted under this Plan and all other outstanding but unvested Awards granted under this Plan.

2.2 *Adjustment of Shares.* In the event that the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, then (a) the number of Shares reserved for issuance under this Plan, (b) the Exercise Prices of and number of Shares subject to outstanding Options, and (c) the Purchase Price and number of Shares subject to other outstanding Awards, including Restricted Stock Awards, will be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and compliance with applicable securities laws; *provided, however,* that fractions of a Share will not be issued but will either be replaced by a cash payment equal to the Fair Market Value of such fraction of a Share or will be rounded up to the nearest whole Share, as determined by the Committee.

3. *Eligibility.* ISOs (as defined in Section 5 below) may be granted only to employees (including officers and directors who are also employees) of the Company or of a Parent or Subsidiary of the Company. All other Awards may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company or any Parent, Subsidiary or Affiliate of the Company; *provided* such consultants, contractors and advisors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction; and *provided further,* that unless otherwise determined by the Board, non-employee directors shall receive Options only pursuant to the formula award provisions set forth in Section 6. No person will be eligible to receive more than 500,000 Shares in any calendar year under this Plan pursuant to the grant of Awards hereunder, other than new employees of the Company or of a Parent, Subsidiary or Affiliate of the Company (including new employees who are also officers and directors of the Company or any Parent, Subsidiary or Affiliate of the Company) who are eligible to receive up to a maximum of 800,000 Shares in the calendar year in which they commence their employment. A person may be granted more than one Award under this Plan.

4. *Administration.*

4.1 *Committee Authority.* This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, except as provided in Section 6, the Committee will have full power to implement and carry out this Plan. Without limitation, the Committee will have the authority to:

(a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;

(b) prescribe, amend and rescind rules and regulations relating to this Plan;

(c) select persons to receive Awards;

(d) determine the form and terms of Awards;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent, Subsidiary or Affiliate of the Company;

(g) grant waivers of Plan or Award conditions;

(h) determine the vesting, exercisability and payment of Awards;

(i) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;

(j) amend any option agreements executed in connection with this Plan;

(k) determine whether an Award has been earned; and

(l) make all other determinations necessary or advisable for the administration of this Plan.

4.2 *Committee Discretion.* Any determination made by the Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of this Plan or Award, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Award under this Plan. The Committee may delegate to one or more officers of the Company the authority to grant an Award under this Plan to Participants who are not Insiders of the Company.

4.3 *Section 162(m) Requirements.* If two or more members of the Board are Outside Directors, the Committee will be comprised of at least two (2) members of the Board, all of whom are Outside Directors.

5. *Options.* The Committee may grant Options to eligible persons and will determine whether such Options will be Incentive Stock Options within the meaning of the Code *("ISOs")* or Nonqualified Stock Options *("NQSOs")*, the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 *Form of Option Grant.* Each Option granted under this Plan will be evidenced by an Award Agreement which will expressly identify the Option as an ISO or an NQSO *("Stock Option Agreement")*, and will be in such form and contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan.

5.2 *Date of Grant.* The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 *Exercise Period.* Options will be exercisable within the times or upon the events determined by the Committee as set forth in the Stock Option Agreement governing such Option; *provided, however*, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary of the Company *("Ten Percent Stockholder")* will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for the exercise of Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4 *Exercise Price.* The Exercise Price of an Option will be determined by the Committee when the Option is granted and may be not less than 100% of the Fair Market Value of the Shares on the date of grant; *provided* that the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 8 of this Plan.

5.5 *Method of Exercise.* Options may be exercised only by delivery to the Company of a written stock option exercise agreement (the *"Exercise Agreement"* ) in a form approved by the Committee (which need not be the same for each Participant), stating the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price for the number of Shares being purchased.

5.6 *Termination.* Notwithstanding the exercise periods set forth in the Stock Option Agreement, exercise of an Option will always be subject to the following:

(a) If the Participant is Terminated for any reason except death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable upon the Termination Date no later than three (3) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be an NQSO), but in any event, no later than the expiration date of the Options; *provided however*, that options granted to non-employee directors pursuant to Section 6 shall remain exercisable for a period of seven (7) months following the non-employee director's termination as a director or consultant of the Company or any Affiliate.

(b) If the Participant is Terminated because of Participant's death or Disability (or the Participant dies within three (3) months after a Termination other than because of Participant's death or disability), then Participant's Options may be exercised only to the extent that such Options would have been exercisable by Participant on the Termination Date and must be exercised by Participant (or Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any such exercise beyond (a) three (3) months after the Termination Date when the Termination is for any reason other than the Participant's death or Disability, or (b) twelve (12) months after the Termination Date when the Termination is for Participant's death or Disability, deemed to be an NQSO), but in any event no later than the expiration date of the Options.

(c) Notwithstanding anything to the contrary herein, if the Participant is Terminated because of the Participant's actual or alleged commitment of a criminal act or an intentional tort and the Company (or an employee of the Company) is the victim or object of such criminal act or intentional tort or such criminal act or intentional tort results, in the reasonable opinion of the Company, in liability, loss, damage or injury to the Company, then, at the Company's election, Participant's Options shall not be exercisable and shall expire upon the Participant's Termination Date. Termination by the Company based on a Participant's alleged commitment of a criminal act or an intentional tort shall be based on a reasonable investigation of the facts and a determination by the Company that a preponderance of the evidence discovered in such investigation indicates that such Participant is guilty of such criminal act or intentional tort.

5.7 *Limitations on Exercise.* The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, *provided* that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 *Limitations on ISOs.* The aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which ISOs are exercisable for the first time by a Participant during any calendar year (under this Plan or under any other incentive stock option plan of the Company or any Affiliate, Parent or Subsidiary of the Company) will not exceed $100,000. If the Fair Market Value of Shares on the date of grant with respect to which ISOs are exercisable for the first time by a Participant during any calendar year exceeds $100,000, then the Options for the first $100,000 worth of Shares to become exercisable in such calendar year will be ISOs and the Options for the amount in excess of $100,000 that become exercisable in that calendar year will be NQSOs. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date of this Plan to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9 *Modification, Extension or Renewal.* The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, *provided* that (a) any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code; and (b) notwithstanding anything to the contrary elsewhere in the Plan, the Company will not reprice Options issued under the Plan by lowering the Exercise Price of a previously granted Award, by canceling outstanding Options and issuing replacements, or by otherwise replacing existing Options with substitute Options with a lower Exercise Price, without prior approval of the Company's stockholders.

5.10 *No Disqualification.* Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. *Formula for Non-Employee Director Option Grants and Vesting.*

6.1 *Grant of Formula Option.* Options shall be granted to non-employee directors of the Company or any Affiliate *("non-employee directors")* during the term of this Plan as follows: (i) to the extent that a stock option has not already been granted to a non-employee director during the fiscal year of the Company in which such director becomes a director, a NQSO to purchase 20,000 shares will automatically be granted to such director upon such director's joining the Board, (ii) a NQSO to purchase 12,000 shares will be granted to each non-employee director, other than a non-employee director acting as the Chairman of the Board on the day after the Annual Meeting of Stockholders, *provided* that no such grant shall be made to a director within six months of the initial grant to such director and with the exception that the award grant to a continuing director following the Annual Meeting of Stockholders in September 2002 shall be 6,000 shares, and (iii) a NQSO to purchase 20,000 shares will be granted each year to the non-employee director acting as the Chairman of the Board on the day after the Annual Meeting of Stockholders, *provided,* that no such grant shall be made to a director within six months of the initial grant to such director. Only non-employee directors who are neither an employee of the Company nor the holder of more than one percent of the Shares or a representative of any such stockholder shall be eligible for a formula option grant.

6.2 *Exercise Period for Formula Options.* A non-employee director may exercise a granted option in whole or in part for any Vested Shares, as determined in accordance with Section 6.3 hereof; *provided, however,* that the option shall expire and terminate on the tenth anniversary of the date of grant, or earlier in accordance with the provisions of this Plan.

6.3 *Vesting of Formula Options.* Twenty-five percent (25%) of the Shares shall vest on the First Vesting Date, as specified in the Stock Option Grant, with the remaining Shares vesting at the rate of 2.0833% of the total Shares per month over the subsequent three years (each a *"Succeeding Vesting Date"* ) provided that the non-employee director provides services to the Company or a Parent, Subsidiary or Affiliate of the Company on the First Vesting Date and on each Succeeding Vesting Date thereafter. Shares that are vested pursuant to the vesting schedule set forth in this Section 6.3 are *"Vested Shares"* and are exercisable hereunder.

7. *Restricted Stock Awards.* A Restricted Stock Award is an offer by the Company to issue to an eligible person Shares that are subject to restrictions. The Committee will determine to whom an offer will be made, the number of Shares the person may purchase, the Purchase Price, the restrictions to which the Shares will be subject, and all other terms and conditions of the Restricted Stock Award, subject to the following:

7.1 *Restricted Stock Purchase Agreement.* All purchases under a Restricted Stock Award will be evidenced by a written agreement (the " *Restricted Stock Purchase Agreement* "), which will be in substantially a form (which need not be the same for each Participant) that the Committee shall from time to time approve, and will comply with and be subject to the terms and conditions of the Plan. A Participant can accept a Restricted Stock Award only by signing and delivering to the Company the Restricted Stock Purchase Agreement, and full payment of the Purchase Price, within thirty (30) days from the date the Restricted Stock Purchase Agreement was delivered to the Participant. If the Participant does not accept the Restricted Stock Award in this manner within thirty (30) days, then the offer of the Restricted Stock Award will terminate, unless the Committee determines otherwise.

7.2 *Purchase Price.* The Purchase Price for a Restricted Stock Award will be determined by the Committee, and may be less than Fair Market Value (but not less than the par value of the Shares) on the date the Restricted Stock Award is granted, *provided* that the Exercise Price of any Restricted Stock Award to a Ten Percent Stockholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment of the Purchase Price must be made in accordance with Section 8 of this Plan and as permitted in the Restricted Stock Purchase Agreement, and in accordance with any procedures established by the Company.

7.3 *Terms of Restricted Stock Awards.* Restricted Stock Awards will be subject to all restrictions, if any, that the Committee may impose. These restrictions may be based on completion of a specified number of years of service with the Company and/or upon completion of the performance goals as set out in advance in the Participant's Restricted Stock Purchase Agreement, which shall be in such form and contain such provisions (which need not be the same for each Participant) as the Committee shall from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

7.4 *Termination During Performance Period.* Restricted Stock Awards shall cease to vest immediately if a Participant is Terminated during a Performance Period for any reason, unless the Committee determines otherwise, and any unvested Shares subject to such Restricted Stock Awards shall be subject to the Company's right to repurchase such Shares, as described in Section 12 of this Plan, if and as set forth in the applicable Restricted Stock Purchase Agreement.

8. *Payment for Share Purchases.*

8.1 *Payment.* Payment for Shares purchased pursuant to this Plan may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

(a) by cancellation of indebtedness of the Company to the Participant;

(b) by surrender of shares that either: (1) have been owned by Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by Participant in the public market;

(c) by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; *provided, however,* that Participants who are not employees or directors of the Company will not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares; *provided, further,* that the portion of the Purchase Price equal to the par value of the Shares, if any, must be paid in cash;

(d) by waiver of compensation due or accrued to the Participant for services rendered; *provided, further,* that the portion of the Purchase Price equal to the par value of the Shares, if any, must be paid in cash;

(e) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:

(1) through a "same day sale" commitment from the Participant and a broker-dealer that is a member of the National Association of Securities Dealers (an *"NASD Dealer"* ) whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(2) through a "margin" commitment from the Participant and an NASD Dealer whereby the Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(f) by any combination of the foregoing.

8.2 *Loan Guarantees.* The Committee may help the Participant pay for Shares purchased under this Plan by authorizing a guarantee by the Company of a third-party loan to the Participant, provided the Company has full recourse to the Participant relative to the guarantee.

9. *Withholding Taxes.*

9.1 *Withholding Generally.* Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. Whenever, under this Plan, payments in satisfaction of Awards are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

9.2 *Stock Withholding.* When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined (the *"Tax Date"* ). All elections by a Participant to have Shares withheld for this purpose will be made in writing in a form acceptable to the Committee.

10. *Privileges of Stock Ownership.*

10.1 *Voting and Dividends.* No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; *provided,* that if such Shares are restricted stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the restricted stock; *provided, further,* that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's original Purchase Price pursuant to Section 12.

10.2 *Financial Statements.* The Company will provide financial statements to each Participant prior to such Participant's purchase of Shares under this Plan, and to each Participant annually during the period such Participant has Awards outstanding; *provided, however,* the Company will not be required to provide such financial statements to Participants whose services in connection with the Company assure them access to equivalent information.

11. *Transferability.* Awards granted under this Plan, and any interest therein, will not be transferable or assignable by Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as consistent with the specific Plan and Award Agreement provisions relating thereto. During the lifetime of the Participant an Award will be exercisable only by the Participant, and any elections with respect to an Award, may be made only by the Participant.

12. *Restrictions on Shares.* At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Award Agreement a right to repurchase a portion of or all Shares that are not vested held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of Participant's Termination Date and the date Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's original Exercise Price or Purchase Price, as the case may be.

13. *Certificates.* All certificates for Shares or other securities delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

14. *Escrow; Pledge of Shares.* To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of Participant's obligation to the Company under the promissory note; *provided, however,* that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a *pro rata* basis as the promissory note is paid.

15. *Exchange and Buyout of Awards.* The Committee may, at any time or from time to time, authorize the Company, with the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Committee may at any time buy from a Participant an Award previously granted with payment in cash, Shares (including restricted stock) or other consideration, based on such terms and conditions as the Committee and the Participant may agree.

16. *Securities Law and Other Regulatory Compliance.* An Award will not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or

quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

17. *No Obligation to Employ.* Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

18. *Corporate Transactions.*

18.1 *Assumption or Replacement of Awards by Successor.* In the event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation ( *other than* a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants), (c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company (other than any stockholder which merges (or which owns or controls another corporation which merges) with the Company in such merger) cease to own their shares or other equity interests in the Company, (d) the sale of substantially all of the assets of the Company, or (e) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company ( *except* for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company from or by the stockholders of the Company), any or all outstanding Awards may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants, or the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards); provided that all formula option grants, pursuant to Section 6, shall accelerate and be fully vested upon such merger, consolidation or corporate transaction. In the event such successor corporation (if any) fails to assume or substitute Options pursuant to a transaction described in this Subsection 18.1, all Options will expire on such transaction at such time and on such conditions as the Board shall determine.

18.2 *Other Treatment of Awards.* Subject to any greater rights granted to Participants under the foregoing provisions of this Section 18, in the event of the occurrence of any transaction described in Section 18.1, any outstanding Awards will be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, sale of assets or other "corporate transaction."

18.3 *Assumption of Awards by the Company.* The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged ( *except* that the exercise price and the number and nature of Shares issuable upon exercise of any such option will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

19. *Adoption and Stockholder Approval.* This Plan will become effective on the date that it is adopted by the Board (the *"Effective Date"* ). This Plan shall be approved by the stockholders of the Company (excluding Shares issued pursuant to this Plan), consistent with applicable laws, within twelve (12) months before or after the Effective Date. Upon the Effective Date, the Board may grant Awards pursuant to this Plan; *provided, however,* that: (a) no Option may be exercised prior to initial stockholder approval of this Plan; (b) no Option granted pursuant to an increase in the number of Shares subject to this Plan approved by the Board will be exercised prior to the time such increase has been approved by the stockholders of the Company; and (c) in the event that stockholder approval of this Plan or any amendment increasing the number of Shares subject to this Plan is not obtained, all Awards granted hereunder will be canceled, any Shares issued pursuant to any Award will be canceled, and any purchase of Shares hereunder will be rescinded.

20. *Term of Plan.* Unless earlier terminated as provided herein, this Plan will terminate ten (10) years from the date this Plan is adopted by the Board or, if earlier, the date of stockholder approval.

21. *Amendment or Termination of Plan.* The Board may at any time terminate or amend this Plan in any respect, including without limitation amendment of Section 6 of this Plan; *provided, however,* that the Board will not, without the approval of the stockholders of the Company, amend this Plan to increase the number of shares that may be issued under this Plan, or change the designation of employees or class of employees eligible for participation in this Plan.

22. *Nonexclusivity of the Plan.* Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

23. *Definitions.* As used in this Plan, the following terms will have the following meanings:

"*Affiliate*" means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

"*Award*" means any award under this Plan, including any Option or Restricted Stock Award.

"*Award Agreement*" means, with respect to each Award, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Award.

"*Board*" means the Board of Directors of the Company.

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

"*Committee*" means the committee appointed by the Board to administer this Plan, or if no such committee is appointed, the Board.

"*Company*" means Symantec Corporation, a corporation organized under the laws of the State of Delaware, or any successor corporation.

"*Disability*" means a disability, whether temporary or permanent, partial or total, within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

"*Exercise Price*" means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option.

"*Fair Market Value*" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(a) if such Common Stock is then quoted on the Nasdaq National Market, its closing price on the Nasdaq National Market on the last trading day prior to the date of determination as reported in *The Wall Street Journal;*

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the last trading day prior to the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal;*

(c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the last trading day prior to the date of determination as reported in *The Wall Street Journal;* or

(d) if none of the foregoing is applicable, by the Committee in good faith.

*"Outside Director"* shall mean a person who satisfies the requirements of an "outside director" as set forth in regulations promulgated under Section 162(m) of the Code.

*"Option"* means an award of an option to purchase Shares pursuant to Section 5.

*"Parent"* means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if at the time of the granting of an Award under this Plan, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

*"Participant"* means a person who receives an Award under this Plan.

*"Performance Factors"* means the factors selected by the Committee from among the following measures to determine whether the performance goals established by the Committee and applicable to Awards have been satisfied:

(1) Net revenue and/or net revenue growth;

(2) Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;

(3) Operating income and/or operating income growth;

(4) Net income and/or net income growth;

(5) Earnings per share and/or earnings per share growth;

(6) Total stockholder return and/or total stockholder return growth;

(7) Return on equity;

(8) Operating cash flow return on income;

(9) Adjusted operating cash flow return on income;

(10) Economic value added; and

(11) Individual business objectives.

*"Performance Period"* means the period of service determined by the Committee, not to exceed five years, during which years of service or performance is to be measured for Restricted Stock Awards.

*"Plan"* means this Symantec Corporation 1996 Equity Incentive Plan, as amended from time to time.

*"Purchase Price"* means the price to be paid for Shares acquired under this Plan pursuant to a Restricted Stock Award.

*"Restricted Stock Award"* means an award of Shares pursuant to Section 7 of this Plan.

*"Securities Act"* means the Securities Act of 1933, as amended.

*"Shares"* means shares of the Company's Common Stock reserved for issuance under this Plan, as adjusted pursuant to Sections 2 and 18, and any successor security.

*"Subsidiary"* means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

*"Termination"* or *"Terminated"* means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, director, consultant, independent contractor or advisor to the Company or a Parent, Subsidiary or Affiliate of the Company, except in the case of sick leave, military leave, or any other leave of absence approved by the Committee, provided that such leave is for a period of not more than ninety (90) days, or reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the *"Termination Date"* ).

Exhibit A

Form of Stock Option Agreement

SYMANTEC CORPORATION

STOCK OPTION GRANT — TERMS AND CONDITIONS

1. Grant of Option. Symantec Corporation, a Delaware corporation, (the "Company"), hereby grants to the optionee named in the Stock Option Grant (the "Optionee") an option (this "Option") to purchase the Total Number of Shares Subject to Option set forth in the Stock Option Grant (the "Shares") at the Exercise Price Per Share set forth in the Stock Option Grant (the "Exercise Price"), subject to all of the terms and conditions set forth in this Terms and Conditions of Stock Option Grant and the Stock Option Grant (collectively, the "Grant") and in the Company's 1996 Equity Incentive Plan (the "Plan"). If designated as an incentive stock option in the Stock Option Grant, this Option is intended to qualify as an "incentive stock option" ("ISO") within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code"). If not so designated, this Option shall be a nonqualified stock option ("NQSO").

2. Exercise Period of Option. Subject to the terms and conditions set forth in this Grant and in the Plan, Optionee may exercise this Option in whole or in part for any Vested Shares, as determined in accordance with Section 8 hereof; provided, however, that this Option shall expire and terminate on the Expiration Date set forth in the Stock Option Grant (the "Expiration Date"), or earlier, as provided in Section 4 hereof, and must be exercised, if at all, on or before the Expiration Date.

3. Restrictions on Exercise. Exercise of this Option is subject to the following limitations:

(a) This Option may not be exercised unless such exercise is in compliance with the Securities Act of 1933, as amended, and all applicable state securities laws, as they are in effect on the date of exercise.

(b) This Option may not be exercised until the Plan, or any required increase in the number of shares authorized under the Plan, is approved by the stockholders of the Company.

(c) If Optionee is determined by the Company to be an officer subject to the reporting and other requirements set forth in Section 16 of the Securities Exchange Act of 1934 and associated regulations (a "Section 16 Officer"), Optionee shall be subject such additional restrictions upon exercise of this Option and/or sale of shares issued pursuant to an exercise of this Option as may be established from time to time by the Chairman/CEO of the Company and/or the Compensation committee of the Company's Board of Directors.

4. Termination of Option. Except as provided below in this Section, this Option shall terminate and may not be exercised if Optionee ceases to provide services as an employee, director, consultant, independent contractor or advisor to the Company or a Parent, Subsidiary or Affiliate of the Company (each as defined in the Plan), except in the case of sick leave, military leave, or any other leave of absence approved by the committee appointed by the Company's Board of Directors to administer the Plan (the "Committee") or by any person designated by the Committee, provided that such leave is for a period of not more than ninety days, or reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Committee or its designee will have sole discretion to determine whether an Optionee has ceased to provide services and the effective date on which the Optionee ceased to provide services (the "Termination Date").

(a) If Optionee ceases to provide services to the Company or any Parent, Subsidiary or Affiliate of the Company for any reason except death or disability, Optionee may exercise this Option to the extent (and only to the extent) that it would have been exercisable upon the Termination Date, within three months after the Termination Date, but in any event no later than the Expiration Date.

(b) If Optionee ceases to provide services to the Company or any Parent, Subsidiary or Affiliate of the Company because of the death or disability of Optionee, within the meaning of Section 22 (e) (3) of the Code, (or the Optionee dies within three months after the Optionee ceases to provide services other than because of such Optionee's death or disability) the Option may be exercised to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, by Optionee (or the Optionee's legal representative) within twelve months after the Termination Date, but in any event no later than the Expiration Date.

(c) Notwithstanding anything to the contrary herein, if Optionee ceases to provide services to the Company or any Parent, Subsidary or Affiliate of the Company because of the Optionee's actual or alleged commitment of a criminal act or an intentional tort and the Company (or an employee of the Company) is the victim or object of such criminal act or intentional tort or such criminal act or intentional tort results, in the reasonable opinion of the Company, in liability, loss, damage or injury to the Company, then, at the Company's election, this Option shall not be exercisable and shall terminate upon the Optionee's Termination Date. Termination by the Company based on Optionee's alleged commitment of a criminal act or an intentional tort shall be based on a reasonable investigation of the facts and a determination by the Company that a preponderance of the evidence discovered in such investigation indicates that Optionee is guilty of such criminal act or intentional tort.

Nothing in this Grant or in the Plan shall confer on Optionee any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company, or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Optionee's employment or other relationship at any time, with or without cause.

5. Manner of Exercise.

(a) This Option shall be exercisable by delivery to the Company of an executed written Notice of Intent to Exercise Stock Option in the form attached hereto, or in such other form as may be approved by the Company

(the “Exercise Agreement”), which shall set forth Optionee’s election to exercise this Option, the number of Shares being purchased, any restrictions imposed on the Shares and such other representations and agreements regarding Optionee’s investment intent and access to information as may be required by the Company to comply with applicable securities laws.

(b) Such Exercise Agreement shall be accompanied by full payment of the Exercise Price for the Shares being purchased (i) in cash (by check); (ii) by surrender of shares of Common Stock of the Company that have been owned by the Optionee for more than six months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or were obtained by the Optionee in the open public market, having a Fair Market Value (as defined in the Plan) equal to the Exercise Price of the Option; (iii) by waiver of compensation due or accrued to Optionee for services rendered; (iv) provided that a public market for the Company’s stock exists, through a “same day sale” commitment from the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an “NASD Dealer”) whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; (v) provided that a public market for the Company’s stock exists, through a “margin” commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (vi) by any combination of the foregoing where approved by the Committee, or its designee, in its sole discretion.

(c) Withholding Taxes. Prior to the issuance of the Shares upon exercise of this Option, Optionee must pay or make adequate provision for any applicable federal or state withholding obligations of the Company.

(d) Issuance of Shares. Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall cause the Shares to be issued in the name of Optionee or Optionee’s legal representative or assignee.

6. Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee pursuant to this Grant is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (1) the date which is two years after the Grant Date, or (2) the date one year after exercise of the ISO with respect to which the Shares are to be sold or disposed, the Optionee shall immediately notify the Company in writing of such disposition. Optionee acknowledges and agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee from any such early disposition by payment in cash or out of the current wages or other earnings payable to the Optionee.

7. Nontransferability of Option. This Option may not be transferred in any manner other than by will or by the law of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

8. Vesting Schedule. Shares that are vested pursuant to the vesting schedule set forth in the Stock Option Grant are "Vested Shares" and exercisable hereunder, provided that the Optionee provides services to the Company or a Parent, Subsidiary or Affiliate of the Company on the First Vesting Date and on each Succeeding Vesting Date thereafter.

9. Compliance with Laws and Regulations. The exercise of this Option and the issuance of Shares shall be subject to compliance by the Company and the Optionee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of such issuance. Optionee understands that the Company is under no obligation to register or qualify the Shares with the Securities and Exchange Commission, any state securities commission or any stock exchange or national market system on which the Company's Common Stock may be listed at the time of such issuance or transfer.

10. Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal and California tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISOR BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability or California income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as a tax preference item for federal income tax purposes and may subject the Optionee to alternative minimum tax in the year of exercise.

(b) Exercise of Nonqualified Stock Option. If this Option does not qualify as an ISO, there may be a regular federal income tax liability and a California income tax liability upon the exercise of the Option. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. The Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(c) Disposition of Shares. If the Shares are held for at least twelve months after the date of the transfer of the Shares pursuant to the exercise of this Option (and, if this Option qualifies as an ISO, are disposed of at least two years after the Grant Date), any gain realized on disposition of the Shares will be treated as long term capital gain for federal and California income tax purposes. If Shares purchased under an ISO are disposed of within one year of exercise or within two years after the Grant Date, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price.

11. Interpretation. Any dispute regarding the interpretation hereof or of the Plan shall be submitted by Optionee or the Company forthwith to

the Committee, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Committee shall be final and binding on the Company and on Optionee.

12. Governing Law. This Grant shall be governed by and construed in accordance with the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California. If any provision of this Grant is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

13. Notices. Any notice required to be given or delivered to the Company under the terms of this Grant shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated in the Stock Option Grant or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three days after deposit in the United States mail by certified or registered mail (return receipt requested); one business day after deposit with any return receipt express courier (prepaid); or one business day after transmission by facsimile, rapifax or telecopier.

14. Entire Agreement. The Plan and the Exercise Agreement are incorporated in this Grant by reference. This Grant constitutes the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof.

EXHIBIT I
NOTICE OF INTENT TO EXERCISE STOCK OPTION

SYMANTEC CORPORATION
20330 Stevens Creek Blvd.
Cupertino, CA 95014

DATE: __ __ \ __ __ \ __ __

PURSUANT to the Stock Option Grants (detailed below) granted to me by Symantec Corporation (the “Company”), I hereby notify the company that I wish to exercise my right to purchase shares of common stock as described in the table below. I acknowledge that I have received, read and understood a copy of the Plan and the Grant Agreement, and that such are incorporated herein by reference.

| Grant Number | Grant Date | Option Type (NQ or ISO) | Option Price Per Share | Number of Shares | Total Option Pri |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |

TOTALS

_____ I do not wish to sell the shares at this time. Payment for these shares will be made in a manner as defined in and allowed by the Plan and the Company. Please deliver the shares to the following address:

_____

❑ I am not a Company Insider.

❑ I am a Company Insider and have received pre-clearance approval from the Legal Department of the Company.

Name _____ Signature _____

Address _____

Social Security Number: __ __\ __ __\ __ __ __ __ Office Location: _____

Daytime Telephone Number: _____ Home Telephone Number: _____

Fax this form to the attention of "Stock Administration" in the Cupertino office, NOT to your broker.
Stock Administration Fax Number: (408) 517-8118.

Exhibit B

Form of Restricted Stock Purchase Agreement

SYMANTEC CORPORATION

1996 EQUITY INCENTIVE PLAN

RESTRICTED STOCK PURCHASE AGREEMENT
(STOCK AWARD DOCUMENTATION)

This Restricted Stock Purchase Agreement (the "AGREEMENT") is made and entered into as of _____, _____(the "EFFECTIVE DATE") by and between Symantec Corporation, a Delaware corporation (the "COMPANY"), and the purchaser-participant named below (the "PARTICIPANT"). Capitalized terms not defined herein shall have the meaning ascribed to them in the Company's 1996 Equity Incentive Plan (the "PLAN").

PARTICIPANT: _____

SOCIAL SECURITY NUMBER: _____

ADDRESS: _____

_____

TOTAL NUMBER OF SHARES: _____

PURCHASE PRICE PER SHARE: _____

TOTAL PURCHASE PRICE: _____

1. PURCHASE OF SHARES.

1.1 Purchase of Shares. On the Effective Date and subject to the terms and conditions of this Agreement and the Plan, Participant hereby purchases from the Company, and the Company hereby sells to Participant, the Total Number of Shares set forth above (the "SHARES") of the Company's Common Stock at the Purchase Price Per Share as set forth above (the "Purchase Price Per Share") for a Total Purchase Price as set forth above (the "PURCHASE PRICE"). As used in this Agreement, the term "SHARES" includes the Shares purchased under this Agreement and all securities received (i) in replacement of the Shares, (ii) as a result of stock dividends or stock splits with respect to the Shares, and (iii) in replacement of the Shares in a merger, recapitalization, reorganization or similar corporate transaction.

1.2 Title to Shares. The exact spelling of the name(s) under which Participant will take title to the Shares is: _____
_____

Participant desires to take title to the Shares as follows:

[ ] Individual, as separate property

[ ] Husband and wife, as community property

[ ] Joint Tenants

1.3 Payment. Participant hereby delivers payment of the Purchase Price in cash (by check) in the amount of $ _____, receipt of which is acknowledged by the Company.

2. DELIVERIES BY PARTICIPANT. Participant hereby delivers to the Company (i) a duly executed copy of this Agreement, (ii) two (2) copies of a blank Stock Power and Assignment Separate from Stock Certificate in the form of Exhibit 1 attached hereto (the "STOCK POWERS"), both executed by Participant (and Participant's spouse, if any), (iii) if Participant is married, a Consent of Spouse in the form of Exhibit 2 attached hereto (the "SPOUSE CONSENT") executed by Participant's spouse, and (iv) payment of the Purchase Price by the method (s) check above (if by delivery of a check, then a copy of the check is attached hereto as Exhibit 4).

3. COMPANY's REPURCHASE OPTION FOR UNVESTED SHARES. The Company, or its assignee, shall have the option to repurchase all or a portion of the Participant's Unvested Shares (as defined in Section 3.2 below) on the terms and conditions set forth in this Section (the "REPURCHASE OPTION") if Participant is terminated for any reason, or no reason, including without limitation Participant's death, Disability (as defined in the Plan), voluntary resignation or termination by the Company with or without cause.

3.1 Termination and Termination Date. In case of any dispute as to whether Participant has been terminated, the Compensation Committee shall have sole discretion to determine whether Participant has been terminated and the effective date of such termination (the "TERMINATION DATE").

3.2 Unvested and Vested Shares. Shares that are vested pursuant to the schedule set forth in this Section 3.2 are "VESTED SHARES." Shares that are not vested pursuant to the schedule set forth in this Section 3.2 are "UNVESTED SHARES." Unvested Shares may not be sold or otherwise transferred by Participant without the Company's prior written consent. On the Effective Date all of the Shares will be Unvested Shares. If Participant has continuously been employed at all times from the Effective Date until the first anniversary of the Effective Date (the "FIRST VESTING DATE"), then on the First Vesting Date [ _____] of the Shares will become Vested Shares; and thereafter, if Participant has continuously been employed at all times from the First Vesting Date until the second anniversary of the Effective Date (the "SECOND VESTING DATE"), then on the Second Vesting Date [ _____] of the Shares will become Vested Shares. If the application of the vesting percentage causes a fractional share, such share shall be rounded

down to the nearest whole share except for the last installment in such vesting period, at the end of which the balance of Unvested Shares shall become Vested Shares. No Shares will become Vested Shares after the Termination Date. The number of Shares that are Vested Shares or Unvested Shares will be proportionally adjusted for any stock split or similar change in the capital structure of the Company as set forth in Section 2.2 of the Plan. Any new, additional or different securities the Participant may become entitled to receive with respect to Unvested Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as such Unvested Shares; and Participant will have no right to retain such stock dividends or stock distributions with respect to Unvested Shares that are repurchased at the Repurchase Price (defined below).

3.3 Exercise of Repurchase Option. At any time within ninety (90) days after the Termination Date, the Company, or its assignee(s), may elect to repurchase any or all of the Participant's Unvested Shares by giving Participant written notice of exercise of the Repurchase Option.

3.4 Calculation of Repurchase Price. The Company or its assignee(s) shall have the option to repurchase from Participant (or from Participant's personal representative as the case may be) the Participant's Unvested Shares at the Participant's original Purchase Price Per Share (as adjusted to reflect any stock split or similar change in the capital structure of the Company as set forth in Section 2.2 of the Plan) (the "REPURCHASE PRICE").

3.5 Payment of Repurchase Price. The Repurchase Price shall be payable, at the option of the Company or its assignee(s), by check or by cancellation of all or a portion of any outstanding purchase money indebtedness owed by Participant to the Company, or such assignee, or by any combination thereof. The Repurchase Price shall be paid without interest within sixty (60) days after exercise of the Repurchase Option.

3.6 Right of Termination Unaffected. Nothing in this Agreement shall be construed to limit or otherwise affect in any manner whatsoever the right or power of the Company (or any Parent or Subsidiary of the Company) to terminate Participant at any time for any reason or no reason, with or without cause.

4. RESTRICTIONS ON TRANSFERS. Purchaser shall not transfer, assign, grant a lien or security interest in, pledge, hypothecate, encumber or otherwise dispose of any of the Shares that are subject to the Repurchase Option.

5. RIGHTS AS A STOCKHOLDER. Subject to the terms and conditions of this Agreement, Participant will have all of the rights of a stockholder of the Company with respect to the Shares from and after the date that Participant delivers payment of the Purchase Price until such time as Participant disposes of the Shares or the Company and/or its assignee(s) exercise(s) the Repurchase Option. Upon an exercise of the Repurchase Option, Participant will have no further rights as a holder of the Shares so purchased upon such exercise, other than the right to receive payment for the Shares so purchased in accordance with the provisions of this Agreement, and Participant will promptly surrender the stock certificate(s) evidencing the Shares so purchased to the Company for transfer or cancellation.

6. ESCROW. As security for Participant's faithful performance of this Agreement, Participant agrees, immediately upon receipt of the stock certificate(s) evidencing the Shares, to deliver such certificate(s), together with the Stock Powers executed by Participant and by Participant's spouse, if any (with the date and number of Shares left blank), to the Secretary of the Company or other designee of the Company (the "ESCROW HOLDER"), who is hereby appointed to hold such certificate(s) and Stock Powers in escrow and to take all such actions and to effectuate all such transfers and/or releases of such Shares as are in accordance with the terms of this Agreement. Escrow Holder will act solely for the Company as its agent and not as a fiduciary. Participant and the Company agree that Escrow Holder will not be liable to any party to this Agreement (or to any other party) for any actions or omissions unless Escrow Holder is grossly negligent or intentionally fraudulent in carrying out the duties of Escrow Holder under this Agreement. Escrow Holder may rely upon any letter, notice or other document executed with any signature purported to be genuine and may rely on the advice of counsel and obey any order of any court with respect to the transactions contemplated by this Agreement. The Shares will be released from escrow upon termination of the Repurchase Option.

7. RESTRICTIVE LEGENDS AND STOP-TRANSFER ORDERS.

7.1 Legends. Participant understands and agrees that the Company will place the legends set forth below or similar legends on any stock certificate(s) evidencing the Shares, together with any other legends that may be required by state or federal securities laws, the Company's Certificate of Incorporation or Bylaws, any other agreement between Participant and the Company or any agreement between Participant and any third party:

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, INCLUDING THE RIGHT OF REPURCHASE HELD BY THE ISSUER AND/OR ITS ASSIGNEE(S) AS SET FORTH IN A RESTRICTED STOCK PURCHASE AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS, INCLUDING THE RIGHT OF REPURCHASE, ARE BINDING ON TRANSFEREES OF THESE SHARES.

7.2 Stop-Transfer Instructions. Participant agrees that, to ensure compliance with the restrictions imposed by this Agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent, if any, and if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

7.3 Refusal to Transfer. The Company will not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares, or to accord the right to vote or pay dividends to any participant or other transferee to whom such Shares have been so transferred.

8. TAX CONSEQUENCES. PARTICIPANT UNDERSTANDS THAT PARTICIPANT MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF PARTICIPANT's

PURCHASE OR DISPOSITION OF THE SHARES. PARTICIPANT REPRESENTS (I) THAT PARTICIPANT HAS CONSULTED WITH ANY TAX ADVISER THAT PARTICIPANT DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND (II) THAT PARTICIPANT IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE. Participant hereby acknowledges that Participant has been informed that, unless an election is filed by the Participant with the Internal Revenue Service (and, if necessary, the proper state taxing authorities) within 30 days of the purchase of the Shares to be effective, electing pursuant to Section 83(b) of the Internal Revenue Code (and similar state tax provisions, if applicable) to be taxed currently on any difference between the Purchase Price of the Shares and their Fair Market Value on the date of purchase, there will be a recognition of taxable income to the Participant, measured by the excess, if any, of the Fair Market Value of the Vested Shares, at the time they cease to be Unvested Shares, over the Purchase Price for such Shares. Participant represents that Participant has consulted any tax advisers Participant deems advisable in connection with Participant's purchase of the Shares and the filing of the election under Section 83(b) and similar tax provisions. A form of Election under Section 83(b) is attached hereto as Exhibit 3 for reference. PARTICIPANT HEREBY ASSUMES ALL RESPONSIBILITY FOR FILING SUCH ELECTION AND PAYING ANY TAXES RESULTING FROM SUCH ELECTION OR FROM FAILURE TO FILE THE ELECTION AND PAYING TAXES RESULTING FROM THE LAPSE OF THE REPURCHASE RESTRICTIONS ON THE UNVESTED SHARES.

9. COMPLIANCE WITH LAWS AND REGULATIONS. The issuance and transfer of the Shares will be subject to and conditioned upon compliance by the Company and Participant with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

10. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Agreement, including its rights to repurchase Shares under the Repurchase Option. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

11. GOVERNING LAW; SEVERABILITY. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

12. NOTICES. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated above or to such other address as Participant

may designate in writing from time to time to the Company. All notices shall be deemed effectively given upon personal delivery, (i) three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), (ii) one (1) business day after its deposit with any return receipt express courier (prepaid), or (iii) one (1) business day after transmission by rapifax or telecopier.

13. FURTHER INSTRUMENTS. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

14. HEADINGS. The captions and headings of this Agreement are included for ease of reference only and will be disregarded in interpreting or construing this Agreement.

15. ENTIRE AGREEMENT. The Plan and this Agreement, together with all its Exhibits, constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement, and supersede all prior understandings and agreements, whether oral or written, between the parties hereto with respect to the specific subject matter hereof.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK, SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Agreement to be EXECUTED IN TRIPLICATE by its duly authorized representative and Participant has executed this Agreement in triplicate as of the Effective Date. THIS AGREEMENT, ALONG WITH PAYMENT FOR THE SHARES BEING PURCHASED, MUST BE RECEIVED BY THE REPRESENTATIVE OF THE COMPANY NAMED BELOW NO LATER THAN THE THIRTIETH DAY AFTER THIS AGREEMENT WAS FIRST DELIVERED TO PARTICIPANT FOR EXECUTION.

| SYMANTEC CORPORATION | PARTICIPANT |
|---|---|
| By: _____ | _____ |
| | (Signature) |
| _____ | _____ |
| (Please print name) | (Please print name) |
| _____ | |
| (Please print title) | |
| Address: _____ | Address: _____ |
| _____ | _____ |
| _____ | _____ |
| Fax No.: _____ | Fax No.: _____ |
| Phone No. _____ | Phone No.: _____ |

[SIGNATURE PAGE TO SYMANTEC CORPORATION. RESTRICTED STOCK PURCHASE AGREEMENT]

LIST OF EXHIBITS

Exhibit 1: Stock Power and Assignment Separate from Stock Certificate

Exhibit 2: Spouse Consent

Exhibit 3: Election Under Section 83(b) of the Internal Revenue Code

Exhibit 4: Copy of Participant’s Check

EXHIBIT 1

STOCK POWER AND ASSIGNMENT
SEPARATE FROM STOCK CERTIFICATE

STOCK POWER AND ASSIGNMENT
SEPARATE FROM STOCK CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Restricted Stock Purchase Agreement No. ___[COMPLETE AT THE TIME OF EXERCISE] dated as of _____, ___, [COMPLETE AT THE TIME OF EXERCISE] (the "AGREEMENT"), the undersigned hereby sells, assigns and transfers unto _____, _____ shares of the Common Stock $0.01, par value per share, of Symantec Corporation, a Delaware corporation (the "COMPANY"), standing in the undersigned's name on the books of the Company represented by Certificate No(s). _____[COMPLETE AT THE TIME OF EXERCISE] delivered herewith, and does hereby irrevocably constitute and appoint the Secretary of the Company as the undersigned's attorney-in-fact, with full power of substitution, to transfer said stock on the books of the Company. THIS ASSIGNMENT MAY ONLY BE USED AS AUTHORIZED BY THE AGREEMENT AND ANY EXHIBITS THERETO.

Dated: _____, _____

PARTICIPANT

_____
(Signature)

_____
(Please Print Name)

_____
(Spouse's Signature, if any)

_____
(Please Print Spouse's Name)

INSTRUCTIONS TO PARTICIPANT: Please do not fill in any blanks other than the signature line. The purpose of this Stock Power and Assignment is to enable the Company and/or its assignee(s) to acquire the shares upon exercise of its "Repurchase Option" set forth in the Agreement without requiring additional signatures on the part of the Participant or Participant's Spouse, if any.

EXHIBIT 2

SPOUSE CONSENT

SPOUSE CONSENT

The undersigned spouse of _____(the "PARTICIPANT") has read, understands, and hereby approves the Restricted Stock Purchase Agreement between Participant and the Company (the "AGREEMENT"). In consideration of the Company's granting my spouse the right to purchase the Shares as set forth in the Agreement, the undersigned hereby agrees to be irrevocably bound by the Agreement and further agrees that any community property interest shall similarly be bound by the Agreement. The undersigned hereby appoints Participant as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Date: _____

_____
(Please print name)

_____
(Please print title)

_____
Print Name of Participant's Spouse

_____
Signature of Participant's Spouse

Address: _____

[ _____] Participant, initial this box if you do not have a spouse.

EXHIBIT 3

ELECTION UNDER SECTION 83(b) OF THE INTERNAL REVENUE CODE

ELECTION UNDER SECTION 83(b) OF THE INTERNAL REVENUE CODE

The undersigned Taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code, as amended, to include in gross income for the Taxpayer's current taxable year the excess, if any, of the fair market value of the property described below at the time of transfer over the amount paid for such property, as compensation for services.

1. TAXPAYER'S NAME:

   TAXPAYER'S ADDRESS: _____

   SOCIAL SECURITY NUMBER: _____

2. The property with respect to which the election is made is described as follows: _____ shares of Common Stock of Symantec Corporation, a Delaware corporation (the "COMPANY"), which is Taxpayer's employer or the corporation for whom the Taxpayer performs services.

3. The date on which the shares were purchased was _____, _____and this election is made for calendar year _____.

4. The shares are subject to the following restrictions: The Company may repurchase all or a portion of the shares at the Taxpayer's original purchase price under certain conditions at the time of Taxpayer's termination of employment or services.

5. The fair market value of the shares (without regard to restrictions other than restrictions which by their terms will never lapse) was $ _____per share at the time of purchase.

6. The amount paid for such shares was $ _____per share.

7. The Taxpayer has submitted a copy of this statement to the Company.

THIS ELECTION MUST BE FILED WITH THE INTERNAL REVENUE SERVICE ("IRS"), AT THE OFFICE WHERE THE TAXPAYER FILES ANNUAL INCOME TAX RETURNS, WITHIN 30 DAYS AFTER THE DATE OF TRANSFER OF THE PROPERTY, AND MUST ALSO BE FILED WITH THE TAXPAYER'S INCOME TAX RETURNS FOR THE CALENDAR YEAR. THE ELECTION CANNOT BE REVOKED WITHOUT THE CONSENT OF THE IRS.

Dated: _____, _____

_____

Taxpayer's Signature

**Exhibit 10.07**

**SYMANTEC CORPORATION**
**1998 EMPLOYEE STOCK PURCHASE PLAN**
**(AS AMENDED EFFECTIVE JULY 1, 2005)**

1. ESTABLISHMENT OF PLAN

Symantec Corporation (the "Company") adopted this plan in 1998 to grant options for the purchase of the Company's Common Stock to eligible employees of the Company and Subsidiaries (as hereinafter defined) pursuant to this Employee Stock Purchase Plan (the "Plan"). For purposes of this Plan, "parent corporation" and "Subsidiary" (collectively, "Subsidiaries") shall have the same meanings as "parent corporation" and "subsidiary corporation" in Section 424, of the Internal Revenue Code of 1986, as amended (the "Code"). The Company intends that the Plan shall qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed. Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. A total of 38,604,400 shares of Common Stock (as adjusted for all stock splits and increases to the Plan through March 1, 2005) may be issued under the Plan. Such number shall be subject to adjustments effected in accordance with Section 14 of the Plan.

2. PURPOSES

The purpose of the Plan is to provide employees of the Company and Subsidiaries designated by the Board of Directors as eligible to participate in the Plan with a convenient means to acquire an equity interest in the Company through payroll deductions, to enhance such employees' sense of participation in the affairs of the Company and Subsidiaries, and to provide an incentive for continued employment.

3. ADMINISTRATION

The Plan is administered by the Board of Directors of the Company or by a committee designated by the Board of Directors of the Company (in which event all references herein to the Board of Directors shall be to the committee). Subject to the provisions of the Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of the Plan shall be determined by the Board and its decisions shall be final and binding upon all participants. Members of the Board shall receive no compensation for their services in connection with the administration of the Plan, other than standard fees as established from time to time by the Board of Directors of the Company for services rendered by Board members serving on Board committees. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

4. ELIGIBILITY

Any employee of the Company or its Subsidiaries is eligible to participate in an Offering Period (as hereinafter defined) under the Plan except the following:

(a) employees who are not employed by the Company or any of its Subsidiaries on the third business day before the beginning of such Offering Period;

(b) employees who are customarily employed for less than 20 hours per week;

(c) employees who are customarily employed for less than 5 months in a calendar year;

(d) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 425(d) of the Code, own stock or hold options to purchase stock or who, as a result of being granted an option under the Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing 5 percent or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries;

(e) employees who would, by virtue of their participation in such Offering Period, be participating simultaneously in more than one Offering Period under the Plan; and

(f) individuals who provide services to the Company or any of its Subsidiaries as independent contractors who are reclassified as common law employees for any reason except for federal income and employment tax purposes.

5. OFFERING PERIODS; OFFERING DATES; PURCHASE PERIODS; AND PURCHASE DATES

(a) Each Offering Period under the Plan (each an "Offering Period") shall be of the duration provided herein. The Board of Directors of the Company shall have the power to change the duration of Offering Periods or Purchase Periods without stockholder approval. The last business day of each Purchase Period is hereinafter referred to as the "Purchase Date."

(b) Each Offering Period commencing after June 30, 2005, shall be of 6 months duration commencing August 16 and February 16 of each year and ending no later than the next February 15 and August 15, respectively, thereafter. The first day of each Offering Period is referred to as the "Offering Date." Each such Offering Period shall consist of a single purchase period (a "Purchase Period") during which payroll deductions of the participant are accumulated under this Plan. Each such Purchase Period shall commence on the August 16 or February 16 of the applicable Offering Period and shall end no later than the next February 15 or August 15, respectively.

(c) Notwithstanding 5(b) above and the other provisions of the Plan, the Board of Directors may, but need not, adopt after July 1, 2005, one or more Offering Periods exclusively for employees of the Company, or exclusively for employees of any Subsidiary (or any combination of the Company and/or one or more Subsidiaries), on such terms as it shall determine in its sole discretion (including without limitation, the length of each Offering Period and Purchase Period, whether there is more than one Purchase Period in an Offering Period, conditions on eligibility for participation, and the formula(s) for calculating the price(s) at which shares may be purchased during such Offering Period). Unless expressly set forth to the contrary in the resolutions adopting an Offering Period pursuant to this 5(c), upon the Offering Date of an Offering Period adopted under this 5(c) the employees permitted to participate in such Offering Period shall be ineligible to participate in any other Offering Period while such Offering Period is in existence.

6. PARTICIPATION IN THE PLAN

Eligible employees may become participants in an Offering Period under the Plan on the first Offering Date after satisfying the eligibility requirements by delivering to the Company's or Subsidiary's (whichever employs such employee) Stock Administration ("Stock Administration") not later than the 3rd business day before such Offering Date unless a later time for filing the subscription agreement is set by the Board for all eligible Employees with respect to a given Offering Period a subscription agreement authorizing payroll deductions. An eligible employee who does not deliver a subscription agreement to Stock Administration by such date after becoming eligible to participate in such Offering Period under the Plan shall not participate in that Offering Period and shall not participate in any subsequent Offering Period unless such employee enrolls in the Plan by filing the subscription agreement with Stock Administration not later than the 3rd business day preceding the Offering Date of the applicable, subsequent Offering Period. Once an employee becomes a participant in an Offering Period, such employee will automatically participate in the Offering Period commencing immediately following the last day of the prior Offering Period unless the employee withdraws from the Plan or terminates further participation in the Offering Period as set forth in Section 11 below. Such participant is not required to file any additional subscription agreements in order to continue participation in the Plan. Any participant whose option expires and who has not withdrawn from the Plan pursuant to Section 11 below will automatically be re-enrolled in the Plan and granted a new option on the Offering Date of the next Offering Period. A participant in the Plan may participate in only one Offering Period at any time.

7. GRANT OF OPTION

(a) Each employee enrolled in an Offering Period will be granted on the Purchase Date an option to purchase on such Purchase Date up to that number of shares of Common Stock of the Company determined by dividing the amount accumulated in such employee's payroll deduction account during such Purchase Period by eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Purchase Date.

(b) In no event, however, shall the number of shares of the Company's Common Stock subject to any option granted pursuant to this Plan exceed the maximum number of shares determined pursuant to Section 10 below. Fair market value of a share of the Company's Common Stock shall be determined as provided in Section 8 hereof.

8. PURCHASE PRICE

The purchase price per share at which a share of Common Stock will be sold in any Offering Period shall be 85 percent of the fair market value on the Purchase Date. For purposes of the Plan, the term "fair market value" on a given date shall mean the closing price on the Purchase Date of a share of the Company's Common Stock as reported on the NASDAQ National Market System.

9. PAYMENT OF PURCHASE PRICE; CHANGES IN PAYROLL DEDUCTIONS; ISSUANCE OF SHARES

(a) The purchase price of the shares is accumulated by regular payroll deductions made during each Purchase Period. The deductions are made as a percentage of the employee's compensation in one percent increments not less than 2 percent nor greater than 10 percent. Compensation shall mean all W-2 compensation, including, but not limited to base salary, wages, commissions, overtime, shift premiums and bonuses, plus draws against commissions; provided, however, that for purposes of determining a participant's compensation, any election by such participant to reduce his or her regular cash remuneration under Sections 125 or 401(k) of the Code shall be treated as if the participant did not make such election. Payroll deductions shall commence on the first payday following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in the Plan.

(b) A participant may lower (but not increase) the rate of payroll deductions during a Purchase Period by filing with Stock Administration a new authorization for payroll deductions, in which case the new rate shall become effective for the next payroll period commencing more than 15 days after Stock Administration's receipt of the authorization and shall continue for the remainder of the Offering Period unless changed as described below. Such change in the rate of payroll deductions may be made at any time during an Offering Period, but not more than one change may be made effective during any Purchase Period. A participant may increase or lower the rate of payroll deductions for any subsequent Purchase Period by filing with Stock Administration a new authorization for payroll deductions not later than the first day of the month in which begins such Purchase Period.

(c) All payroll deductions made for a participant are credited to his or her account under the Plan and are deposited with the general funds of the Company; no interest accrues on the payroll deductions. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

(d) On each Purchase Date, so long as the Plan remains in effect and provided that the participant has not submitted a signed and completed withdrawal form before that date which notifies the Company that the participant wishes to withdraw from that Offering Period under the Plan and have all payroll deductions accumulated in the account maintained on behalf of the participant as of that date returned to the participant, the Company shall apply the funds then in the participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per share shall be as specified in Section 8 of the Plan. Any cash remaining in a participant's account after such purchase of shares shall be refunded to such participant in cash; provided, however, that any amount remaining in such participant's account on a Purchase Date which is less than the amount necessary to purchase a full share of Common Stock of the Company shall be carried forward, without interest, into the next Purchase Period or Offering Period, as the case may be. In the event that the Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date shall be returned to the participant. No Common Stock shall be purchased on a Purchase Date on behalf of any employee whose participation in the Plan has terminated prior to such Purchase Date.

(e) As promptly as practicable after the Purchase Date, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his option; provided

that the Board may deliver certificates to a broker or brokers that hold such certificate in street name for the benefit of each such participant.

(f) During a participant's lifetime, such participant's option to purchase shares hereunder is exercisable only by him or her. The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised. Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse.

10. LIMITATIONS ON SHARES TO BE PURCHASED

(a) No employee shall be entitled to purchase stock under the Plan at a rate which, when aggregated with his or her rights to purchase stock under all other employee stock purchase plans of the Company or any Subsidiary, exceeds $25,000 in fair market value, determined as of the date such right is granted (or such other limit as may be imposed by the Code) for each calendar year in which the employee participates in the Plan.

(b) No employee shall be entitled to purchase more than the Maximum Share Amount (as defined below) on any single Purchase Date. Not less than thirty days prior to the commencement of any Purchase Period, the Board may, in its sole discretion, set a maximum number of shares which may be purchased by any employee at any single Purchase Date (hereinafter the "Maximum Share Amount"). In no event shall the Maximum Share Amount exceed the amounts permitted under Section 10(a) above. If a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount not less than fifteen days prior to the commencement of the next Purchase Period. Once the Maximum Share Amount is set, it shall continue to apply in respect of all succeeding Purchase Dates and Purchase Periods unless revised by the Board as set forth above.

(c) If the number of shares to be purchased on a Purchase Date by all employees participating in the Plan exceeds the number of shares then available for issuance under the Plan, the Company will make a pro rata allocation of the remaining shares in as uniform a manner as shall be practicable and as the Board shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased under a participant's option to each employee affected thereby.

(d) Any payroll deductions accumulated in a participant's account which are not used to purchase stock due to the limitations in this Section 10 shall be returned to the participant as soon as practicable after the end of the Offering Period.

11. WITHDRAWAL

(a) Each participant may withdraw from an Offering Period under the Plan by signing and delivering to Stock Administration notice on a form provided for such purpose. Such withdrawal may be elected at any time at least 15 days prior to the end of an Offering Period.

(b) Upon withdrawal from the Plan, the accumulated payroll deductions shall be returned to the withdrawn employee and his or her interest in the Plan shall terminate. In the event an employee voluntarily elects to withdraw from the Plan, he or she may not resume his or her participation in the Plan during the same Offering Period, but he or she may participate in any Offering Period under the Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth above for initial participation in the Plan.

12. TERMINATION OF EMPLOYMENT

Termination of a participant's employment for any reason, including retirement or death or the failure of a participant to remain an eligible employee, terminates his or her participation in the Plan immediately. In such event, the payroll deductions credited to the participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative. For this purpose, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company in the case of sick leave, military leave, or any other leave of absence approved by the Board of Directors of the Company; provided that such leave is for a

period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

13. RETURN OF PAYROLL DEDUCTIONS

In the event an employee's interest in the Plan is terminated by withdrawal, termination of employment or otherwise, or in the event the Plan is terminated by the Board, the Company shall promptly deliver to the employee all payroll deductions credited to his or her account. No interest shall accrue on the payroll deductions of a participant in the Plan.

14. CAPITAL CHANGES

Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of the Company, each Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. The Board may, in the exercise of its sole discretion in such instances, declare that the options under the Plan shall terminate as of a date fixed by the Board and give each participant the right to exercise his or her option as to all of the optioned stock, including shares which would not otherwise be exercisable. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the participant shall have the right to exercise the option as to all of the optioned stock. If the Board makes an option exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify the participant that the option shall be fully exercisable for a period of twenty (20) days from the date of such notice, and the option will terminate upon the expiration of such period.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

15. NONASSIGNABILITY

Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect.

16. REPORTS

Individual accounts will be maintained for each participant in the Plan. Each participant shall receive promptly after the end of each Purchase Period a report of his account setting forth the total payroll deductions accumulated, the number of shares purchased, the per share price thereof and the remaining cash balance, if any, carried forward to the next Purchase Period or Offering Period, as the case may be.

17. NOTICE OF DISPOSITION

Each participant shall notify the Company if the participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two years from the Offering Date or within six months from the Purchase Date on which such shares were purchased (the "Notice Period"). Unless such participant is disposing of any of such shares during the Notice Period, such participant shall keep the certificates representing such shares in his or her name (and not in the name of a nominee) during the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to the Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the participant to provide such notice shall continue notwithstanding the placement of any such legend on certificates.

18. NO RIGHTS TO CONTINUED EMPLOYMENT

Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Subsidiary or restrict the right of the Company or any Subsidiary to terminate such employee's employment.

19. EQUAL RIGHTS AND PRIVILEGES

All eligible employees shall have equal rights and privileges with respect to the Plan so that the Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 or any successor provision of the Code and the related regulations. Any provision of the Plan which is inconsistent with Section 423 or any successor provision of the Code shall without further act or amendment by the Company or the Board be reformed to comply with the requirements of Section 423. This Section 19 shall take precedence over all other provisions in the Plan.

20. NOTICES

All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. STOCKHOLDER APPROVAL

Any required approval of the stockholders of the Company shall be solicited substantially in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder. Such approval of an amendment shall be solicited at or prior to the first annual meeting of stockholders held subsequent to the grant of an option under the Plan as then amended to an officer or director of the Company.

22. DESIGNATION OF BENEFICIARY

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of a Purchase Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to a Purchase Date.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares or cash to the executor or administrator

of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

23. CONDITIONS UPON ISSUANCE OF SHARES

Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

24. APPLICABLE LAW

The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of Delaware.

25. AMENDMENT OR TERMINATION OF THE PLAN

The Plan shall continue until the earlier to occur of termination by the Board, issuance of all of the shares of Common Stock reserved for issuance under the Plan, or January 1, 2009. The Board of Directors of the Company may at any time amend or terminate the Plan, except that any such termination cannot affect options previously granted under the Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participant; provided that if the Board determines that a change in applicable accounting rules or a change in applicable laws, renders an amendment or termination desirable, then the Board may approve such an amendment or termination. The Board may not amend the Plan without approval of the stockholders of the Company obtained in accordance with Section 21 hereof within 12 months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would:

(a) Increase the number of shares that may be issued under the Plan; or

(b) Change the designation of the employees (or class of employees) eligible for participation in the Plan.

Notwithstanding the foregoing, the Board may make such amendments to the Plan as the Board determines to be advisable, if the continuation of the Plan or any Offering Period would result in financial accounting treatment for the Plan that is different from the financial accounting treatment in effect on the date this Plan is adopted by the Board.

EXHIBIT 10.08

BRIGHTMAIL, INC.

1998 STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this 1998 Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants of the Company and its Subsidiaries and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees appointed pursuant to Section 4 of the Plan.

(b) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code and the applicable laws of any foreign country or jurisdiction where Options are, or will be, granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means a Committee appointed by the Board of Directors in accordance with Section 4 of the Plan.

(f) "Common Stock" means the Common Stock of the Company.

(g) "Company" means Brightmail, Inc., a California corporation.

(h) "Consultant" means any person who is engaged by the Company or any Parent or Subsidiary to render consulting or advisory services and is compensated for such services, and any Director of the Company whether compensated for such services or not. If the Company registers any class of any equity security pursuant to the Exchange Act, the term Consultant shall thereafter not include Directors who are not compensated for their services or are paid only a Director's fee by the Company.

(i) "Continuous Status as an Employee or Consultant" means that the employment or consulting relationship with the Company, any Parent or Subsidiary is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed 90

days, unless reemployment upon expiration of such leave is guaranteed by statute or contract, including Company policies. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 91 st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(j) "Director" means a member of the Board of Directors of the Company.

(k) "Employee" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

(l) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation The Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator.

(n) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(o) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(p) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(q) "Option" means a stock option granted pursuant to the Plan.

(r) "Optioned Stock" means the Common Stock subject to an Option.

(s) "Optionee" means an Employee or Consultant who receives an Option.

(t) “Parent” means a “parent corporation” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(u) “Plan” means this 1998 Stock Option Plan.

(v) “Section 16(b)” means Section 16(b) of the Securities Exchange Act of 1934, as amended.

(w) “Share” means a share of the Common Stock, as adjusted in accordance with Section 11 below.

(x) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of Shares that may be subject to option and sold under the Plan is One Million Six Hundred Forty Nine Thousand Nine Hundred Eighty Seven (1,649,987) Shares. The Shares may be authorized but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased Shares that were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). However, Shares that have actually been issued under the Plan, upon exercise of an Option, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if Shares are repurchased by the Company at their original purchase price, and the original purchaser of such Shares did not receive any benefits of ownership of such Shares, such Shares shall become available for future grant under the Plan. For purposes of the preceding sentence, voting rights shall not be considered a benefit of Share ownership.

4. Administration of the Plan.

(a) Initial Plan Procedure. Prior to the date, if any, upon which the Company becomes subject to the Exchange Act, the Plan shall be administered by the Board or a Committee appointed by the Board.

(b) Plan Procedure after the Date, if any, upon which the Company Becomes Subject to the Exchange Act.

(i) Multiple Administrative Bodies. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to Directors, Officers and Employees who are neither Directors nor Officers.

(ii) Administration with Respect to Directors and Officers. With respect to grants of Options to Employees who are also Officers or Directors of the Company, the Plan shall be administered by (A) the Board if the Board may administer the Plan in compliance with the rules under Rule 16b-3 promulgated under the Exchange Act or any successor thereto (“Rule 16b-3”) relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and

awards of equity securities are to be made, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted to comply with the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefore, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made.

(iii) Administration with Respect to Other Employees and Consultants. With respect to grants of Options and to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which committee shall be constituted in such a manner as to satisfy Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefore, fill vacancies, however caused, and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws.

(c) Powers of the Administrator. Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, including the approval, if required, of any stock exchange upon which the Common Stock is listed, the Administrator shall have the authority in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(m) of the Plan;

(ii) to select the Consultants and Employees to whom Options may from time to time be granted hereunder;

(iii) to determine whether and to what extent Options are granted hereunder;

(iv) to determine the number of Shares to be covered by each such award granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions of any award granted hereunder;

(vii) to determine whether and under what circumstances an Option may be settled in cash under subsection 9(f) instead of Common Stock;

(viii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option has declined since the date the Option was granted;

(ix) to provide for the early exercise of Options for the purchase of unvested shares subject to such terms and conditions as the Administrator may determine; and

(x) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan.

(d) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees and any other holders of any Options.

5. Eligibility.

(a) Nonstatutory Stock Options may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees. An Employee or Consultant who has been granted an Option may, if otherwise eligible, be granted additional Options.

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 5(b), Incentive Stock Options shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares shall be determined as of the time the Option with respect to such Shares is granted.

(c) Neither the Plan nor any Option shall confer upon any Optionee any right with respect to continuation of his or her employment or consulting relationship with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

(d) Upon the Company or a successor corporation issuing any class of common equity securities required to be registered under Section 12 of the Exchange Act or upon the Plan being assumed by a corporation having a class of common equity securities required to be registered under Section 12 of the Exchange Act, the following limitations shall apply to grants of Options to Employees:

(i) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 11.

(ii) If an Option is cancelled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 11), the cancelled Option shall be counted against the limit set forth in subsection (i) above. For this purpose, if the exercise price of an Option is reduced, such reduction will be treated as a cancellation of the Option and the grant of a new Option.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company, as described in Section 17 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 13 of the Plan.

7. Term of Option. The term of each Option shall be the term stated in the Option Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration.

(a) The per share exercise price for the Shares to be issued upon exercise of an Option shall be such price as is determined by the Administrator, but shall be subject to the following:

(i) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

(B) granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option

(A) granted to a person who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of the grant.

(B) granted to any other person, the per Share exercise price shall be no less than 85% of the Fair Market Value per Share on the date of grant.

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant). Such consideration may consist of (1) cash, (2) check, (3) promissory note, (4) other Shares that (x) in the case of Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option shall be exercised, (5) delivery of a properly executed exercise notice together with such other documentation as the Administrator and a broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Administrator, consist of any consideration and method of payment allowable under Section 8(b) hereof. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote, receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly upon exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 hereof.

Exercise of an Option in any manner shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant (but not in the event of an Optionee's change of status from Employee to Consultant (in which case an Employee's Incentive Stock Option shall automatically convert to a Nonstatutory Stock Option on the date three (3) months and one day following such change of status) or from Consultant to Employee), such Optionee may, but only within such period of time as is determined by the Administrator, of at least thirty (30) days, with such determination in the case of an Incentive Stock Option not exceeding three (3) months after the date of such termination (but in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise his or her Option to the extent that the Optionee was entitled to exercise it at the date of such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of such termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(c) Disability of Optionee. In the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, the Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Option Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. If such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option on the day three months and one day following such termination. To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant) by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee was entitled to exercise the Option on the date of death. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall immediately revert to the Plan. If, after the Optionee's death, the Optionee's estate or a person who acquires the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Rule 16b-3. Options granted to persons subject to Section 16(b) of the Exchange Act must comply with Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(f) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

10. Non-Transferability of Options. Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Adjustments Upon Changes in Capitalization or Merger.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock that have been authorized for issuance under the Plan but as to which no Option has yet been granted or that has been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company. The conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify the Optionee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, the Option shall terminate immediately prior to the consummation of such proposed action.

(c) Merger Stock or Asset Sale. In the event of a merger of the Company with or into another corporation, or the sale of all or substantially all of the stock or assets of the Company (each, a "Change of Control"), each outstanding Option and Stock Purchase Right shall be assumed or an

equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The number of shares vesting monthly under each assumed or substituted Option shall remain unchanged, such that, the Option will vest fully in four or less years. In the event that the successor corporation refuses to assume or substitute for the Option or Stock Purchase Right, then, upon the closing of such Change of Control, the Administrator shall notify the Optionee in writing or electronically that the Option or Stock Purchase Right shall be exercisable as to vested shares for a period of fifteen (15) days from the date of such notice, and that the Option or Stock Purchase Right shall terminate upon the expiration of such period.

For the purposes of this subsection, the Option or Stock Purchase Right shall be considered assumed if, following the Change of Control, the option or right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option or Stock Purchase Right immediately prior to the Change of Control, the consideration (whether stock, cash, or other securities or property) received in the Change of Control by holders of Common Stock for each Share held on the closing of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change of Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option or Stock Purchase Right, for each Share of Optioned Stock subject to the Option or Stock Purchase Right, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change of Control.

12. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Administrator makes the determination granting such Option, or such other date as is determined by the Administrator. Notice of the determination shall be given to each Employee or Consultant to whom an Option is so granted within a reasonable time after the date of such grant.

13. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or discontinue the Plan, but no amendment, alteration, suspension or discontinuation shall be made that would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act or with Section 422 of the Code (or any other applicable law or regulation, including the requirements of the NASD or an established stock exchange), the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted, and such Options shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

14. Conditions upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act

of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

15. Reservation of Shares. The Company, during the term of this Plan, shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Agreements. Options shall be evidenced by written agreements in such form as the Administrator shall approve from time to time.

17. Shareholder Approval. Continuance of the Plan shall be subject to approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under Applicable Laws and the rules of any stock exchange upon which the Common Stock is listed.

18. Information to Optionees and Purchasers. The Company shall provide to each Optionee and to each individual who acquires Shares pursuant to the Plan, not less frequently than annually during the period such Optionee or purchaser has one or more Options outstanding, and, in the case of an individual who acquires Shares pursuant to the Plan, during the period such individual owns such Shares, copies of annual financial statements. The Company shall not be required to provide such statements to key employees whose duties in connection with the Company assure their access to equivalent information.

Exhibit A

Form of Stock Option Agreement

BRIGHTMAIL INCORPORATED

1998 STOCK OPTION PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Stock Option Agreement.

I. NOTICE OF STOCK OPTION GRANT

Exercise and Vesting Schedule:

This Option is exercisable immediately, in whole or in part, conditioned upon Optionee entering into a Restricted Stock Purchase Agreement with respect to any unvested Shares. The Shares subject to this Option shall vest and/or be released from the Company's repurchase option, as set forth in the Restricted Stock Purchase Agreement, according to the following schedule:

25% of the Shares subject to the Option shall vest one year after the Vesting Commencement Date, and 1/48th of the Shares subject to the Option shall vest on the first day of each month thereafter, so that all of the Shares shall be vested on the first day of the 48th month after the Vesting Commencement Date.

Termination Period:

This Option may be exercised, to the extent vested, for ninety (90) days after termination of Optionee's employment or consulting relationship, or such longer period as may be applicable upon death or disability of Optionee as provided in the Plan, but in no event later than the Term/Expiration Date as provided above.

II. AGREEMENT

1. Grant of Option. Brightmail Incorporated, a California corporation (the "Company"), hereby grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase the total number of shares of Common Stock (the "Shares") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price") subject to the terms, definitions and provisions of the 1998 Stock Option Plan (the "Plan") adopted by the Company, which is incorporated herein by reference.

If designated in the Notice of Grant as an Incentive Stock Option ("ISO"), this Option is intended to qualify as an ISO as defined in section 422 of the Code. However, if this Option is intended to be an ISO, to the extent that it exceeds the $100,000 rule of Code section 422(d) it shall be treated as a Nonstatutory Stock Option ("NSO").

2. Exercise of Option. This Option shall be exercisable during its term in accordance with the provisions of Section 9 of the Plan as follows:

(a) Right to Exercise.

(i) Subject to subsections 2(a)(ii) through 2(a)(v) below, this Option shall be exercisable cumulatively according to the vesting schedule set out in the Notice of Grant. Alternatively, at the election of the Optionee, this option may be exercised in whole or in part at any time as to Shares which have not yet vested. For purposes of this Stock Option Agreement, Shares subject to this Option shall vest based on continued employment of or consulting services by Optionee with the Company. Vested Shares shall not be subject to the Company's repurchase right (as set forth in the Restricted Stock Purchase Agreement, attached hereto as Exhibit C-1).

(ii) As a condition to exercising this Option for unvested Shares, the Optionee shall execute the Restricted Stock Purchase Agreement.

(iii) This Option may not be exercised for a fraction of a Share.

(iv) In the event of Optionee's death, disability or other termination of the employment or consulting relationship, the exercisability of the Option is governed by Sections 7, 8 and 9 below, subject to the limitation contained in subsection 2(a)(v).

(v) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.

(b) Method of Exercise. This Option shall be exercisable by written notice (in the form attached as Exhibit A) which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised, and such other representations and agreements with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by the Optionee and, together with an executed copy of the Restricted Stock Purchase Agreement, if applicable, shall be delivered in person or by certified mail to the Secretary of the Company. The written notice and Restricted Stock Purchase Agreement shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company of such written notice and Restricted Stock Purchase Agreement accompanied by the Exercise Price.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange upon which the Shares may then be listed. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

3. Optionee's Representations. In the event the Shares purchasable pursuant to the exercise of this Option have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), at the time this Option is exercised, Optionee shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B.

4. Lock-Up Period. Optionee hereby agrees that if so requested by the Company or any representative of the underwriters (the "Managing Underwriter") in connection with any registration of the offering of any securities of the Company under the Securities Act, Optionee shall not sell or otherwise transfer any Shares or other securities of the Company during the one hundred eighty (180) day period (or such longer period as may be requested in writing by the Managing Underwriter and agreed to in writing by the Company) (the "Market Standoff Period") following the effective date of a registration statement of the Company filed under the Securities Act; provided, however, that such restriction shall apply only to the first registration statement of the Company to become effective under the Securities Act that includes securities to be sold on behalf of the Company to the public in an underwritten public offering under the Securities Act. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period.

5. Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash; or

(b) check; or

(c) surrender of other shares of Common Stock of the Company which (i) in the case of Shares acquired pursuant to the exercise of a Company option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender equal to the Exercise Price of the Shares as to which the Option is being exercised; or

(d) to the extent permitted by the Administrator, delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the Exercise Price.

6. Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the shareholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

7. Termination of Relationship. In the event an Optionee's Continuous Status as an Employee or Consultant terminates, Optionee may, to the extent the Option was vested at the date of such termination (the "Termination Date"), exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that Optionee was not vested in this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified herein, the Option shall terminate.

8. Disability of Optionee. Notwithstanding the provisions of Section 7 above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, Optionee may, but only within twelve (12) months from the date of such termination (and in no event later than the expiration date of the term of such Option as set forth in the Stock Option Agreement), exercise the Option to the extent the Option was vested at the date of such termination. To the extent that Optionee is not vested in the Option at the date of termination, or if Optionee does not exercise such Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

9. Death of Optionee. In the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of the death of Optionee, the Option may be exercised at any time within twelve (12) months following the date of death (but in no event later than the date of expiration of the term of this Option as set forth in Section 11 below), by Optionee's estate or by a person who acquires the right to exercise the Option by bequest or inheritance, but only to the extent the Option was vested at the date of death. To the extent that Optionee is not vested in the Option at the date of death, or if the Option is not exercised within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

10. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

11. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option. The limitations set out in Section 8 of the Plan regarding Options designated as ISOs and Options granted to more than ten percent (10%) shareholders shall apply to this Option.

12. Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal and state tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability or state income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject the Optionee to the alternative minimum tax in the year of exercise.

(b) Exercise of ISO Following Disability. If the Optionee's Continuous Status as an Employee or Consultant terminates as a result of disability that is not total and permanent disability as defined in section 22(e)(3) of the Code, to the extent permitted on the date of

termination, the Optionee must exercise an ISO within ninety (90) days of such termination for the ISO to be qualified as an ISO.

(c) Exercise of NSO. There may be a regular federal income tax liability and state income tax liability upon the exercise of an NSO. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise. If the Optionee is subject to section 16 of the Securities Act of 1934, as amended, the date of income recognition may be deferred for up to six months.

(d) Disposition of Shares. In the case of an NSO, if Shares are held for the minimum long-term capital gain holding period in effect at the time of disposition, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal and state income tax purposes. In the case of an ISO, if Shares transferred pursuant to the Option are held for the minimum long-term capital gain holding period in effect at the time of disposition (and provided such holding period includes at least one (1) year after exercise of the Option) and are disposed of at least two years after the Date of Grant, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal and state income tax purposes. If Shares purchased under an ISO are disposed of after such one-year period following exercise, but before the expiration of the minimum long-term capital gain holding period in effect at the time of disposition, then gain realized on such disposition may be taxed as a short-term capital gain, which may or may not be equivalent to taxation as compensation income (taxable at ordinary income rates). If Shares purchased under an ISO are disposed of within such one-year period or within two years after the Date of Grant, any gain realized on such disposition will be treated as compensation income to the extent of the difference between the Exercise Price and the lesser of (i) the Fair Market Value of the Shares on the date of exercise, or (ii) the sale price of the Shares.

(e) Notice of Disqualifying, Disposition of ISO Shares. If the Option granted to Optionee herein is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two years after the Date of Grant, or (ii) the date one year after the date of exercise, the Optionee shall immediately notify the Company in writing of such disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee.

(f) Section 83(b) Election for Unvested Shares Purchased Pursuant to Nonstatutory Stock Options. With respect to the exercise of a Nonstatutory Stock Option for unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if -necessary, the proper state taxing authorities, within thirty (30) days of the purchase of the Shares, electing pursuant to section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase. This will result in a recognition of taxable income to the Optionee on the date of exercise, measured by the excess, if any, of the fair market value of the Shares, at the time the Option is exercised over the purchase price for the Shares. Absent such an election,

taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under section 83(b) and similar tax provisions. A form of Election under section 83(b) is attached hereto as Exhibit C-5 for reference.

(g) Section 83(b) Election for Unvested Shares Purchased Pursuant to Incentive Stock Options. With respect to the exercise of an Incentive Stock Option for unvested Shares, an election may be filed by the Optionee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within thirty (30) days of the purchase of the Shares, electing pursuant to section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase for alternative minimum tax purposes. This will result in a recognition of income to the Optionee on the date of exercise, for alternative minimum tax purposes, measured by the excess, if any, of the fair market value of the Shares, at the time the option is exercised, over the purchase price for the Shares. Absent such an election, alternative minimum taxable income will be measured and recognized by Optionee at the time or times on which the Company's Repurchase Option lapses. Optionee is strongly encouraged to seek the advice of his or her tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under section 83(b) and similar tax provisions. A form of Election under section 83(b) for alternative minimum tax purposes is attached hereto as Exhibit C-6 for reference.

OPTIONEE ACKNOWLEDGES THAT IT IS OPTIONEE'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF OPTIONEE REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO MAKE THIS FILING ON OPTIONEE'S BEHALF.

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S 1998 STOCK OPTION PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions hereof. Optionee has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

EXHIBIT A

1998 STOCK OPTION PLAN

EXERCISE NOTICE

Brightmail Incorporated
301 Howard Street, 18th Floor
San Francisco, CA 94105

1. Exercise of Option. Effective as of today ___, ___, the undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase ___shares of the Common Stock (the "Shares") of Brightmail Incorporated, a California corporation (the "Company"), under and pursuant to the 1998 Stock Option Plan (the "Plan") and the [ ] Incentive [ ] Nonstatutory Stock Option Agreement , dated (the "Option Agreement").

2. Representations of Optionee. Optionee acknowledges that Optionee has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

3. Rights as Shareholder. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

Optionee shall enjoy rights as a shareholder until such time as Optionee disposes of the Shares or the Company and/or its assignee(s) exercises the Right of First Refusal hereunder. Upon such exercise, Optionee shall have no further rights as a holder of the Shares so purchased except the right to receive payment for the Shares so purchased in accordance with the provisions of this Agreement, and Optionee shall forthwith cause the certificate(s) evidencing the Shares so purchased to be surrendered to the Company for transfer or cancellation.

4. Company's Right of First Refusal. Before any Shares held by Optionee or any transferee (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this section (the "Right of First Refusal").

(a) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the bona fide cash price or other consideration for which the Holder proposes to

transfer the Shares (the “Offered Price”), and the Holder shall offer the Shares at the Offered Price to the Company or its assignee(s).

(b) Exercise of Right of First Refusal. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one (1) or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (c) below.

(c) Purchase Price. The purchase price (“Purchase Price”) for the Shares purchased by the Company or its assignee(s) under this section shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(d) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within thirty (30) days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(e) Holder’s Right to Transfer. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this section, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within one hundred twenty (120) days after the date of the Notice and provided further that any such sale or other transfer is effected in accordance with any applicable securities laws and the Proposed Transferee agrees in writing that the provisions of this section shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal as provided herein before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exception for Certain Family Transfers. Anything to the contrary contained in this section notwithstanding, the transfer of any or all of the Shares during the Optionee’s lifetime or on the Optionee’s death by will or intestacy to the Optionee’s immediate family or a trust for the benefit of the Optionee’s immediate family shall be exempt from the provisions of this section. “Immediate Family” as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this section, and there shall be no further transfer of such Shares except in accordance with the terms of this section.

(g) Termination of Right of First Refusal. The Right of First Refusal shall terminate as to any Shares ninety (90) days after the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended.

5. Tax Consultation. Optionee understands that Optionee may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the Shares. Optionee represents that Optionee has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the Shares and that Optionee is not relying on the Company for any tax advice.

6. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Optionee understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any `other legends that may be required by state or federal securities laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND RIGHT OF FIRST REFUSAL OPTIONS HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

(b) Stop-Transfer Notices. Optionee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

7. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Optionee and his or her heirs, executors, administrators, successors and assigns.

8. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or by the Company forthwith to the Company's Board of Directors or the committee thereof that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Board or committee shall be final and binding on the Company and on Optionee.

9. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the laws of the State of California excluding that body of law pertaining to conflicts of law. Should any provision of this Agreement be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

10. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States mail by certified mail, with postage and fees prepaid, addressed to the other party at its address as shown below beneath its signature, or to such other address as such party may designate in writing from time to time to the other party.

11. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

12. Delivery of Payment. Optionee herewith delivers to the Company the full Exercise Price for the Shares.

13. Entire Agreement. The Plan and Notice of Grant/Option Agreement are incorporated herein by reference. This Agreement, the Plan, the Option Agreement, the Restricted Stock Purchase Agreement, and the Investment Representation Statement constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof.

| Submitted by: | Accepted by: |
|---|---|
| OPTIONEE: | BRIGHTMAIL INCORPORATED |
| _____ | By _____ |
| Address: | Name _____ |
| _____ | Title _____ |
| _____ | |
| _____ | |

EXHIBIT B

INVESTMENT REPRESENTATION STATEMENT

OPTIONEE: _____

COMPANY: BRIGHTMAIL INCORPORATED

SECURITY COMMON STOCK

AMOUNT: _____

DATE: _____

In connection with the purchase of the above-listed Securities, the undersigned Optionee represents to the Company the following:

(a) Optionee is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Optionee is acquiring these Securities for investment for Optionee's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) Optionee acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Optionee's investment intent as expressed herein. In this connection, Optionee understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Optionee's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one year or any other fixed period in the future. Optionee further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Optionee further acknowledges and understands that the Company is under no obligation to register the Securities. Optionee understands that the certificate evidencing the Securities will be imprinted with a legend which prohibits the transfer of the Securities unless they are registered or such registration is not required in the opinion of counsel satisfactory to the Company and any other legend required under applicable state securities laws.

(c) Optionee is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to the Optionee, the exercise will be exempt from registration under the Securities Act. In the event the Company becomes subject to the

reporting requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of certain of the conditions specified by Rule 144, including: (i) the resale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934); and, in the case of an affiliate, (ii) the availability of certain public information about the Company, (iii) the amount of Securities being sold during any three month period not exceeding the limitations specified in Rule 144(e), and (iv) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which requires the resale to occur not less than one year after the later of the date the Securities were sold by the Company or the date the Securities were sold by an affiliate of the Company, within the meaning of Rule 144; and, in the case of acquisition of the Securities by an affiliate, or by a non-affiliate who subsequently holds the Securities less than two (2) years, the satisfaction of the conditions set forth in sections (i), (ii), (iii) and (iv) of the paragraph immediately above.

(d) Optionee further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Optionee understands that no assurances can be given that any such other registration exemption will be available in such event.

Dated: _____ _____

Signature of Optionee

EXHIBIT C-1

1998 STOCK OPTION PLAN

RESTRICTED STOCK PURCHASE AGREEMENT

THIS AGREEMENT is made between ___(the "Purchaser") and Brightmail Incorporated, a California corporation (the "Company"), as of ___, 2000.

RECITALS:

(1) Pursuant to the exercise of the stock option granted to Purchaser under the Company's 1998 Stock Option Plan and pursuant to the Stock Option Agreement (the "Option Agreement") dated by and between the Company and Purchaser with respect to such grant, which Option Agreement is hereby incorporated by reference, Purchaser has elected to purchase of those shares which have not become vested under the vesting schedule set forth in the Option Agreement ("Unvested Shares"). The Unvested Shares and the shares subject to the Option Agreement which have become vested are sometimes collectively referred to herein as the "Shares."

(2) As required by the Option Agreement, as a condition to Purchaser's election to exercise the option, Purchaser must execute this Restricted Stock Purchase Agreement, which sets forth the rights and obligations of the parties with respect to Shares acquired upon exercise of the Option.

1. Repurchase Option.

(a) If Purchaser's employment or consulting relationship with the Company is terminated for any reason, including for cause, death, and disability, the Company shall have the right and option to purchase from Purchaser, or Purchaser's personal representative, as the case may be, all of the Purchaser's Unvested Shares as of the date of such termination at the price paid by the Purchaser for such Shares (the "Repurchase Option").

(b) Upon the occurrence of a termination, the Company may exercise its Repurchase Option by delivering personally or by registered mail, to Purchaser (or his transferee or legal representative, as the case may be), within ninety (90) days of the termination, a notice in writing indicating the Company's intention to exercise the Repurchase Option and setting forth a date for closing not later than thirty (30) days from the mailing of such notice. The closing shall take place at the Company's office. At the closing, the holder of the certificates for the Unvested Shares being transferred shall deliver the stock certificate or certificates evidencing the Unvested Shares, and the Company shall deliver the purchase price therefor.

(c) At its option, the Company may elect to make payment for the Unvested Shares to a bank selected by the Company. The Company shall avail itself of this option by a notice in writing to Purchaser stating the name and address of the bank, date of closing, and waiving the closing at the Company's office.

(d) If the Company does not elect to exercise the Repurchase Option conferred above by giving the requisite notice within ninety (90) days following the termination, the Repurchase Option shall terminate.

2. Transferability of the Shares, Escrow.

(a) Purchaser hereby authorizes and directs the secretary of the Company, or such other person designated by the Company, to transfer the Unvested Shares as to which the Repurchase Option has been exercised from Purchaser to the Company.

(b) To insure the availability for delivery of Purchaser's Unvested Shares upon repurchase by the Company pursuant to the Repurchase Option under Section 1, Purchaser hereby appoints the secretary, or any other person designated by the Company as escrow agent, as its attorney-in-fact to sell, assign and transfer unto the Company, such Unvested Shares, if any, repurchased by the Company pursuant to the Repurchase Option and shall, upon execution of this Agreement, deliver and deposit with the secretary of the Company, or such other person designated by the Company, the share certificates representing the Unvested Shares, together with the stock assignment duly endorsed in blank, attached hereto as Exhibit C-2. The Unvested Shares and stock assignment shall be held by the secretary in escrow, pursuant to the Joint Escrow Instructions of the Company and Purchaser attached as Exhibit C-3 hereto, until the Company exercises its Repurchase Option as provided in Section 1, until such Unvested Shares are vested, or until such time as this Agreement no longer is in effect. As a further condition to the Company's obligations under this Agreement, the spouse of the Purchaser, if any, shall execute and deliver to the Company the Consent of Spouse attached hereto as Exhibit C-4. Upon vesting of the Unvested Shares, the escrow agent shall promptly deliver to the Purchaser the certificate or certificates representing such Shares in the escrow agent's possession belonging to the Purchaser, and the escrow agent shall be discharged of all further obligations hereunder; provided, however, that the escrow agent shall nevertheless retain such certificate or certificates as escrow agent if so required pursuant to other restrictions imposed pursuant to this Agreement.

(c) The Company, or its designee, shall not be liable for any act it may do or omit to do with respect to holding the Shares in escrow and while acting in good faith and in the exercise of its judgment.

(d) Transfer or sale of the Shares is subject to restrictions on transfer imposed by any applicable state and federal securities laws. Any transferee shall hold such Shares subject to all the provisions hereof and the Exercise Notice executed by the Purchaser with respect to any Unvested Shares purchased by Purchaser and shall acknowledge the same by signing a copy of this Agreement.

3. Ownership, Voting Rights, Duties. This Agreement shall not affect in any way the ownership, voting rights or other rights or duties of Purchaser, except as specifically provided herein.

4. Legends. The share certificate evidencing the Shares issued hereunder shall be endorsed with the following legend (in addition to any legend required under applicable state securities laws):

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS UPON TRANSFER AND RIGHTS OF REPURCHASE AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE SHAREHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

5. Adjustment for Stock Split. All references to the number of Shares and the purchase price of the Shares in this Agreement shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the Shares which may be made by the Company after the date of this Agreement.

6. Notices. Notices required hereunder shall be given in person or by registered mail to the address of Purchaser shown on the records of the Company, and to the Company at its principal executive office.

7. Survival of Terms. This Agreement shall apply to and bind Purchaser and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors.

8. 83(b) Elections.

(a) Election for Unvested Shares Purchased Pursuant to Nonstatutory Stock Options. Purchaser hereby acknowledges that he or she has been informed that, with respect to the exercise of a Nonstatutory Stock Option for Unvested Shares, that unless an election is filed by the Purchaser with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within thirty (30) days of the purchase of the Shares, electing pursuant to section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase, there will be a recognition of taxable income to the Optionee, measured by the excess, if any, of the fair market value of the Shares, at the time the Company's Repurchase Option lapses over the purchase price for the Shares. Optionee represents that Optionee has consulted any tax consultant(s) Optionee deems advisable in connection with the purchase of the Shares or the filing of the Election under section 83(b) and similar tax provisions. A form of Election under section 83(b) is attached hereto as Exhibit C-5 for reference.

(b) Election for Unvested Shares Purchased Pursuant to Incentive Stock Options. Purchaser hereby acknowledges that he or she has been informed that, with respect to the exercise of an Incentive Stock Option for Unvested Shares, that unless an election is filed by the Purchaser with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within thirty (30) days of the purchase of the Shares, electing pursuant to section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase, there will be a recognition of income to the Optionee, for alternative minimum tax purposes, measured by the excess, if any, of the fair market value of the Shares, at the time the Company's Repurchase Option lapses over the purchase price for the Shares. Optionee represents that Optionee has consulted any tax consultant(s) Optionee deems advisable in connection with the purchase of the Shares or the filing of the Election under section 83(b) and similar tax

provisions. A form of Election under section 83(b) for alternative minimum tax purposes is attached hereto as Exhibit C-6 for reference.

PURCHASER ACKNOWLEDGES THAT IT IS PURCHASER'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF PURCHASER REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO MAKE THIS FILING ON PURCHASER'S BEHALF.

9. Representations. Purchaser has reviewed with his own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. Purchaser is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Purchaser understands that he (and not the Company) shall be responsible for his own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

10. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with applicable state laws.

Purchaser represents that he has read this Agreement and is familiar with its terms and provisions. Purchaser hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under this Agreement.

IN WITNESS WHEREOF, this Agreement is deemed made as of the date first set forth above.

COMPANY

BRIGHTMAIL INCORPORATED

By _____

Title _____

PURCHASER

_____

Address: _____

_____

EXHIBIT C-2

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED I, _____, hereby sell, assign and transfer unto _____ ____shares of the Common Stock of Brightmail Incorporated standing in my name of the books of said corporation represented by Certificate No. _____herewith and do hereby irrevocably constitute and appoint _____to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Restricted Stock Purchase Agreement between Brightmail Incorporated and the undersigned dated _____, _____

Dated: _____, _____

_____

Signature

INSTRUCTIONS: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its “repurchase option,” as set forth in the Agreement, without requiring additional signatures on the part of the Purchaser.

EXHIBIT C-3

JOINT ESCROW INSTRUCTIONS

_____, _____

Secretary of the Company
Brightmail Incorporated
301 Howard Street, 18th Floor
San Francisco, CA 94105

Dear Secretary:

As Escrow Agent for both Brightmail Incorporated, a California corporation (the "Company"), and the undersigned purchaser of stock of the Company (the "Purchaser"), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of that certain Restricted Stock Purchase Agreement ("Agreement") between the Company and the undersigned, in accordance with the following instructions:

1. In the event the Company and/or any assignee of the Company (referred to collectively for convenience herein as the "Company") exercises the Company's repurchase option set forth in the Agreement, the Company shall give to Purchaser and you a written notice specifying the number of shares of stock to be purchased, the purchase price, and the time for a closing hereunder at the principal office of the Company. Purchaser and the Company hereby irrevocably authorize and direct you to close the transaction contemplated by such notice in accordance with the terms of said notice.

2. At the closing, you are directed (a) to date the stock assignments necessary for the transfer in question, (b) to fill in the number of shares being transferred, and (c) to deliver the same, together with the certificate evidencing the shares of stock to be transferred, to the Company or its assignee, against the simultaneous delivery to you of the purchase price (by cash, a check, or some combination thereof) for the number of shares of stock being purchased pursuant to the exercise of the Company's repurchase option.

3. Purchaser irrevocably authorizes the Company to deposit with you any certificates evidencing shares of stock to be held by you hereunder and any additions and substitutions to said shares as defined in the Agreement. Purchaser does hereby irrevocably constitute and appoint you as Purchaser's attorney-in-fact and agent for the term of this escrow to execute with respect to such securities all documents necessary or appropriate to make such securities negotiable and to complete any transaction herein contemplated, including but not limited to the filing with any applicable state blue sky authority of any required applications for consent to, or notice of transfer of, the securities. Subject to the provisions of this paragraph 3, Purchaser shall exercise all rights and privileges of a shareholder of the Company while the stock is held by you.

4. Upon written request of the Purchaser, but no more than once per calendar year, unless the Company's repurchase option has been exercised, you will deliver to Purchaser a certificate or certificates representing so many shares of stock as are not then subject to the

Company's repurchase option. Within 120 days after cessation of Purchaser's continuous employment by or services to the Company, or any parent or subsidiary of the Company, you will deliver to Purchaser a certificate or certificates representing the aggregate number of shares held or issued pursuant to the Agreement and not purchased by the Company or its assignees pursuant to exercise of the Company's repurchase option.

5. If at the time of termination of this escrow you should have in your possession any documents, securities, or other property belonging to Purchaser, you shall deliver all of the same to Purchaser and shall be discharged of all further obligations hereunder.

6. Your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

7. You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact for Purchaser while acting in good faith, and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

8. You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or corporation, excepting only orders or process of courts of law and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree, you shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

9. You shall not be liable in any respect on account of the identity, authorities or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

10. You shall not be liable for the outlawing of any rights under the Statute of Limitations with respect to these Joint Escrow Instructions or any documents deposited with you.

11. You shall be entitled to employ such legal counsel and other experts as you may deem necessary properly to advise you in connection with your obligations hereunder, may rely upon the advice of such counsel, and may pay such counsel reasonable compensation therefor.

12. Your responsibilities as Escrow Agent hereunder shall terminate if you shall cease to be an officer or agent of the Company or if you shall resign by written notice to each party. In the event of any such termination, the Company shall appoint a successor Escrow Agent.

13. If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

14. It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in your possession without liability to anyone all or any part of said securities until such disputes shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

15. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to each of the other parties thereunto entitled at the following addresses or at such other addresses as a party may designate by ten (10) days advance written notice to each of the other parties hereto.

| | |
|---|---|
| Company: | Brightmail Incorporated<br>Attn: Secretary<br>301 Howard Street, 18th Floor<br>San Francisco, CA 94105 |
| Purchaser: | _____<br>_____<br>_____<br>_____ |
| Escrow Agent: | Secretary of the Company<br>Brightmail Incorporated<br>301 Howard Street, 18th Floor<br>San Francisco, CA 94105 |

16. By signing these Joint Escrow Instructions, you become a party hereto only for the purpose of said Joint Escrow Instructions; you do not become a party to the Agreement.

17. This instrument shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and permitted assigns.

18. These Joint Escrow Instructions shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

BRIGHTMAIL INCORPORATED

By _____

Title _____

Purchaser

_____

ESCROW AGENT

_____

Secretary

EXHIBIT C-4

CONSENT OF SPOUSE

I, _____, spouse of _____, have read and approve the foregoing Agreement. In consideration of granting of the right to my spouse to purchase shares of Brightmail Incorporated as set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any shares issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: _____, _____

_____

EXHIBIT C-5

ELECTION UNDER SECTION 83(b)

OF THE INTERNAL REVENUE CODE OF 1986

The undersigned taxpayer hereby elects, pursuant to section 83(b) of the Internal Revenue Code of 1986, as amended, to include in taxpayer's gross income for the current taxable year the amount of any compensation taxable to taxpayer in connection with taxpayer's receipt of the property described below:

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

Name: Taxpayer: _____
Spouse: _____

Address: _____
_____

Identification No.: Taxpayer: _____
Spouse: _____

Taxable Year: _____

2. The property with respect to which the election is made is described as follows: _____shares (the "Shares") of the Common Stock of Brightmail Incorporated (the "Company").

3. The date on which the property was transferred is: _____, _____

4. The property is subject to the following restrictions:

The Shares may not be transferred and are subject to forfeiture under the terms of an agreement between the taxpayer and the Company. These restrictions lapse upon the satisfaction of certain conditions contained in such agreement.

5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is: $ _____.

6. The amount (if any) paid for such property is: $ _____.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: _____, _____ _____
Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: _____, _____ _____
Spouse of Taxpayer

EXHIBIT C-6

ELECTION UNDER SECTION 83(b)

OF THE INTERNAL REVENUE CODE OF 1986

The undersigned taxpayer hereby elects, pursuant to the provisions of sections 55-56 and 83(b) of the Internal Revenue Code of 1986, as amended, to include in taxpayer's alternative minimum taxable income for the current taxable year, as compensation for services, the excess, if any, of the fair market value of the property described below at the time of transfer over the amount paid for such property.

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

Name: Taxpayer: _____
Spouse: _____

Address: _____
_____

Identification No.: Taxpayer: _____
Spouse: _____

Taxable Year: _____

2. The property with respect to which the election is made is described as follows: _____shares (the "Shares") of the Common Stock of Brightmail Incorporated (the "Company").

3. The date on which the property was transferred is: _____.

4. The property is subject to the following restrictions:

The Shares may be repurchased by the Company, or its assignee, at its original purchase price, on certain events. This right lapses with regard to a portion of the Shares over time.

5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is: $ _____.

6. The amount paid for such property is: $ _____.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: _____, _____ _____
Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: _____, _____ _____
Spouse of Taxpayer

Exhibit B

Form of Notice of Assumption

Name
Address 1
Address 2

Symantec EE ID: xxxxxxx

RE: ASSUMPTION OF YOUR UNVESTED BRIGHTMAIL STOCK OPTION BY SYMANTEC

Dear [Name of Employee]:

As of June 21, 2004 (the "Effective Date"), Symantec completed its acquisition of Brightmail (the "Merger") pursuant to the Agreement and Plan of Merger dated as of May 19, 2004 (the "Merger Agreement").

Pursuant to the Merger Agreement, you are eligible to receive the following for any option to purchase shares of Brightmail common stock ("Brightmail Option") you held immediately prior to the Merger:

- For the VESTED portion of any Brightmail Option, you are eligible to receive a cash payment of $11.06, less the exercise price of the option and all applicable tax withholding, which will be administered through Equiserve, Symantec's Paying Agent (you should receive a letter of transmittal from the Paying Agent shortly); and
- For the UNVESTED portion of any Brightmail Option, you will be eligible to receive an option to purchase shares of Symantec common stock (a "Symantec Option") (as described in more detail below).

This letter is to notify you that, as of the Effective Date, the unvested portion of your Brightmail Option has been assumed by Symantec and converted into a Symantec Option. Subject to the terms and conditions of the Merger Agreement, your Symantec Option will continue to be governed by the stock option agreement and stock option plan pursuant to which your Brightmail Option was granted, including the vesting provisions thereof (provided that the Symantec Option shall not be exercisable for shares which are not then vested according to the vesting schedule).

The following is a summary of the conversion of the unvested portion of your Brightmail Option into a Symantec Option:

| | OPTION GRANT NUMBER | NUMBER OF SHARES SUBJECT TO UNVESTED OPTION | EXERCISE PRICE PER SHARE |
|---|---|---|---|
| UNVESTED PORTION OF BRIGHTMAIL OPTION | | | |
| SYMANTEC OPTION | | | |

In order to receive your Symantec Option, you must sign this letter below to indicate your agreement to the foregoing and return a copy of this signed letter to Symantec Corporation, Attn: Stock Administration Department, 20330 Stevens Creek Blvd., Cupertino, CA 95014.

If you have any questions, please contact Tiffany Lee at Tiffany_Lee@symantec.com/(408) 517-8288 or
Julie Chou at Julie_Chou@symantec.com/(408) 517-8006.

Sincerely,

Symantec Stock Administration Department

I ACKNOWLEDGE RECEIPT OF THIS LETTER AND AGREE TO THE RECEIPT OF (i) A CASH PAYMENT FOR THE VESTED PORTION OF MY BRIGHTMAIL OPTION, AND (ii) A SYMANTEC OPTION FOR THE UNVESTED PORTION OF MY BRIGHTMAIL OPTION.

Employee Signature

Date

**Exhibit 10.12**

**SYMANTEC CORPORATION**
**2001 NON-QUALIFIED EQUITY INCENTIVE PLAN**

1. *Purpose.* The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent, Subsidiaries and Affiliates, by offering them an opportunity to participate in the Company's future performance through awards of Options. Capitalized terms not defined in the text are defined in Section 21.

2. *Shares Subject to the Plan.*

2.1 *Number of Shares Available.* Subject to Sections 2.2 and 16, the total number of Shares reserved and available for grant and issuance pursuant to this Plan will be 3,000,000 Shares. Subject to Sections 2.2 and 16, Shares that: (a) are subject to issuance upon exercise of an Option but cease to be subject to such Option for any reason other than exercise of such Option; (b) are subject to an Award granted hereunder but are forfeited or are repurchased by the Company at the original issue price; or (c) are subject to an Award that otherwise terminates without Shares being issued; will again be available for grant and issuance in connection with future Awards under this Plan. At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Options granted under this Plan and all other outstanding but unvested Awards granted under this Plan.

2.2 *Adjustment of Shares.* In the event that the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, then (a) the number of Shares reserved for issuance under this Plan, (b) the Exercise Prices of and number of Shares subject to outstanding Options, and (c) the number of Shares subject to other outstanding Awards will be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and compliance with applicable securities laws; *provided, however,* that fractions of a Share will not be issued but will either be replaced by a cash payment equal to the Fair Market Value of such fraction of a Share or will be rounded up to the nearest whole Share, as determined by the Committee.

3. *Eligibility.* Options may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company or any Parent, Subsidiary or Affiliate of the Company; *provided* such consultants, contractors and advisors render bona fide services not in connection with the offer and sale of securities in a capital-raising. Options awarded to Insiders may not exceed in the aggregate fifty (50%) percent of all Shares that are available for grant under the Plan and employees of the Company who are not Insiders must receive at least fifty (50%) percent of all Shares that are available for grant under the Plan. A person may be granted more than one Award under this Plan.

4. *Administration.*

4.1 *Committee Authority.* This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan. Without limitation, the Committee will have the authority to:

(a) construe and interpret this Plan, any Option Agreement and any other agreement or document executed pursuant to this Plan;

(b) prescribe, amend and rescind rules and regulations relating to this Plan;

(c) select persons to receive Awards;

(d) determine the form and terms of Awards;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent, Subsidiary or Affiliate of the Company;

(g) grant waivers of Plan or Award conditions;

(h) determine the vesting, exercisability and payment of Awards;

(i) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Option Agreement;

(j) amend any option agreements executed in connection with this Plan;

(k) determine whether an Award has been earned; and

(l) make all other determinations necessary or advisable for the administration of this Plan.

4.2 *Committee Discretion.* Any determination made by the Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of this Plan or Award, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Award under this Plan. The Committee may delegate to one or more officers of the Company the authority to grant an Award under this Plan to Participants who are not Insiders of the Company.

5. *Options.* The Committee may grant Options to eligible persons and will determine the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following: All Options issued under the Plan shall be nonqualified stock options.

5.1 *Form of Option Grant.* Each Option granted under this Plan will be evidenced by an Option Agreement ("Stock Option Agreement"), and will be in such form and contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan.

5.2 *Date of Grant.* The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 *Exercise Period.* Options will be exercisable within the times or upon the events determined by the Committee as set forth in the Stock Option Agreement governing such Option; *provided, however,* that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted. The Committee also may provide for the exercise of Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4 *Exercise Price.* The Exercise Price of an Option will be determined by the Committee when the Option is granted and may be not less than 100% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 6 of this Plan.

5.5 *Method of Exercise.* Options may be exercised only by delivery to the Company of a written stock option exercise agreement (the *"Exercise Agreement"* ) in a form approved by the Committee (which need not be the same for each Participant), stating the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as

may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price for the number of Shares being purchased.

5.6 *Termination.* Notwithstanding the exercise periods set forth in the Stock Option Agreement, exercise of an Option will always be subject to the following:

(a) If the Participant is Terminated for any reason except death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable upon the Termination Date no later than three (3) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee), but in any event, no later than the expiration date of the Options.

(b) If the Participant is Terminated because of Participant's death or Disability (or the Participant dies within three (3) months after a Termination other than because of Participant's death or disability), then Participant's Options may be exercised only to the extent that such Options would have been exercisable by Participant on the Termination Date and must be exercised by Participant (or Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee), but in any event no later than the expiration date of the Options.

(c) Notwithstanding anything to the contrary herein, if the Participant is Terminated because of the Participant's actual or alleged commitment of a criminal act or an intentional tort and the Company (or an employee of the Company) is the victim or object of such criminal act or intentional tort or such criminal act or intentional tort results, in the reasonable opinion of the Company, in liability, loss, damage or injury to the Company, then, at the Company's election, Participant's Options shall not be exercisable and shall expire upon the Participant's Termination Date. Termination by the Company based on a Participant's alleged commitment of a criminal act or an intentional tort shall be based on a reasonable investigation of the facts and a determination by the Company that a preponderance of the evidence discovered in such investigation indicates that such Participant is guilty of such criminal act or intentional tort.

5.7 *Limitations on Exercise.* The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, *provided* that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 *Modification, Extension or Renewal.* The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, *provided* that (a) any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Notwithstanding anything to the contrary elsewhere in the Plan, the Company will not reprice Options issued under the Plan by lowering the Exercise Price of a previously granted Award, by canceling outstanding Options and issuing replacements, or by otherwise replacing existing Options with substitute Options with a lower Exercise Price, without prior approval of the Company's stockholders.

6. *Payment for Share Purchases*

6.1 *Payment.* Payment for Shares purchased pursuant to this Plan may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

(a) by cancellation of indebtedness of the Company to the Participant;

(b) by surrender of shares that either: (1) have been owned by Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by Participant in the public market;

(c) by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; *provided, however,* that Participants who are not employees or directors of the Company will not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares; *provided, further,* that the portion of the Purchase Price equal to the par value of the Shares, if any, must be paid in cash;

(d) by waiver of compensation due or accrued to the Participant for services rendered; *provided, further,* that the portion of the Purchase Price equal to the par value of the Shares, if any, must be paid in cash;

(e) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:

(1) through a "same day sale" commitment from the Participant and a broker-dealer that is a member of the National Association of Securities Dealers (an "*NASD Dealer*" ) whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(2) through a "margin" commitment from the Participant and an NASD Dealer whereby the Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(f) by any combination of the foregoing.

6.2 *Loan Guarantees.* The Committee may help the Participant pay for Shares purchased under this Plan by authorizing a guarantee by the Company of a third-party loan to the Participant, provided the Company has full recourse to the Participant relative to the guarantee.

7. *Withholding Taxes.*

7.1 *Withholding Generally.* Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. Whenever, under this Plan, payments in satisfaction of Awards are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

7.2 *Stock Withholding.* When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined (the "*Tax Date*" ). All elections by a Participant to have Shares withheld for this purpose will be made in writing in a form acceptable to the Committee.

8. *Privileges of Stock Ownership.*

8.1 *Voting and Dividends.* No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such

Shares; provided, that if such Shares are restricted stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the restricted stock; *provided, further,* that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's original Purchase Price pursuant to Section 10.

8.2 *Financial Statements.* The Company will provide financial statements to each Participant prior to such Participant's purchase of Shares under this Plan, and to each Participant annually during the period such Participant has Awards outstanding; *provided, however,* the Company will not be required to provide such financial statements to Participants whose services in connection with the Company assure them access to equivalent information.

9. *Transferability.* Awards granted under this Plan, and any interest therein, will not be transferable or assignable by Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as consistent with the specific Plan and Option Agreement provisions relating thereto. During the lifetime of the Participant an Award will be exercisable only by the Participant, and any elections with respect to an Award, may be made only by the Participant.

10. *Restrictions on Shares.* At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Option Agreement a right to repurchase a portion of or all Shares that are not vested held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of Participant's Termination Date and the date Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's original Purchase Price.

11. *Certificates.* All certificates for Shares or other securities delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

12. *Escrow; Pledge of Shares.* To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of Participant's obligation to the Company under the promissory note; *provided, however*, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a *pro rata* basis as the promissory note is paid.

13. *Exchange and Buyout of Awards.* The Committee may, at any time or from time to time, authorize the Company, with the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Committee may at any time buy from a Participant an Award previously granted with payment in cash, Shares (including restricted stock) or other consideration, based on such terms and conditions as the Committee and the Participant may agree.

14. *Securities Law and Other Regulatory Compliance.* An Award will not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any

governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

15. *No Obligation to Employ.* Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

16. *Corporate Transactions.*

16.1 *Assumption or Replacement of Awards by Successor.* In the event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation ( *other than* a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants), (c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company (other than any stockholder which merges (or which owns or controls another corporation which merges) with the Company in such merger) cease to own their shares or other equity interests in the Company, (d) the sale of substantially all of the assets of the Company, or (e) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company ( *except* for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company from or by the stockholders of the Company), any or all outstanding Awards may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants, or the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards); provided that all formula option grants, pursuant to Section 6, shall accelerate and be fully vested upon such merger, consolidation or corporate transaction. In the event such successor corporation (if any) fails to assume or substitute Options pursuant to a transaction described in this Subsection 16.1, all Options will expire on such transaction at such time and on such conditions as the Board shall determine.

16.2 *Other Treatment of Awards.* Subject to any greater rights granted to Participants under the foregoing provisions of this Section 16, in the event of the occurrence of any transaction described in Section 16.1, any outstanding Awards will be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, sale of assets or other "corporate transaction."

16.3 *Assumption of Awards by the Company.* The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged ( *except* that the exercise price and the number and nature of Shares issuable upon

exercise of any such option will be adjusted appropriately. In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

17. *Adoption of Plan and Effective Date.* This Plan will become effective on the date that it is adopted by the Board (the "*Effective Date"* ). Upon the Effective Date, the Board may grant Awards pursuant to this Plan.

18. *Term of Plan.* Unless earlier terminated as provided herein, this Plan will terminate ten (10) years from the date this Plan is adopted by the Board.

19. *Amendment or Termination of Plan.* The Board may at any time terminate or amend this Plan in any respect.

20. *Nonexclusivity of the Plan.* Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

21. *Definitions.* As used in this Plan, the following terms will have the following meanings:

"*Affiliate"* means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

"*Award"* means any award of an Option under this Plan.

"*Board"* means the Board of Directors of the Company.

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

"*Committee"* means the committee appointed by the Board to administer this Plan, or if no such committee is appointed, the Board.

"*Company"* means Symantec Corporation, a corporation organized under the laws of the State of Delaware, or any successor corporation.

"*Disability"* means a disability, whether temporary or permanent, partial or total, within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

"*Exercise Price"* means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option.

"*Fair Market Value"* means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(a) if such Common Stock is then quoted on the Nasdaq National Market, its closing price on the Nasdaq National Market on the last trading day prior to the date of determination as reported in The Wall Street Journal;

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the last trading day prior to the date of determination on the principal national

securities exchange on which the Common Stock is listed or admitted to trading as reported in The Wall Street Journal;

(c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the last trading day prior to the date of determination as reported in The Wall Street Journal; or

(d) if none of the foregoing is applicable, by the Committee in good faith.

"*Insider*" means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Securities Exchange Act of 1934, as amended.

"*Option*" means an award of an option to purchase Shares pursuant to Section 5.

"*Option Agreement*" means, with respect to each Award, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Award.

"*Parent*" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if at the time of the granting of an Award under this Plan, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"*Participant*" means a person who receives an Award under this Plan.

"*Plan*" means this Symantec Corporation 2001 Non-Qualified Equity Incentive Plan, as amended from time to time.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Shares*" means shares of the Company's Common Stock reserved for issuance under this Plan, as adjusted pursuant to Sections 2 and 16, and any successor security.

"*Subsidiary*" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"*Termination*" or "*Terminated*" means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, director, consultant, independent contractor or advisor to the Company or a Parent, Subsidiary or Affiliate of the Company, except in the case of sick leave, military leave, or any other leave of absence approved by the Committee, provided that such leave is for a period of not more than ninety (90) days, or reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "*Termination Date*").

**EXHIBIT 10.14**

# VERITAS SOFTWARE CORPORATION

## 2002 DIRECTORS STOCK OPTION PLAN

## (AS ADOPTED EFFECTIVE MAY 14, 2002)

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**VERITAS SOFTWARE CORPORATION**

**2002 DIRECTORS STOCK OPTION PLAN**

## ARTICLE 1. INTRODUCTION.

The Board adopted the Plan effective as of May 14, 2002. The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging Non-Employee Directors to focus on critical long-range objectives, (b) encouraging the attraction and retention of Non-Employee Directors with exceptional qualifications and (c) linking Non-Employee Directors directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for automatic and non-discretionary grants of Options to Non-Employee Directors.

The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware (except their choice-of-law provisions).

## ARTICLE 2. ADMINISTRATION.

2.1 **Committee Composition** . The Committee shall administer the Plan. The Committee shall consist exclusively of two or more directors of the Company, who shall be appointed by the Board. In addition, the composition of the Committee shall satisfy such requirements as the Securities and Exchange Commission may establish for administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act.

2.2 **Committee Responsibilities** . The Committee shall interpret the Plan and make all decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

## ARTICLE 3. SHARES AVAILABLE FOR GRANTS.

3.1 **Basic Limitation** . Shares of Common Stock issued pursuant to the Plan may be authorized but unissued shares or treasury shares. The aggregate number of shares of Common Stock subject to Options granted under the Plan shall not exceed (a) 1,900,258 plus (b) the additional shares of Common Stock described in

Section 3.2. The limitations of this Section 3.1 shall be subject to adjustment pursuant to Article 6.

3.2 **Additional Shares** . If Options are forfeited or terminate for any other reason before being exercised, then the shares of Common Stock subject to such Options shall again become available for the grant of Options under the Plan.

**ARTICLE 4. AUTOMATIC OPTION GRANTS TO NON-EMPLOYEE DIRECTORS.**

4.1 **Eligibility** . Only Non-Employee Directors shall be eligible for the grant of Options under the Plan.

4.2 **Initial Grants** . Each Non-Employee Director who first becomes a member of the Board shall receive an automatic one-time grant of an Option covering between 50,000 and 100,000 shares of Common Stock. The specific number of shares covered by such Option shall be determined by the Board at its discretion on a periodic basis, but in no event shall the number of shares granted exceed 100,000. Such Option shall be granted on the date when such Non-Employee Director first joins the Board. A Non-Employee Director who previously was an Employee shall not receive a grant under this Section 4.2.

4.3 **Annual Grants** . Upon the conclusion of each regular annual meeting of the Company's stockholders held in the year 2002 or thereafter, each Non-Employee Director who will continue serving as a member of the Board thereafter shall receive an Option covering 10,000 and 50,000 shares of Common Stock, except that such Option shall not be granted in the calendar year in which the same Non-Employee Director received the Option described in Section 4.2. The specific number of shares covered by such Option shall be determined by the Board at its discretion on a periodic basis, but in no event shall the number of shares granted exceed 50,000. A Non-Employee Director who previously was an Employee shall be eligible to receive grants under this Section 4.3.

4.4 **Committee Service** . Upon the conclusion of each regular annual meeting of the Company's stockholders held in the year 2002 and thereafter, each Non-Employee Director who serves on a committee of the Board shall receive once per year, an automatic grant of an Option covering 10,000 shares of Common Stock for the first committee on which such director serves and 5,000 shares of Common Stock for each additional committee on which such director serves. A Non-Employee Director who previously was an Employee shall be eligible to receive grants under this Section 4.4.

4.5 **Exercisability and Vesting** . Each automatic grant made pursuant to Sections 4.2, 4.3, and 4.4 herein shall be immediately exercisable for any or all of the Option shares. Any shares purchased under the Option shall be subject to repurchase by the Company, at the exercise price paid per share, upon the Optionee's cessation of Service prior to vesting in those shares. Subject to the Non-

Employee Director's continuing Service, each Option granted under Sections 4.2, 4.3, and 4.4 shall become vested in equal monthly installments over the 48-month period commencing on the date of grant.

Vesting of the Option shares shall be subject to acceleration as provided in Sections 4.6 and 6.3. In no event, however, shall any additional Option shares vest after the Optionee's cessation of Service.

4.6 **Accelerated Vesting** . Options granted to a Non-Employee Director under this Article 4 shall also become vested as follows:

(a) In the event that such Non-Employee Director's Service terminates because of death, the shares of Common Stock at the time subject to each outstanding Option but not otherwise vested shall automatically vest and the Company's repurchase right shall lapse as to 50% of the then unvested shares; and

(b) In the event that the Company is subject to a Change in Control before such Non-Employee Director's Service terminates, all of the shares purchasable under the Options, shall become vested and the Company's repurchase right shall lapse with respect thereto.

4.7 **Exercise Price** . The Exercise Price under all Options granted to a Non-Employee Director under this Article 4 shall be equal to 100% of the Fair Market Value of a share of Common Stock on the date of grant, payable in one of the forms described in Article 5.

4.8 **Term** . All Options granted to a Non-Employee Director under this Article 4 shall terminate on the earliest of (a) the 10th anniversary of the date of grant, (b) the date 6 months after the termination of such Non-Employee Director's Service for any reason other than death or Disability, or (c) the date 12 months after the termination of such Non-Employee Director's Service because of death or Disability.

4.9 **Affiliates of Non-Employee Directors** . The Committee may provide that the Options that otherwise would be granted to a Non-Employee Director under this Article 4 shall instead be granted to an affiliate of such Non-Employee Director. Such affiliate shall then be deemed to be a Non-Employee Director for purposes of the Plan, provided that the Service-related vesting and termination provisions pertaining to the Options shall be applied with regard to the Service of the Non-Employee Director.

4.10 **Stock Option Agreement** . Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan.

4.11 **Option Transferability** . Prior to death, only an Optionee may exercise an Option. If an Optionee attempts to transfer (other than through a will or beneficiary designation), assign, sell or use an Option as security for a loan the Option will immediately become invalid. However, the Committee may, in its sole discretion, allow an Optionee to transfer an Option as a gift to members of the Optionee's Immediate Family or to trusts or partnerships for the exclusive benefit of members of Optionee's Immediate Family. Such transfer will only be allowed if both the Optionee and the transferee(s) execute the forms prescribed by the Committee, which shall include the consent of the transferee(s) to be bound by the terms of the Optionee's Stock Option Agreement.

**ARTICLE 5. PAYMENT FOR OPTION SHARES.**

5.1 **Cash** . All or any part of the Exercise Price may be paid in cash or cash equivalents.

5.2 **Surrender of Stock** . All or any part of the Exercise Price may be paid by surrendering, or attesting to the ownership of, shares of Common Stock that are already owned by the Optionee. Such shares of Common Stock shall be valued at their Fair Market Value on the date when the new shares of Common Stock are purchased under the Plan. The Optionee shall not surrender, or attest to the ownership of, shares of Common Stock in payment of the Exercise Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to the Option for financial reporting purposes.

5.3 **Exercise/Sale** . All or any part of the Exercise Price and any withholding taxes may be paid by delivering (on a form prescribed by the Company) an irrevocable direction to a securities broker approved by the Company to sell all or part of the shares of Common Stock being purchased under the Plan and to deliver all or part of the sales proceeds to the Company.

5.4 **Other Forms of Payment** . At the sole discretion of the Committee, all or any part of the Exercise Price and any withholding taxes may be paid in any other form that is consistent with applicable laws, regulations and rules.

**ARTICLE 6. PROTECTION AGAINST DILUTION.**

6.1 **Adjustments** . In the event of a subdivision of the outstanding shares of Common Stock, a declaration of a dividend payable in shares of Common Stock or a combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a lesser number of shares of Common Stock, corresponding adjustments shall automatically be made in each of the following:

(a) The number of Options available for future grants under Article 3;

(b) The number of Options automatically granted under Article 4;

(c) The number of shares of Common Stock covered by each outstanding Option; and

(d) The Exercise Price under each outstanding Option.

In the event of a declaration of an extraordinary dividend payable in a form other than shares of Common Stock in an amount that has a material effect on the price of shares of Common Stock, a recapitalization, a spin-off or a similar occurrence, the Committee shall make such adjustments as it, in its sole discretion, deems appropriate in one or more of the foregoing. Except as provided in this Article 6, an Optionee shall have no rights by reason of any issuance by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

6.2 **Dissolution or Liquidation** . To the extent not previously exercised, Options shall terminate immediately prior to the dissolution or liquidation of the Company.

6.3 **Reorganizations** . In the event that the Company is a party to a merger or other reorganization, outstanding Options shall be subject to the agreement of merger or reorganization. Such agreement shall provide for (a) the continuation of the outstanding Options by the Company, if the Company is a surviving corporation, (b) the assumption of the outstanding Options by the surviving corporation or its parent or subsidiary, (c) the substitution by the surviving corporation or its parent or subsidiary of its own options for the outstanding Options, (d) full exercisability and accelerated expiration of the outstanding Options or (e) settlement of the full value of the outstanding Options in cash or cash equivalents followed by cancellation of such Options.

**ARTICLE 7. LIMITATION ON RIGHTS.**

7.1 **Stockholders' Rights** . An Optionee shall have no dividend rights, voting rights or other rights as a stockholder with respect to any shares of Common Stock covered by his or her Option prior to the time when he or she becomes entitled to receive such shares of Common Stock by filing a notice of exercise and paying the Exercise Price. No adjustment shall be made for cash dividends or other rights for which the record date is prior to such time, except as expressly provided in the Plan.

7.2 **Regulatory Requirements** . Any other provision of the Plan notwithstanding, the obligation of the Company to issue

shares of Common Stock under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of shares of Common Stock pursuant to any Option prior to the satisfaction of all legal requirements relating to the issuance of such shares of Common Stock, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

7.3 **Withholding Taxes** . To the extent required by applicable federal, state, local or foreign law, an Optionee or his or her successor shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any shares of Common Stock or make any cash payment under the Plan until such obligations are satisfied.

**ARTICLE 8. FUTURE OF THE PLAN.**

8.1 **Term of the Plan** . The Plan, as set forth herein, shall become effective on the date of the Company's 2002 Annual Meeting of Stockholders. The Plan shall remain in effect until it is terminated under Section 8.2.

8.2 **Amendment or Termination** . The Board may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules. No Options shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Option previously granted under the Plan.

**ARTICLE 9. DEFINITIONS.**

9.1 " **Board** " means the Company's Board of Directors, as constituted from time to time.

9.2 " **Change in Control** " means:

(a) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of (i) the continuing or surviving entity and (ii) any direct or indirect parent corporation of such continuing or surviving entity;

(b) The sale, transfer or other disposition of all or substantially all of the Company's assets;

(c) A change in the composition of the Board, as a result of which fewer than 50% of the incumbent directors are directors who either (i) had been directors of the Company on the date 24 months prior to the date of the event that may constitute a Change in Control (the "original directors") or (ii) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or

(d) Any transaction as a result of which any person is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing at least 50% of the total voting power represented by the Company's then outstanding voting securities. For purposes of this Subsection (d), the term "person" shall have the same meaning as when used in sections 13(d) and 14(d) of the Exchange Act but shall exclude (i) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or of a Parent or Subsidiary and (ii) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the common stock of the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

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

9.4 " **Committee** " means a committee of the Board, as described in Article 2.

9.5 " **Common Stock** " means the common stock of the Company.

9.6 " **Company** " means VERITAS Software Corporation, a Delaware corporation.

9.7 " **Disability** " shall mean permanent and total disability (as defined in Section 22(e)(3) of the Code).

9.8 " **Employee** " means a common-law employee of the Company, a Parent or a Subsidiary.

9.9 " **Exchange Act** " means the Securities Exchange Act of 1934, as amended.

9.10 " **Exercise Price** " means the amount for which one share of Common Stock may be purchased upon exercise of such Option, as specified in the applicable Stock Option Agreement.

9.11 " **Fair Market Value** " means the market price of shares of Common Stock, determined by the Committee in good faith on such basis as it deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in The Wall Street Journal . Such determination shall be conclusive and binding on all persons.

9.12 " **Immediate Family** " means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and shall include adoptive relationships.

9.13 " **Non-Employee Director** " means a member of the Board who is not an Employee.

9.14 " **Option** " means an option granted under the Plan and entitling the holder to purchase shares of Common Stock. Options do not qualify as incentive stock options described in section 422(b) of the Code.

9.15 " **Optionee** " means an individual, estate, or affiliate of a Non-Employee Director that holds an Option.

9.16 " **Parent** " means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

9.17 " **Plan** " means this VERITAS Software Corporation 2002 Directors Stock Option Plan, as amended from time to time.

9.18 " **Service** " means service as a member of the Board.

9.19 " **Stock Option Agreement** " means the agreement between the Company and an Optionee that contains the terms, conditions and restrictions pertaining to his or her Option.

9.20 " **Subsidiary** " means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

Exhibit A

Form of Stock Option Agreement

**VERITAS Software Corporation**
**2002 DIRECTORS STOCK OPTION PLAN**

**STOCK OPTION AGREEMENT**

**Tax Treatment** This option is intended to be a nonstatutory stock option and is not intended to qualify under section 422 of the Internal Revenue Code as an incentive stock option.

**Exercisability of Option** You may immediately exercise all or part of this option, as shown in the Notice of Stock Option Grant.

**Vesting of Option Shares** The shares covered by this option vest in installments, as shown in the Notice of Stock Option Grant. In addition, the shares covered by this option shall vest on an accelerated basis as follows:

- In the event that your service on the Board of Directors terminates because of death, the shares of common stock subject to this option but not otherwise vested at such time shall automatically vest as to and the Company's repurchase right shall lapse as to 50% of the then unvested shares.

- In the event that the Company is subject to a "Change in Control" (as defined in the Plan) before your Board service terminates, all of the shares purchasable under the options, shall become vested and the Company's repurchase right shall lapse with respect thereto. In no event will additional shares vest after your service has terminated for any reason.

**Term** This option expires in any event at the close of business at Company headquarters on the day before the 10 th anniversary of the Date of Grant, as shown in the Notice of Stock Option Grant. (It will expire earlier if your service terminates, as described below.)

**Regular Termination** If your service terminates for any reason except death or total and permanent disability, then this option will expire at the close of business at Company headquarters on the date 6 months after your termination date. The Company determines when your service terminates for this purpose.

**Death** If you die before your service terminates, then this option will expire at the close of business at Company headquarters on the date 12 months after the date of death.

**Disability** If your service terminates because of your Disability, (as defined in the Plan) then this option will expire at the close of business at Company headquarters on the date 12 months after your termination date.

**Right of Repurchase** You may exercise your option before all of the option shares have vested. The shares that you buy over and above your vested shares are "nonvested shares." You may not sell, transfer, pledge or otherwise dispose of any nonvested shares

without the written consent of the Company, except as provided in the next sentence. You may transfer nonvested shares to your spouse, children or grandchildren or to a trust established by you for the benefit of yourself or your spouse, children or grandchildren. A transferee of nonvested shares must agree in writing on a form prescribed by the Company to be bound by all provisions of this Agreement. If nonvested shares are subject to a stock split, stock dividend or similar transaction, then the additional shares you receive as a result will also be treated as nonvested shares.

If your service terminates for any reason while you are holding nonvested shares, the Company may buy those nonvested shares back from you at the exercise price that you originally paid. If the Company wishes to exercise its right to repurchase the nonvested shares, it must give you written notice within 90 days after the termination of your service.

If the Company exercises its right to repurchase your nonvested shares, you must deliver the appropriate number of shares to the Company within 30 days after you receive the Company's notice. The stock certificate(s) must be fully endorsed or accompanied by a duly executed stock transfer power. You will receive a check for the exercise price that you originally paid for the nonvested shares. If your nonvested shares are not delivered as required, then you will no longer have any rights with respect to the nonvested shares (including the right to vote or transfer the shares) and the nonvested shares will be deemed to have been repurchased by the Company.

You will not be permitted to exercise your option in order to purchase nonvested shares after your service has terminated for any reason.

The certificates for nonvested shares have stamped on them a special legend referring to the Company's right of repurchase. In addition to or in lieu of imposing the legend, the Company may hold the certificates in escrow. As your vested percentage increases, you may request (at reasonable intervals) that the Company release to you a certificate without the repurchase legend for your vested shares.

**Restrictions on Exercise**

The Company will not permit you to exercise this option if the issuance of shares at that time would violate any law or regulation.

**Notice of Exercise**

When you wish to exercise this option, you must notify the Company by filing the proper "Notice of Exercise" form at the address given on the form. Your notice must specify how many shares you wish to purchase. Your notice must also specify how your shares should be registered. The notice will be effective when the Company receives it.

If someone else wants to exercise this option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

**Form of Payment**

When you submit your notice of exercise, you must include payment of the option exercise price for the shares that you are purchasing. Payment may be made in one (or a combination of two or more) of the following forms:

- Your personal check, a cashier's check or a money order.
- Certificates for shares of Company stock that you own, along with any forms needed to effect a transfer of those shares to the Company. The value of the shares, determined as of the effective date of the option exercise, will be applied to the option exercise price. Instead of surrendering shares of Company stock, you may attest to the ownership of those shares on a form provided by the Company and have the same number of shares subtracted from the option shares issued to you. However, you may not surrender, or attest to the ownership of, shares of Company stock in payment of the exercise price if your action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to this option for financial reporting purposes.
- Irrevocable directions to a securities broker approved by the Company to sell all or part of your vested option shares and to deliver to the Company from the sale proceeds an amount sufficient to pay the option exercise price and any withholding taxes. (The balance of the sale proceeds, if any, will be delivered to you.) The directions must be given by signing a special "Notice of Exercise" form provided by the Company.
- Irrevocable directions to a securities broker or lender approved by the Company to pledge vested option shares as security for a loan and to deliver to the Company from the loan proceeds an amount sufficient to pay the option exercise price and any withholding taxes. The directions must be given by signing a special "Notice of Exercise" form provided by the Company.

**Withholding Taxes and Stock Withholding**

You will not be allowed to exercise this option unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the option exercise or the vesting of your shares. With the Company's consent, these arrangements may include (a) withholding shares of Company stock that otherwise would be issued to you when you exercise this option or (b) surrendering shares that you previously acquired. The value of these shares, determined as of the date withholding taxes are due, will be applied to the withholding taxes.

**Restrictions on Resale**

You agree not to sell any option shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your service continues and for such period of time after the termination of your service as the Company may specify.

**Transfer of Option**

Prior to your death, only you may exercise this option. You cannot transfer or assign this option. For instance, you may not sell this option or use it as security for a loan. If you attempt to do any of these things, this option will immediately become invalid. You may, however, dispose of this option in your will or a beneficiary designation.

| | |
|---|---|
| | Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your former spouse, nor is the Company obligated to recognize your former spouse's interest in your option in any other way. |
| **Retention Rights** | Your option or this Agreement do not interfere with or otherwise restrict in any way the rights of the Company and the Company's stockholders to remove you from the Board at any time in accordance with the provisions of applicable law. |
| **Stockholder Rights** | You, or your estate or heirs, have no rights as a stockholder of the Company until you have exercised this option by giving the required notice to the Company and paying the exercise price. No adjustments are made for dividends or other rights if the applicable record date occurs before you exercise this option, except as described in the Plan. |
| **Adjustments** | In the event of a stock split, a stock dividend or a similar change in Company stock, the number of shares covered by this option and the exercise price per share may be adjusted pursuant to the Plan. |
| **Applicable Law** | This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to their choice-of-law provisions). |
| **The Plan and Other Agreements** | The text of the Plan is incorporated in this Agreement by reference. This Agreement and the Plan constitute the entire understanding between you and the Company regarding this option. Any prior agreements, commitments or negotiations concerning this option are superseded. This Agreement may be amended only by another written agreement between the parties. |

**BY SIGNING THE NOTICE OF STOCK OPTION GRANT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE 2002 DIRECTORS STOCK OPTION PLAN.**

Exhibit B

Form of Notice of Stock Option Grant

**VERITAS Software Corporation**
**2002 DIRECTORS STOCK OPTION PLAN**

**NOTICE OF STOCK OPTION GRANT (INITIAL)**

You have been granted the following option to purchase Common Stock of VERITAS Software Corporation (the "Company"):

| | |
|---|---|
| Name of Optionee: | |
| Total Number of Shares Granted: | ___ |
| Type of Option: | Nonstatutory Stock Option |
| Exercise Price Per Share: | $ |
| Date of Grant: | |
| Grant Number: | |
| Date Exercisable: | All or part of this option is exercisable at any time after the Date of Grant. |
| Vesting Schedule: | The Right of Repurchase shall lapse with respect to 1/48th of the Shares subject to this option after you complete each month of Board service from the Date of Grant. |
| Expiration Date: | |

By your signature and the signature of the Company's representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of the Stock Option Agreement, which is attached to and made a part of this document, and of the 2002 Directors Stock Option Plan (the "Plan").

**OPTIONEE:**

_____

_____
Print Name

**VERITAS SOFTWARE CORPORATION**

By: _____

Title: _____

**VERITAS Software Corporation**
**2002 DIRECTORS STOCK OPTION PLAN**

**NOTICE OF STOCK OPTION GRANT (ANNUAL)**

You have been granted the following option to purchase Common Stock of VERITAS Software Corporation (the "Company"):

| | |
|---|---|
| Name of Optionee: | |
| Total Number of Shares Granted: | ___ |
| Type of Option: | Nonstatutory Stock Option |
| Exercise Price Per Share: | $ |
| Date of Grant: | |
| Date Exercisable: | All or part of this option is exercisable at any time after the Date of Grant. |
| Vesting Schedule: | The Right of Repurchase shall lapse with respect to 1/48th of the Shares subject to this option after you complete each month of Board service from the Date of Grant. |
| Expiration Date: | |

By your signature and the signature of the Company's representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of the Stock Option Agreement, which is attached to and made a part of this document, and of the 2002 Directors Stock Option Plan (the "Plan").

**OPTIONEE:**

_____

_____
Print Name

**VERITAS SOFTWARE CORPORATION**

By: _____

Title: _____

**VERITAS Software Corporation**
**2002 DIRECTORS STOCK OPTION PLAN**

**NOTICE OF STOCK OPTION GRANT (COMMITTEE)**

You have been granted the following option to purchase Common Stock of VERITAS Software Corporation (the "Company"):

| | |
|---|---|
| Name of Optionee: | |
| Total Number of Shares Granted: | ___ |
| Type of Option: | Nonstatutory Stock Option |
| Exercise Price Per Share: | $ |
| Date of Grant: | |
| Date Exercisable: | All or part of this option is exercisable at any time after the Date of Grant. |
| Vesting Schedule: | The Right of Repurchase shall lapse with respect to 1/48th of the Shares subject to this option after you complete each month of Board service from the Date of Grant. |
| Expiration Date: | |

By your signature and the signature of the Company's representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of the Stock Option Agreement, which is attached to and made a part of this document, and of the 2002 Directors Stock Option Plan (the "Plan").

**OPTIONEE:**

_____

_____
Print Name

**VERITAS SOFTWARE CORPORATION**

By: _____

Title: _____

**Exhibit 10.15**

**VERITAS SOFTWARE CORPORATION**

**2003 STOCK INCENTIVE PLAN**

**ARTICLE ONE**

**GENERAL PROVISIONS**

**I. PURPOSE OF THE PLAN**

This 2003 Stock Incentive Plan is intended to promote the interests of VERITAS Software Corporation, a Delaware corporation, by providing eligible persons in the Corporation's service with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in such service.

**II. STRUCTURE OF THE PLAN**

A. The Plan shall be divided into two separate equity incentives programs:

– the Discretionary Option Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock, and

– the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through the immediate purchase of such shares or as a bonus for services rendered the Corporation (or any Parent or Subsidiary) or the attainment of designated milestones.

B. The provisions of Articles One and Four shall apply to all equity programs under the Plan and shall govern the interests of all persons under the Plan.

## III. ADMINISTRATION OF THE PLAN

A. The Primary Committee shall have sole and exclusive authority to administer the Discretionary Option Grant and Stock Issuance Programs with respect to Section 16 Insiders. The Primary Committee shall also have full power and authority to administer the Discretionary Option Grant and Stock Issuance Programs with respect to all other persons eligible to participate in those programs. However, the Board may, in its sole discretion, appoint a Secondary Committee to exercise separate but concurrent jurisdiction with the Primary Committee in the administration of the Discretionary Option Grant and Stock Issuance Programs with respect to one or more groups of persons eligible to participate in those programs other than Section 16 Insiders. The Board may also, in its sole discretion, retain the power to administer those programs with respect to all persons other than Section 16 Insiders.

B. Members of the Primary Committee or any Secondary Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time. The Board may also at any time terminate the functions of any Secondary Committee and reassume all powers and authority previously delegated to such committee.

C. Each Plan Administrator shall, within the scope of its administrative functions under the Plan, have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Discretionary Option Grant and Stock Issuance Programs and to make such determinations under, and issue such interpretations of, the provisions of those programs and any outstanding options or stock issuances thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Discretionary Option Grant and Stock Issuance Programs under its jurisdiction or any stock option or stock issuance thereunder.

D. Subject to the express limitations of the Plan, the Plan Administrator shall, within the scope of its administrative authority under the Plan, have full power and authority to structure or otherwise modify any awards made under the Discretionary Option Grant and Stock Issuance Programs to persons residing in foreign jurisdictions or held by any such persons so as to comply with the applicable laws and regulations of the jurisdictions in which those awards are made or outstanding.

E. Service on the Primary Committee or the Secondary Committee shall constitute service as a Board member, and members of each such committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of the Primary Committee or the Secondary Committee shall be liable for any act or omission made in good faith with respect to the Plan or any option grants or stock issuances under the Plan.

**IV. ELIGIBILITY**

A. The persons eligible to participate in the Discretionary Option Grant and Stock Issuance Programs are as follows:

(i) Employees, and

(ii) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Non-employee Board members shall not be eligible to participate in either the Discretionary Option Grant or Stock Issuance Program.

C. Each Plan Administrator shall, within the scope of its administrative jurisdiction under the Plan, have full authority to determine, (i) with respect to the option grants under the Discretionary Option Grant Program, which eligible persons are to receive such grants, the time or times when those grants are to be made, the number of shares to be covered by each such grant, the status of the granted option as either an Incentive Option or a Non-Statutory Option, the time or times when each option is to become exercisable, the vesting schedule (if any) applicable to the option shares and the maximum term for which the option is to remain outstanding and (ii) with respect to stock issuances under the Stock Issuance Program, which eligible persons are to receive such issuances, the time or times when the issuances are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares and the consideration for such shares.

D. The Plan Administrator shall have the absolute discretion either to grant options in accordance with the Discretionary Option Grant Program or to effect stock issuances in accordance with the Stock Issuance Program.

**V. STOCK SUBJECT TO THE PLAN**

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. The number of shares of Common Stock reserved for issuance over the term of the Plan shall not exceed Fourteen Million (14,000,000) shares. Such reserve shall be in addition to the shares of Common Stock reserved for issuance under the Corporation's 1993 Equity Incentive Plan. Accordingly, issuances under the 1993 Equity Incentive Plan shall not reduce the number of shares of Common Stock reserved for issuance under this Plan, nor shall issuances under this Plan reduce the number of shares of Common Stock available for issuance under the 1993 Equity Incentive Plan. However, no new option grants shall be made under the 1993 Equity Incentive Plan after approval of the Plan by the Company's stockholders.

B. No one person participating in the Plan may receive stock options and direct stock issuances for more than 3,000,000 shares of Common Stock in the aggregate per calendar year.

C. Shares of Common Stock subject to outstanding options shall be available for subsequent issuance under the Plan to the extent those options expire, terminate or are cancelled for any reason prior to exercise in full. Unvested shares issued under the Plan and subsequently repurchased by the Corporation, at a price per share not greater than the original issue price paid per share, pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent option grants or direct stock issuances under the Plan. However, should the exercise price of an option under the Plan be paid with shares of Common Stock or should shares of Common Stock otherwise issuable under the Plan be withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise of an option or the vesting of a stock issuance under the Plan, then the number of shares of Common Stock available for issuance under the Plan shall be reduced by the gross number of shares for which the option is exercised or which vest under the stock issuance, and not by the net number of shares of Common Stock issued to the holder of such option or stock issuance.

D. If any change is made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made by the Plan Administrator to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the maximum number and/or class of securities for which any one person may be granted stock options and direct stock issuances under the Plan per calendar year and (iii) the number and/or class of securities and the exercise price per share in effect under each outstanding option under the Plan. Such adjustments to the outstanding options are to be effected in a manner which shall preclude the enlargement or dilution of rights and benefits under such options. The adjustments determined by the Plan Administrator shall be final, binding and conclusive.

## ARTICLE TWO

## DISCRETIONARY OPTION GRANT PROGRAM

### I. OPTION TERMS

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided , however, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

A. **Exercise Price** .

1. The exercise price per share shall be fixed by the Plan Administrator but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall be payable in one or more of the forms specified below as determined by the Plan Administrator at the time of grant and set forth in the applicable stock option agreement:

(i) cash or check made payable to the Corporation,

(ii) shares of Common Stock held for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date, or

(iii) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable instructions to (a) a brokerage firm (reasonably satisfactory to the Corporation for purposes of administrating such procedure in compliance with the Corporation's pre-notification/pre clearance policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. **Exercise and Term of Options .** Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten (10) years measured from the option grant date.

C. **Effect of Termination of Service** .

1. The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:

(i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option, but no such option shall be exercisable after the expiration of the option term.

(ii) Any option held by the Optionee at the time of death and exercisable in whole or in part at that time may be subsequently exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or by the Optionee's designated beneficiary or beneficiaries of that option.

(iii) Should the Optionee's Service be terminated for Misconduct or should the Optionee otherwise engage in Misconduct while holding one or more outstanding options under this Article Two, then all those options shall terminate immediately and cease to be outstanding.

(iv) During the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the date of the Optionee's cessation of Service. No additional shares shall vest under the option following the Optionee's cessation of Service, except to the extent (if any) specifically authorized by the Plan Administrator in its sole discretion pursuant to an express written agreement with Optionee. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised.

2. The Plan Administrator shall have complete discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

(i) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service from the limited exercise period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

(ii) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested had the Optionee continued in Service.

D. **Stockholder Rights .** The holder of an option shall have no stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares.

E. **Repurchase Rights .** The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while holding such unvested shares, the Corporation shall have the right to repurchase any or all of those unvested shares at a price per share equal to the ***lower*** of (i) the exercise price paid per share or (ii) the Fair Market Value per share of Common Stock at the time of the Optionee's cessation of Service. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

F. **Limited Transferability of Options** . During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or the laws of inheritance following the Optionee's death. Non-Statutory Options shall be subject to the same restriction, except that the Plan Administrator may structure one or more Non-Statutory Options under the Discretionary Option Grant Program so that each such option may be assigned in whole or in part during the Optionee's lifetime to one or more members of the Optionee's family or to a trust established exclusively for one or more such family members or to Optionee's former spouse, to the extent such assignment is in connection with the Optionee's estate plan or pursuant to a domestic relations order. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate. Notwithstanding the foregoing, the Optionee may also designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Two, and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

**II. INCENTIVE OPTIONS**

The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of Articles One, Two and Seven shall be applicable to Incentive Options. Options which are specifically designated as Non-Statutory Options when issued under the Plan shall not be subject to the terms of this Section II.

A. **Eligibility .** Incentive Options may only be granted to Employees.

B. **Dollar Limitation .** The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of One Hundred Thousand Dollars ($100,000). To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted.

C. **10% Stockholder .** If any Employee to whom an Incentive Option is granted is a 10% Stockholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

**III. CHANGE IN CONTROL/HOSTILE TAKE-OVER**

A. In the event of a Change in Control, each outstanding option under the Discretionary Option Grant Program shall automatically accelerate so that each such option shall, immediately prior to the effective date of that Change in Control, become exercisable for all the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully vested shares of Common Stock. However, an outstanding option shall **not** become exercisable on such an accelerated basis if and to the extent: (i) such option is to be assumed by the successor corporation (or parent thereof) or is otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction or (ii) such option is to be replaced with a cash incentive program of the successor corporation which preserves the spread existing at the time of the Change in Control on any shares for which the option is not otherwise at that time exercisable and provides for subsequent payout of that spread in accordance with the same exercise/vesting schedule applicable to those option shares or (iii) the acceleration of such option is subject to other limitations imposed by the Plan Administrator at the time of the option grant.

B. All outstanding repurchase rights under the Discretionary Option Grant Program shall automatically terminate, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of a Change in Control, except to the extent: (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) or are otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator at the time the repurchase right is issued.

C. Immediately following the consummation of the Change in Control, all outstanding options under the Discretionary Option Grant Program shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction.

D. Each option which is assumed in connection with a Change in Control or otherwise continued in effect shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. Appropriate adjustments to reflect such Change in Control shall also be made to (i) the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same, (ii) the maximum number and/or class of securities available for issuance over the remaining term of the Plan and (iii) the maximum number and/or class of securities for which any one person may be granted stock options and direct stock issuances under the Plan per calendar year. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption of the outstanding options under the Discretionary Option Grant Program, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction.

E. The Plan Administrator shall have the discretionary authority to structure one or more outstanding options under the Discretionary Option Grant Program so that those options shall, immediately prior to the effective date of a Change in Control, become exercisable for all the shares of Common Stock at the time subject to those options and may be exercised for any or all of those shares as fully vested shares of Common Stock, whether or not those options are to be assumed in the Change in Control transaction or otherwise continued in effect. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Discretionary Option Grant Program so that those rights shall immediately terminate upon the consummation of the Change in Control transaction, and the shares subject to those terminated rights shall thereupon vest in full.

F. The Plan Administrator shall have full power and authority to structure one or more outstanding options under the Discretionary Option Grant Program so that those options shall become exercisable for all the shares of Common Stock at the time subject to those options in the event the Optionee's Service is subsequently terminated by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of any Change in Control transaction in which those options do not otherwise accelerate. In addition, the Plan Administrator may structure one or more of the Corporation's repurchase rights so that those rights shall immediately terminate with respect to any shares held by the Optionee at the time of such Involuntary Termination, and the shares subject to those terminated repurchase rights shall accordingly vest in full at that time.

G. The Plan Administrator shall have the discretionary authority to structure one or more outstanding options under the Discretionary Option Grant Program so that those options shall, immediately prior to the effective date of a Hostile Take-Over, become exercisable for all the shares of Common Stock at the time subject to those options and may be exercised for any or all of those shares as fully vested shares of Common Stock. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Discretionary Option Grant Program so that those rights shall terminate automatically upon the consummation of such Hostile Take-Over, and the shares subject to those terminated rights shall thereupon vest in full. Alternatively, the Plan Administrator may condition the automatic acceleration of one or more outstanding options under the Discretionary Option Grant Program and the termination of one or more of the Corporation's outstanding repurchase rights under such program upon the subsequent termination of the Optionee's Service by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of such Hostile Take-Over.

H. The portion of any Incentive Option accelerated in connection with a Change in Control or Hostile Take-Over shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar ($100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Nonstatutory Option under the Federal tax laws.

I. The outstanding options shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

## ARTICLE THREE

## STOCK ISSUANCE PROGRAM

### I. STOCK ISSUANCE TERMS

Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. In no event, however, may more than five percent (5%) of the total number of shares of Common Stock from time to time authorized for issuance under the Plan be issued pursuant to the Stock Issuance Program. Each stock issuance under the program shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares upon the attainment of designated performance goals or the satisfaction of specified Service requirements.

A. **Issue Price** .

1. The consideration per share at which shares of Common Stock may be issued under the Stock Issuance Program shall be fixed by the Plan Administrator, but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the issuance date.

2. Shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

(i) cash or check made payable to the Corporation, or

(ii) past services rendered to the Corporation (or any Parent or Subsidiary).

B. **Vesting Provisions** .

1. Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued under the Stock Issuance Program shall be determined by the Plan Administrator and incorporated into the Stock Issuance Agreement. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares upon the attainment of designated performance goals or the satisfaction of specified Service requirements.

2. For any Common Stock issuance which is to vest solely on the basis of Service, a minimum period of three (3) years of Service shall be required as condition to such vesting. The required Service period shall be measured from the issue date of the shares in the event of a direct issuance or from the grant date of the share right award for any shares to be subsequently issued pursuant to such award. However, any such Common Stock issuance shall be subject to the vesting acceleration provisions of this Article Three.

3. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more share right awards so that the shares of Common Stock subject to those awards shall be issuable upon the achievement of certain pre-established corporate performance goals based on one or more of the following criteria: (1) return on total stockholder equity; (2) earnings per share of Common Stock; (3) net income (before or after taxes); (4) earnings before interest, taxes, depreciation and amortization; (5) sales or revenues; (6) return on assets, capital or investment; (7) market share; (8) cost reduction goals; (9) budget comparisons; (10) implementation or completion of critical projects or processes; (11) customer satisfaction; (12) any combination of, or a specified increase in, any of the foregoing; and (13) the formation of joint ventures, research or development collaborations, or the completion of other corporate transactions. In addition, such performance goals may be based upon the attainment of specified levels of the Corporation's performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of the Corporation's business units or divisions or any Parent or Subsidiary. Performance goals may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of an award will be earned and a maximum level of performance at which an award will be fully earned.

4. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

5. The Participant shall have full stockholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

6. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent (including the Participant's purchase-money indebtedness), the Corporation shall repay to the Participant the ***lower*** of (i) the cash consideration paid for the surrendered shares or (ii) the Fair Market Value of those shares at the time of cancellation and shall cancel the unpaid principal balance of any outstanding purchase-money note of the Participant attributable to the surrendered shares by the applicable clause (i) or (ii) amount.

7. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares, to the extent the Plan Administrator deems such waiver to be an appropriate severance benefit under the circumstances. Such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies.

8. Outstanding share right awards under the Stock Issuance Program shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those awards, if the performance goals or Service requirements established for such awards are not attained or satisfied. The Plan Administrator, however, shall have the discretionary authority to issue shares of Common Stock under one or more outstanding share right awards as to which the designated performance goals or Service requirements have not been attained or satisfied, to the extent the Plan Administrator deems such issuance to be an appropriate severance benefit under the circumstances.

**II. CHANGE IN CONTROL/HOSTILE TAKE-OVER**

A. All of the Corporation's outstanding repurchase rights under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) or are otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

B. The Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Stock Issuance Program so that those rights shall automatically terminate in whole or in part, and the shares of Common Stock subject to those terminated rights shall vest, either immediately upon the effective date of a Change in Control or subsequently upon an Involuntary Termination of the Participant's Service within a designated period (not to exceed eighteen (18) months) following the effective date of any Change in Control transaction in which those repurchase rights are assigned to the successor corporation (or parent thereof) or are otherwise continued in effect.

C. The Plan Administrator shall also have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Stock Issuance Program so that those rights shall automatically terminate in whole or in part, and the shares of Common Stock subject to those terminated rights shall immediately vest, either upon the occurrence of a Hostile Take-Over or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of that Hostile Take-Over.

**III. SHARE ESCROW/LEGENDS**

Unvested shares may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

## ARTICLE FOUR

## MISCELLANEOUS

### I. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the exercise of options or the issuance or vesting of such shares under the Plan shall be subject to the satisfaction of all applicable income and employment tax withholding requirements. The Corporation shall also make appropriate arrangements for the satisfaction by participants of all applicable foreign tax withholding requirements which may be imposed in connection with the grant, vesting or exercise of options under the Plan or other taxable event or the issuance or vesting of shares of Common Stock under the Plan.

B. The Plan Administrator may, in its discretion, provide any or all Optionees or Participants under the Plan with the right to use shares of Common Stock in satisfaction of all or part of the Withholding Taxes to which such individuals may become subject in connection with the grant or exercise of their options or the issuance or vesting of their shares. Such right may be provided to any such holder in either or both of the following formats:

Stock Withholding : The election to have the Corporation withhold, from the shares of Common Stock otherwise issuable upon the exercise of options or the issuance or the vesting of such shares, a portion of those shares with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the holder.

Stock Delivery : The election to deliver to the Corporation, at the time the option is granted or exercised or the shares are issued or vest, one or more shares of Common Stock previously acquired by such holder (other than in connection with the option exercise or share vesting triggering the Withholding Taxes) with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the holder.

### II. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall become effective immediately on the Plan Effective Date.

B. The Plan shall terminate upon the earliest to occur of (i) December 31, 2012, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully vested shares or (iii) the termination of all outstanding options in connection with a Change in Control. Should the Plan terminate on December 31, 2012, then all option grants and unvested stock issuances outstanding at that time shall continue to have force and effect in accordance with the provisions of the documents evidencing such grants or issuances.

**III. AMENDMENT OF THE PLAN**

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification shall adversely affect the rights and obligations with respect to stock options or unvested stock issuances at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification. In addition, stockholder approval shall be required for any amendment which (i) increases the number of shares of Common Stock reserved for issuance under the Plan, (ii) materially modifies the eligibility requirements for participation in the Plan or (iii) materially increases the benefits accruing to Optionees or Participants under the Plan.

**IV. USE OF PROCEEDS**

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

**V. REGULATORY APPROVALS**

A. The implementation of the Plan, the granting of any stock option under the Plan and the issuance of any shares of Common Stock (i) upon the exercise of any granted option or (ii) under the Stock Issuance Program shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the stock options granted under it and the shares of Common Stock issued pursuant to it.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of applicable securities laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any stock exchange (or the Nasdaq National Market, if applicable) on which Common Stock is then listed for trading.

**VI. NO EMPLOYMENT/SERVICE RIGHTS**

Nothing in the Plan shall confer upon the Optionee or the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

## APPENDIX

The following definitions shall be in effect under the Plan:

A. **Board** shall mean the Corporation's Board of Directors.

B. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation, or

(iii) any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) under the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) becomes directly or indirectly the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Corporation's securities outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's stockholders.

C. **Code** shall mean the Internal Revenue Code of 1986, as amended.

D. **Common Stock** shall mean the Corporation's common stock.

E. **Corporation** shall mean VERITAS Software Corporation, a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of VERITAS Software Corporation which shall by appropriate action adopt the Plan.

F. **Discretionary Option Grant Program** shall mean the discretionary option grant program in effect under Article Two of the Plan.

G. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

H. **Exercise Date** shall mean the date on which the Corporation shall have received written notice of the option exercise.

I. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is reported by the National Association of Securities Dealers on the Nasdaq National Market and published in ***The Wall Street Journal*** . If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling sale price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange and published in ***The Wall Street Journal*** . If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

J. **Hostile Take-Over** shall mean a change in ownership or control of the Corporation effected through either of the following transactions:

(i) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination, or

(ii) the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the

1934 Act) of securities possessing more than thirty percent (30%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders which the Board does not recommend such stockholders to accept.

K. **Incentive Option** shall mean an option which satisfies the requirements of Code Section 422.

L. **Involuntary Termination** shall mean the termination of the Service of any individual which occurs by reason of:

(i) such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

(ii) such individual's voluntary resignation following (A) a change in his or her position with the Corporation which materially reduces his or her duties and responsibilities or the level of management to which he or she reports, (B) a reduction in his or her aggregate level of base salary and target bonus under any corporate-performance based bonus or incentive program by more than fifteen percent (15%) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation without the individual's consent.

M. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any intentional unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss any Optionee, Participant or other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan, to constitute grounds for termination for Misconduct.

N. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

O. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

P. **Optionee** shall mean any person to whom an option is granted under the Discretionary Option Grant Program.

Q. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

R. **Participant** shall mean any person who is issued shares of Common Stock under the Stock Issuance Program.

S. **Permanent Disability or Permanently Disabled** shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

T. **Plan** shall mean the Corporation's 2003 Stock Incentive Plan, as set forth in this document.

U. **Plan Administrator** shall mean the particular entity, whether the Primary Committee, the Secondary Committee or the Board, which is authorized to administer the Discretionary Option Grant and Stock Issuance Programs with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under those programs with respect to the persons under its jurisdiction.

V. **Plan Effective Date** shall mean the date the Plan becomes effective and shall be coincidental with the date the Plan is approved by the Corporation's stockholders. The Plan Effective Date shall accordingly be the date of the 2003 Annual Stockholders Meeting, provided the stockholders approve the Plan at such meeting.

W. **Primary Committee** shall mean the committee of two (2) or more non-employee Board members appointed by the Board to administer the Discretionary Option Grant and Stock Issuance Programs with respect to Section 16 Insiders.

X. **Secondary Committee** shall mean a committee of one or more Board members appointed by the Board to administer the Discretionary Option Grant and Stock Issuance Programs with respect to eligible persons other than Section 16 Insiders.

Y. **Section 16 Insider** shall mean an officer or director of the Corporation subject to the short-swing profit liabilities of Section 16 of the 1934 Act.

Z. **Service** shall mean the performance of services for the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance. Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; provided, however , that for a leave which exceeds ninety (90)

days, Service shall be deemed, for purposes of determining the period within which any outstanding option held by the Optionee in question may be exercised as an Incentive Option, to cease on the ninety-first (91 st ) day of such leave, unless the right of that Optionee to return to Service following such leave is guaranteed by law or statute. Except to the extent otherwise required by law or expressly authorized by the Plan Administrator, no Service credit shall be given for vesting purposes for any period the Optionee or Participant is on a leave of absence.

AA. **Stock Exchange** shall mean either the American Stock Exchange or the New York Stock Exchange.

BB. **Stock Issuance Agreement** shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

CC. **Stock Issuance Program** shall mean the stock issuance program in effect under Article Four of the Plan.

DD. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

EE. **10% Stockholder** shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

FF. **Withholding Taxes** shall mean the applicable income and employment withholding taxes to which the holder of an option or shares of Common Stock under the Plan may become subject in connection with the grant, vesting or exercise of those options or other taxable event or the issuance or vesting of those shares.

Exhibit A

Form of Stock Option Agreement

FORM OF

VERITAS SOFTWARE CORPORATION

STOCK OPTION AGREEMENT

RECITALS

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees and consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Optionee is to render valuable services to the Corporation (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

NOW, THEREFORE, it is hereby agreed as follows:

1. GRANT OF OPTION. The Corporation hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Grant Notice. The Option Shares shall be purchasable from time to time during the option term specified in Paragraph 2 at the Exercise Price.

2. OPTION TERM. This option shall have a maximum term of seven (7) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 6.

3. LIMITED TRANSFERABILITY.

(a) This option shall be neither transferable nor assignable by Optionee other than by will or the laws of inheritance following Optionee's death and may be exercised, during Optionee's lifetime, only by Optionee. However, Optionee may designate one or more persons as the beneficiary or beneficiaries of this option, and this option shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding this option. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5, be exercised following Optionee's death.

(b) If this option is designated a Non-Statutory Option in the Grant Notice, then this option may, subject to the consent of the Plan Administrator, be assigned in

whole or in part during Optionee's lifetime to one or more of the Optionee's Family Members or to a trust established for the exclusive benefit of the Optionee or one or more such Family Members, to the extent such assignment is in connection with the Optionee's estate plan or pursuant to a domestic relations order. The assigned portion shall be exercisable only by the person or persons who acquire a proprietary interest in the option pursuant to such assignment. The terms applicable to the assigned portion shall be the same as those in effect for this option immediately prior to such assignment.

4. DATES OF EXERCISE. This option shall become exercisable for the Option Shares in one or more installments as specified in the Grant Notice. As the option becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term under Paragraph 5 or 6.

5. CESSATION OF SERVICE. The option term specified in Paragraph 2 shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Should Optionee cease to remain in Service for any reason (other than death, Permanent Disability or Misconduct) while this option is outstanding, then Optionee (or any person or persons to whom this option is transferred pursuant to a permitted transfer under Paragraph 3) shall have a period of three (3) months (commencing with the date of such cessation of Service) during which to exercise this option, but in no event shall this option be exercisable at any time after the Expiration Date.

(b) Should Optionee die while this option is outstanding, then the personal representative of Optionee's estate or the person or persons to whom the option is transferred pursuant to Optionee's will or the laws of inheritance following Optionee's death or to whom the option is transferred during Optionee's lifetime pursuant to a permitted transfer under Paragraph 3 shall have the right to exercise this option. However, if Optionee dies while holding this option and has an effective beneficiary designation in effect for this option at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this option following Optionee's death. Any such right to exercise this option shall lapse, and this option shall cease to be outstanding, upon the earlier of (i) the expiration of the twelve (12)-month period measured from the date of Optionee's death or (ii) the Expiration Date.

(c) Should Optionee cease Service by reason of Permanent Disability while this option is outstanding, then Optionee (or any person or persons to whom this option is transferred pursuant to a permitted transfer under Paragraph 3) shall have a period of twelve (12) months (commencing with the date of such cessation of Service) during which to exercise this option. In no event shall this option be exercisable at any time after the Expiration Date.

(d) The applicable post-Service exercise period in effect for this option pursuant to the foregoing provisions of this Paragraph 5 shall automatically be extended by an additional period of time equal in duration to any interval within that otherwise applicable post-

Service exercise period during which the exercise of this option or the immediate sale of the Option Shares acquired hereunder cannot be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of this option beyond the Expiration Date.

(e) During the limited period this option remains exercisable following Optionee's cessation of Service, this option may not be exercised in the aggregate for more than the number of Option Shares for which such option is, at the time of Optionee's cessation of Service, exercisable pursuant to the Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 6. This option shall not vest or become exercisable for any additional Option Shares, whether pursuant to the normal Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 6, following Optionee's cessation of Service, except to the extent (if any) specifically authorized by the Plan Administrator pursuant to an express written agreement with the Optionee. Upon the expiration of the limited post-Service exercise period provided under this Paragraph 5 or (if earlier) upon the Expiration Date, this option shall terminate and cease to be outstanding for any otherwise vested and exercisable Option Shares for which the option has not been exercised.

(f) Should Optionee's Service be terminated for Misconduct or should Optionee otherwise engage in any Misconduct while this option is outstanding, then this option shall terminate immediately and cease to remain outstanding.

6. SPECIAL ACCELERATION OF OPTION.

(a) This option, to the extent outstanding at the time of a Change in Control but not otherwise fully exercisable, shall automatically accelerate so that this option shall, immediately prior to the effective date of such Change in Control, vest and become exercisable for all of the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully vested shares of Common Stock. However, this option shall NOT vest or become exercisable on such an accelerated basis, if and to the extent: (i) this option is to be assumed by the successor corporation (or parent thereof) or is otherwise to be continued in full force and effect pursuant to the terms of the Change in Control transaction or (ii) this option is to be replaced with a cash incentive program of the successor corporation which preserves the spread existing at the time of the Change in Control on any Option Shares for which this option is not otherwise at that time exercisable (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such shares) and provides for subsequent payout of that spread in accordance with the same option exercise/vesting schedule for those Option Shares set forth in the Grant Notice or (iii) such accelerated vesting is otherwise precluded pursuant to the provisions of Paragraph 5(e).

(b) Immediately following the Change in Control, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(c) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control, and appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of this option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

(d) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. ADJUSTMENT IN OPTION SHARES. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

8. STOCKHOLDER RIGHTS. The holder of this option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

9. MANNER OF EXERCISING OPTION.

(a) In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise for the Option Shares for which the option is exercised.

(ii) Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms:

(A) cash or check made payable to the Corporation;

(B) shares of Common Stock held by Optionee (or any other person or persons exercising the option) for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date; or

(C) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in compliance with the Corporation's pre-notification/pre clearance policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable income and employment taxes required to be withheld by the Corporation by reason of such exercise and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise delivered to the Corporation in connection with the option exercise.

(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(iv) Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all applicable income and employment tax withholding requirements applicable to the option exercise.

(b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.

(c) In no event may this option be exercised for any fractional shares.

10. COMPLIANCE WITH LAWS AND REGULATIONS.

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange (or the Nasdaq National Market, if applicable) on which the Common Stock may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such

approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

11. SUCCESSORS AND ASSIGNS. Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Optionee, Optionee's assigns, the legal representatives, heirs and legatees of Optionee's estate and any beneficiaries of this option designated by Optionee.

12. NOTICES. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated below Optionee's signature line on the Grant Notice. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

13. CONSTRUCTION. This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

14. GOVERNING LAW. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

15. EXCESS SHARES. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then this option shall not become exercisable with respect to those excess shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan.

16. ADDITIONAL TERMS APPLICABLE TO AN INCENTIVE OPTION. In the event this option is designated an Incentive Option in the Grant Notice, the following terms and conditions shall also apply to the grant:

(a) This option shall cease to qualify for favorable tax treatment as an Incentive Option if (and to the extent) this option is exercised for one or more Option Shares: (A) more than three (3) months after the date Optionee ceases to be an Employee for any reason other than death or Permanent Disability or (B) more than twelve (12) months after the date Optionee ceases to be an Employee by reason of Permanent Disability.

(b) No installment under this option shall qualify for favorable tax treatment as an Incentive Option if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which such installment first becomes

exercisable hereunder would, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or any other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars ($100,000) in the aggregate. Should such One Hundred Thousand Dollar ($100,000) limitation be exceeded in any calendar year, this option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Statutory Option.

(c) Should the exercisability of this option be accelerated upon a Change in Control, then this option shall qualify for favorable tax treatment as an Incentive Option only to the extent the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which this option first becomes exercisable in the calendar year in which the Change in Control transaction occurs does not, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or one or more other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars ($100,000) in the aggregate. Should the applicable One Hundred Thousand Dollar ($100,000) limitation be exceeded in the calendar year of such Change in Control, the option may nevertheless be exercised for the excess shares in such calendar year as a Non-Statutory Option.

(d) Should Optionee hold, in addition to this option, one or more other options to purchase Common Stock which become exercisable for the first time in the same calendar year as this option, then for purposes of the foregoing limitations on the exercisability of such options as Incentive Options, this option and each of those other options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.

17. EMPLOYMENT AT WILL. Nothing in this Agreement or in the Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee’s Service at any time for any reason, with or without cause.

EXHIBIT I

NOTICE OF EXERCISE

I hereby notify VERITAS Software Corporation (the "Corporation") that I elect to purchase _____ shares of the Corporation's Common Stock (the "Purchased Shares") at the option exercise price of $ _____per share (the "Exercise Price") pursuant to that certain option (the "Option") granted to me under the Corporation's 2003 Stock Incentive Plan on _____, _____.

Concurrently with the delivery of this Exercise Notice to the Corporation, I shall hereby pay to the Corporation the Exercise Price for the Purchased Shares in accordance with the provisions of my agreement with the Corporation (or other documents) evidencing the Option and shall deliver whatever additional documents may be required by such agreement as a condition for exercise. Alternatively, I may utilize the special broker-dealer sale and remittance procedure specified in my agreement to effect payment of the Exercise Price.

_____, _____
Date

_____
Optionee

Address: _____
_____

Print name in exact manner it is to appear on the stock certificate: _____

Address to which certificate is to be sent, if different from address above: _____
_____

Social Security Number: _____

APPENDIX

The following definitions shall be in effect under the Agreement:

A. AGREEMENT shall mean this Stock Option Agreement.

B. BOARD shall mean the Corporation's Board of Directors.

C. CHANGE IN CONTROL shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation, or

(iii) any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) under the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) becomes directly or indirectly the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Corporation's securities outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's stockholders.

D. CODE shall mean the Internal Revenue Code of 1986, as amended.

E. COMMON STOCK shall mean shares of the Corporation's common stock.

F. CORPORATION shall mean VERITAS Software Corporation, a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of VERITAS Software Corporation which shall by appropriate action adopt the Plan.

G. EMPLOYEE shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

H. EXERCISE DATE shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

I. EXERCISE PRICE shall mean the exercise price per Option Share as specified in the Grant Notice.

J. EXERCISE SCHEDULE shall mean the schedule set forth in the Grant Notice pursuant to which the option is to vest and become exercisable for the Option Shares in a series of installments over the Optionee's period of Service.

K. EXPIRATION DATE shall mean the date on which the option expires as specified in the Grant Notice.

L. FAIR MARKET VALUE per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be deemed equal to the closing selling price per share of Common Stock at the close of regular hours trading on the Nasdaq National Market on the date in question, as that price is reported by the National Association of Securities Dealers. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price at the close of regular hours trading on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be deemed equal to the closing selling price per share of Common Stock at the close of regular hours trading on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price at the close of regular hours trading on the last preceding date for which such quotation exists.

M. FAMILY MEMBER shall mean any of the following members of the Optionee's family: any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, bother-in-law or sister-in-law.

N. GRANT DATE shall mean the date of grant of the option as specified in the Grant Notice.

O. GRANT NOTICE shall mean the Notice of Grant of Stock Option accompanying the Agreement, pursuant to which Optionee has been informed of the basic terms of the option evidenced hereby.

P. INCENTIVE OPTION shall mean an option which satisfies the requirements of Code Section 422.

Q. MISCONDUCT shall mean the commission of any act of fraud, embezzlement or dishonesty by Optionee, any unauthorized use or disclosure by Optionee of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by Optionee adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss Optionee or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan or this Agreement, to constitute grounds for termination for Misconduct.

R. NON-STATUTORY OPTION shall mean an option not intended to satisfy the requirements of Code Section 422.

S. NOTICE OF EXERCISE shall mean the notice of exercise in the form attached hereto as Exhibit I.

T. OPTION SHARES shall mean the number of shares of Common Stock subject to the option as specified in the Grant Notice.

U. OPTIONEE shall mean the person to whom the option is granted as specified in the Grant Notice.

V. PARENT shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

W. PERMANENT DISABILITY shall mean the inability of Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is expected to result in death or has lasted or can be expected to last for a continuous period of twelve (12) months or more.

X. PLAN shall mean the Corporation’s 2003 Stock Incentive Plan, as amended from time to time.

Y. PLAN ADMINISTRATOR shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

Z. SERVICE shall mean the Optionee's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. For purposes of this Agreement, Optionee shall be deemed to cease Service immediately upon the occurrence of the either of the following events: (i) Optionee no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which Optionee is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Optionee may subsequently continue to perform services for that entity. Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; provided, however, that should such leave of absence exceed three (3) months, then for purposes of determining the period within which the Option (if designated as an Incentive Option in the Grant Notice) may be exercised as such an Incentive Option under the federal tax laws, the Optionee's Service shall be deemed to cease on the first day immediately following the expiration of such three (3)-month period, unless Optionee is provided with the right to return to Service following such leave either by statute or by written contract. Except to the extent otherwise required by law or expressly authorized by the Plan Administrator, no Service credit shall be given for vesting purposes for any period the Optionee is on a leave of absence.

AA. STOCK EXCHANGE shall mean the American Stock Exchange or the New York Stock Exchange.

BB. SUBSIDIARY shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Exhibit B

Form of Stock Option Agreement for Executive Officers

FORM OF

VERITAS SOFTWARE CORPORATION

STOCK OPTION AGREEMENT

(FOR EXECUTIVES AND SENIOR VPS)

RECITALS

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees and consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Optionee is to render valuable services to the Corporation (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

NOW, THEREFORE, it is hereby agreed as follows:

1. GRANT OF OPTION. The Corporation hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Grant Notice. The Option Shares shall be purchasable from time to time during the option term specified in Paragraph 2 at the Exercise Price.

2. OPTION TERM. This option shall have a maximum term of seven (7) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 6.

3. LIMITED TRANSFERABILITY.

(a) This option shall be neither transferable nor assignable by Optionee other than by will or the laws of inheritance following Optionee's death and may be exercised, during Optionee's lifetime, only by Optionee. However, Optionee may designate one or more persons as the beneficiary or beneficiaries of this option, and this option shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding this option. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5, be exercised following Optionee's death.

(b) If this option is designated a Non-Statutory Option in the Grant Notice, then this option may, subject to the consent of the Plan Administrator, be assigned in whole or in part during Optionee's lifetime to one or more of the Optionee's Family Members or to a trust established for the exclusive benefit of the Optionee or one or more such Family Members, to the extent such assignment is in connection with the Optionee's estate plan or pursuant to a domestic relations order. The assigned portion shall be exercisable only by the person or persons who acquire a proprietary interest in the option pursuant to such assignment. The terms applicable to the assigned portion shall be the same as those in effect for this option immediately prior to such assignment.

4. DATES OF EXERCISE. This option shall become exercisable for the Option Shares in one or more installments as specified in the Grant Notice. As the option becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term under Paragraph 5 or 6.

5. CESSATION OF SERVICE. The option term specified in Paragraph 2 shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Should Optionee cease to remain in Service for any reason (other than Misconduct) while this option is outstanding, then Optionee (or any person or persons to whom this option is transferred pursuant to a permitted transfer under Paragraph 3) shall have a period of twelve (12) months (commencing with the date of such cessation of Service) during which to exercise this option, but in no event shall this option be exercisable at any time after the Expiration Date.

(b) Should Optionee die while this option is outstanding, then the personal representative of Optionee's estate or the person or persons to whom the option is transferred pursuant to Optionee's will or the laws of inheritance following Optionee's death or to whom the option is transferred during Optionee's lifetime pursuant to a permitted transfer under Paragraph 3 shall have the right to exercise this option. However, if Optionee dies while holding this option and has an effective beneficiary designation in effect for this option at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this option following Optionee's death. Any such right to exercise this option shall lapse, and this option shall cease to be outstanding, upon the earlier of (i) the expiration of the twelve (12) month period measured from the date of Optionee's death or (ii) the Expiration Date.

(c) Should Optionee cease Service by reason of Permanent Disability while this option is outstanding, then Optionee (or any person or persons to whom this option is transferred pursuant to a permitted transfer under Paragraph 3) shall have a period of twelve (12) months (commencing with the date of such cessation of Service) during which to exercise this option. In no event shall this option be exercisable at any time after the Expiration Date.

(d) The applicable post-Service exercise period in effect for this option pursuant to the foregoing provisions of this Paragraph 5 shall automatically be extended by an additional period of time equal in duration to any interval within that otherwise applicable post-Service exercise period during which the exercise of this option or the immediate sale of the Option Shares acquired hereunder cannot be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of this option beyond the Expiration Date.

(e) During the limited period this option remains exercisable following Optionee's cessation of Service, this option may not be exercised in the aggregate for more than the number of Option Shares for which such option is, at the time of Optionee's cessation of Service, exercisable pursuant to the Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 6. This option shall not vest or become exercisable for any additional Option Shares, whether pursuant to the normal Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 6, following Optionee's cessation of Service, except to the extent (if any) specifically authorized by the Plan Administrator pursuant to an express written agreement with the Optionee. Upon the expiration of the limited post-Service exercise period provided under this Paragraph 5 or (if earlier) upon the Expiration Date, this option shall terminate and cease to be outstanding for any otherwise vested and exercisable Option Shares for which the option has not been exercised.

(f) Should Optionee's Service be terminated for Misconduct or should Optionee otherwise engage in any Misconduct while this option is outstanding, then this option shall terminate immediately and cease to remain outstanding.

6. SPECIAL ACCELERATION OF OPTION.

(a) This option, to the extent outstanding at the time of a Change in Control but not otherwise fully exercisable, shall automatically accelerate so that this option shall, immediately prior to the effective date of such Change in Control, vest and become exercisable for all of the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully vested shares of Common Stock. However, this option shall NOT vest or become exercisable on such an accelerated basis, if and to the extent: (i) this option is to be assumed by the successor corporation (or parent thereof) or is otherwise to be continued in full force and effect pursuant to the terms of the Change in Control transaction or (ii) this option is to be replaced with a cash incentive program of the successor corporation which preserves the spread existing at the time of the Change in Control on any Option Shares for which this option is not otherwise at that time exercisable (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such shares) and provides for subsequent payout of that spread in accordance with the same option exercise/vesting schedule for those Option Shares set forth in the Grant Notice or (iii) such accelerated vesting is otherwise precluded pursuant to the provisions of Paragraph 5(e).

(b) Immediately following the Change in Control, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation

(or parent thereof) or otherwise continued in effect pursuant to the terms of the Change in Control transaction.

(c) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control, and appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of this option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

(d) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. ADJUSTMENT IN OPTION SHARES. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

8. STOCKHOLDER RIGHTS. The holder of this option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

9. MANNER OF EXERCISING OPTION.

(a) In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise for the Option Shares for which the option is exercised.

(ii) Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms:

(A) cash or check made payable to the Corporation;

(B) shares of Common Stock held by Optionee (or any other person or persons exercising the option) for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date; or

(C) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in compliance with the Corporation's pre-notification/pre clearance policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable income and employment taxes required to be withheld by the Corporation by reason of such exercise and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise delivered to the Corporation in connection with the option exercise.

(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(iv) Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all applicable income and employment tax withholding requirements applicable to the option exercise.

(b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.

(c) In no event may this option be exercised for any fractional shares.

10. COMPLIANCE WITH LAWS AND REGULATIONS.

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange (or the Nasdaq National Market, if applicable) on which the Common Stock may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

11. SUCCESSORS AND ASSIGNS. Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Optionee, Optionee's assigns, the legal representatives, heirs and legatees of Optionee's estate and any beneficiaries of this option designated by Optionee.

12. NOTICES. Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated below Optionee's signature line on the Grant Notice. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

13. CONSTRUCTION. This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

14. GOVERNING LAW. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

15. EXCESS SHARES. If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then this option shall not become exercisable with respect to those excess shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan.

16. ADDITIONAL TERMS APPLICABLE TO AN INCENTIVE OPTION. In the event this option is designated an Incentive Option in the Grant Notice, the following terms and conditions shall also apply to the grant:

(a) This option shall cease to qualify for favorable tax treatment as an Incentive Option if (and to the extent) this option is exercised for one or more Option Shares: (A) more than three (3) months after the date Optionee ceases to be an Employee for any reason other than death or Permanent Disability or (B) more than twelve (12) months after the date Optionee ceases to be an Employee by reason of Permanent Disability.

(b) No installment under this option shall qualify for favorable tax treatment as an Incentive Option if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which such installment first becomes exercisable hereunder would, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or any other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars ($100,000) in the aggregate. Should such One Hundred Thousand Dollar ($100,000) limitation be exceeded in any calendar year, this option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Statutory Option.

(c) Should the exercisability of this option be accelerated upon a Change in Control, then this option shall qualify for favorable tax treatment as an Incentive Option only to the extent the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which this option first becomes exercisable in the calendar year in which the Change in Control transaction occurs does not, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or one or more other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars ($100,000) in the aggregate. Should the applicable One Hundred Thousand Dollar ($100,000) limitation be exceeded in the calendar year of such Change in Control, the option may nevertheless be exercised for the excess shares in such calendar year as a Non-Statutory Option.

(d) Should Optionee hold, in addition to this option, one or more other options to purchase Common Stock which become exercisable for the first time in the same calendar year as this option, then for purposes of the foregoing limitations on the exercisability of such options as Incentive Options, this option and each of those other options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.

17. EMPLOYMENT AT WILL. Nothing in this Agreement or in the Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee’s Service at any time for any reason, with or without cause.

EXHIBIT I

NOTICE OF EXERCISE

I hereby notify VERITAS Software Corporation (the "Corporation") that I elect to purchase ___shares of the Corporation's Common Stock (the "Purchased Shares") at the option exercise price of $ per share (the "Exercise Price") pursuant to that certain option (the "Option") granted to me under the Corporation's 2003 Stock Incentive Plan on ___, ___.

Concurrently with the delivery of this Exercise Notice to the Corporation, I shall hereby pay to the Corporation the Exercise Price for the Purchased Shares in accordance with the provisions of my agreement with the Corporation (or other documents) evidencing the Option and shall deliver whatever additional documents may be required by such agreement as a condition for exercise. Alternatively, I may utilize the special broker-dealer sale and remittance procedure specified in my agreement to effect payment of the Exercise Price.

_____, _____
Date

_____
Optionee

Address: _____

_____

Print name in exact manner it is to appear on the stock certificate: _____

Address to which certificate is to be sent, if different from address above: _____

Social Security Number: _____

APPENDIX

The following definitions shall be in effect under the Agreement:

A. AGREEMENT shall mean this Stock Option Agreement.

B. BOARD shall mean the Corporation's Board of Directors.

C. CHANGE IN CONTROL shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation, or

(iii) any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) under the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) becomes directly or indirectly the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Corporation's securities outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's stockholders.

D. CODE shall mean the Internal Revenue Code of 1986, as amended.

E. COMMON STOCK shall mean shares of the Corporation's common stock.

F. CORPORATION shall mean VERITAS Software Corporation, a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of VERITAS Software Corporation which shall by appropriate action adopt the Plan.

G. EMPLOYEE shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

H. EXERCISE DATE shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

I. EXERCISE PRICE shall mean the exercise price per Option Share as specified in the Grant Notice.

J. EXERCISE SCHEDULE shall mean the schedule set forth in the Grant Notice pursuant to which the option is to vest and become exercisable for the Option Shares in a series of installments over the Optionee's period of Service.

K. EXPIRATION DATE shall mean the date on which the option expires as specified in the Grant Notice.

L. FAIR MARKET VALUE per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be deemed equal to the closing selling price per share of Common Stock at the close of regular hours trading on the Nasdaq National Market on the date in question, as that price is reported by the National Association of Securities Dealers. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price at the close of regular hours trading on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be deemed equal to the closing selling price per share of Common Stock at the close of regular hours trading on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price at the close of regular hours trading on the last preceding date for which such quotation exists.

M. FAMILY MEMBER shall mean any of the following members of the Optionee's family: any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, bother-in-law or sister-in-law.

N. GRANT DATE shall mean the date of grant of the option as specified in the Grant Notice.

O. GRANT NOTICE shall mean the Notice of Grant of Stock Option accompanying the Agreement, pursuant to which Optionee has been informed of the basic terms of the option evidenced hereby.

P. INCENTIVE OPTION shall mean an option which satisfies the requirements of Code Section 422.

Q. MISCONDUCT shall mean the commission of any act of fraud, embezzlement or dishonesty by Optionee, any unauthorized use or disclosure by Optionee of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by Optionee adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss Optionee or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan or this Agreement, to constitute grounds for termination for Misconduct.

R. NON-STATUTORY OPTION shall mean an option not intended to satisfy the requirements of Code Section 422.

S. NOTICE OF EXERCISE shall mean the notice of exercise in the form attached hereto as Exhibit I.

T. OPTION SHARES shall mean the number of shares of Common Stock subject to the option as specified in the Grant Notice.

U. OPTIONEE shall mean the person to whom the option is granted as specified in the Grant Notice.

V. PARENT shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

W. PERMANENT DISABILITY shall mean the inability of Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is expected to result in death or has lasted or can be expected to last for a continuous period of twelve (12) months or more.

X. PLAN shall mean the Corporation’s 2003 Stock Incentive Plan, as amended from time to time.

Y. PLAN ADMINISTRATOR shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

Z. SERVICE shall mean the Optionee's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. For purposes of this Agreement, Optionee shall be deemed to cease Service immediately upon the occurrence of the either of the following events: (i) Optionee no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which Optionee is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Optionee may subsequently continue to perform services for that entity. Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; provided, however, that should such leave of absence exceed three (3) months, then for purposes of determining the period within which the Option (if designated as an Incentive Option in the Grant Notice) may be exercised as such an Incentive Option under the federal tax laws, the Optionee's Service shall be deemed to cease on the first day immediately following the expiration of such three (3)-month period, unless Optionee is provided with the right to return to Service following such leave either by statute or by written contract. Except to the extent otherwise required by law or expressly authorized by the Plan Administrator, no Service credit shall be given for vesting purposes for any period the Optionee is on a leave of absence.

AA. STOCK EXCHANGE shall mean the American Stock Exchange or the New York Stock Exchange.

BB. SUBSIDIARY shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Exhibit C

Form of Notice of Stock Option Assumption

Symantec EE ID:

**Re: Assumption of Your VERITAS Stock Option(s) by Symantec Corporation**

Dear [Name of Employee]:

As of July 2, 2005 (the "Effective Date"), Symantec Corporation ("Symantec") completed its acquisition of VERITAS Software Corporation (the "Merger") pursuant to the Agreement and Plan of Reorganization dated as of December 15, 2004 (the "Merger Agreement").

Pursuant to the Merger Agreement, your options to purchase shares of VERITAS common stock (each a "VERITAS Option" and specified on the attached notice (the "Notice")) assumed and converted into options to purchase shares of Symantec Common Stock (each a "Symantec Option").

Each VERITAS Option that is assumed and converted into a Symantec Option will continue to be governed by the applicable stock option agreement, any amendment(s) thereto entered into by and between you and VERITAS, and the applicable stock option plan (the "Plan(s)") pursuant to which such VERITAS Option was granted. In consideration of, Symantec's assumption of the option(s) listed on the attached Notice, all of your rights to purchase shares of VERITAS common stock are terminated and your only rights to purchase Symantec common stock based on any right to purchase VERITAS common stock are through each Symantec Option listed on the attached Notice.

By exercising your Symantec Options, you agree to the following:

(1) you are responsible for any tax or social insurance contribution obligation legally due by you and/or brokerage fees arising out of the purchase and sale of Symantec shares; Symantec does not guarantee any particular favorable tax treatment for the Symantec Options; and

(2) the Plans are voluntary programs governed by applicable law; further, the Plans are a benefit offered by Symantec that is not a part of or a form of employment compensation (whether regular or not) and is outside the scope of any employment contract and labor relationship that you may have with your employer.

You should contact your personal tax advisor to determine the tax and social insurance contribution consequences of your participation in the Plans and the conversion of the VERITAS Options.

If you have any questions, please contact [stock administration contact(s)].

Sincerely,

Symantec Corporation

**Exhibit 10.16**

**SYMANTEC CORPORATION**
**2004 Equity INCENTIVE PLAN**
**As Adopted by the Board on July 20, 2004**
**and Approved by the Stockholders on September 15, 2004 and**
**Amended by the Compensation Committee on February 3, 2006**

1. *Purpose.* The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent, Subsidiaries and Affiliates, by offering them an opportunity to participate in the Company's future performance through awards of Options, Stock Appreciation Rights, Restricted Stock Units, and Restricted Stock Awards. Capitalized terms not defined in the text are defined in Section 24.

2. *Shares Subject to the Plan.*

2.1 *Number of Shares Available.* Subject to Sections 2.2 and 18, the total number of Shares reserved and available for grant and issuance pursuant to this Plan will be nine million (9,000,000) Shares plus (i) the number of shares of the Company's Common Stock reserved under the Company's 1996 Equity Incentive Plan (the " *Prior Plan* ") that are not subject to outstanding awards under the Prior Plan upon its termination, and (ii) the number of shares of Common Stock that are released from, or reacquired by the Company from, awards outstanding under the Prior Plan upon its termination. No more than ten percent (10%) of the Shares shall be issued as Restricted Stock Awards. Subject to Sections 2.2 and 18, Shares that: (a) are subject to issuance upon exercise of an Option but cease to be subject to such Option for any reason other than exercise of such Option; (b) are subject to an Award granted hereunder but are forfeited or are repurchased by the Company at the original issue price; or (c) are subject to an Award that otherwise terminates without Shares being issued; will again be available for grant and issuance in connection with future Awards under this Plan. No more than ninety million (90,000,000) Shares shall be issued as ISOs. At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Options and Restricted Stock Awards granted under this Plan and all other outstanding Awards granted under this Plan.

2.2 *Adjustment of Shares.* In the event that the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration or there is a change in the corporate structure (including, without limitation, a spin-off), then (a) the number of Shares reserved for issuance under this Plan, (b) the Exercise Prices of and number of Shares subject to outstanding Options, (c) the number of Shares that may be granted pursuant to Sections 3 and 6 below, and (d) the Purchase Price and number of Shares subject to other outstanding Awards, including Restricted Stock Awards, will be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and compliance with applicable securities laws; *provided, however,* that fractions of a Share will not be issued but will either be replaced by a cash payment equal to the Fair Market Value of such fraction of a Share or will be rounded up to the nearest whole Share, as determined by the Committee.

3. *Eligibility.* ISOs (as defined in Section 5 below) may be granted only to employees (including officers and directors who are also employees) of the Company or of a Parent or Subsidiary of the Company. All other Awards may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company or any Parent, Subsidiary or Affiliate of the Company; *provided* such consultants, contractors and advisors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction; and *provided further,* that unless otherwise determined by the Board, non-employee directors shall receive Options only pursuant to the formula award provisions set forth in Section 6. No person will be eligible to receive more than 2,000,000 Shares in any calendar year under this Plan, pursuant to the grant of Awards hereunder, of which no more than 400,000 Shares shall be covered by Awards of Restricted Stock and Restricted Stock Units, other than new employees of the Company or of a Parent or Subsidiary of the Company (including new employees who are also officers and directors of the Company or any Parent or Subsidiary of the Company), who are eligible to receive up to a maximum of 3,000,000 Shares in the calendar year in which they commence their employment, of which no more than 600,000 Shares shall be covered by Awards of Restricted Stock and Restricted Stock Units. For purposes of these limits, each Restricted Stock Unit settled in Shares (but not those settled in cash), shall be deemed to cover one Share. A person may be granted more than one Award under this Plan.

4. *Administration.*

4.1 *Committee Authority.* This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, except as provided in Section 6, the Committee will have full power to implement and carry out this Plan. Without limitation, the Committee will have the authority to:

(a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;

(b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;

(c) select persons to receive Awards;

(d) determine the form and terms of Awards;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent, Subsidiary or Affiliate of the Company;

(g) grant waivers of Plan or Award conditions;

(h) determine the vesting, exercisability and payment of Awards;

(i) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;

(j) amend any option agreements executed in connection with this Plan;

(k) determine whether an Award has been earned; and

(l) make all other determinations necessary or advisable for the administration of this Plan.

4.2 *Committee Discretion.* Any determination made by the Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of this Plan or Award, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Award under this Plan. The Committee may delegate to one or more officers of the Company the authority to grant an Award under this Plan to Participants who are not Insiders of the Company.

4.3 *Section 162(m) Requirements.* If two or more members of the Board are Outside Directors, the Committee will be comprised of at least two (2) members of the Board, all of who are Outside Directors.

5. *Options.* The Committee may grant Options to eligible persons and will determine whether such Options will be Incentive Stock Options within the meaning of the Code *("ISOs")* or Nonqualified Stock Options *("NQSOs")*, the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 *Form of Option Grant.* Each Option granted under this Plan will be evidenced by an Award Agreement which will expressly identify the Option as an ISO or an NQSO *("Stock Option Agreement")*, and will be in such form and contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan.

5.2 *Date of Grant.* The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 *Exercise Period.* Options will be exercisable within the times or upon the events determined by the Committee as set forth in the Stock Option Agreement governing such Option; *provided, however*, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary of the Company *("Ten Percent Stockholder")* will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for the exercise of Options to become exercisable at one time or from time to time,

periodically or otherwise (including, without limitation, the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of Shares as the Committee determines.

5.4 *Exercise Price.* The Exercise Price of an Option will be determined by the Committee when the Option is granted and may not be less than 100% of the Fair Market Value of the Shares on the date of grant; *provided* that the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 10 of this Plan.

5.5 *Method of Exercise.* Options may be exercised only by delivery to the Company of a written stock option exercise agreement (the *"Exercise Agreement"* ) in a form approved by the Committee (which need not be the same for each Participant), stating the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price for the number of Shares being purchased.

5.6 *Termination.* Notwithstanding the exercise periods set forth in the Stock Option Agreement, exercise of an Option will always be subject to the following:

(a) If the Participant is Terminated for any reason except death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable upon the Termination Date no later than three (3) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be an NQSO), but in any event, no later than the expiration date of the Options; *provided however,* that options granted to non-employee directors pursuant to Section 6 shall remain exercisable for a period of seven (7) months following the non-employee director's termination as a director or consultant of the Company or any Affiliate.

(b) If the Participant is Terminated because of Participant's death or Disability (or the Participant dies within three (3) months after a Termination other than because of Participant's death or disability), then Participant's Options may be exercised only to the extent that such Options would have been exercisable by Participant on the Termination Date and must be exercised by Participant (or Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any such exercise beyond (a) three (3) months after the Termination Date when the Termination is for any reason other than the Participant's death or Disability, or (b) twelve (12) months after the Termination Date when the Termination is for Participant's death or Disability, deemed to be an NQSO), but in any event no later than the expiration date of the Options.

5.7 *Limitations on Exercise.* The Committee may specify a reasonable minimum number of Shares that may be purchased on any exercise of an Option, *provided* that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 *Limitations on ISOs.* The aggregate Fair Market Value (determined as of the date of grant) of Shares with respect to which ISOs are exercisable for the first time by a Participant during any calendar year (under this Plan or under any other incentive stock option plan of the Company or any Affiliate, Parent or Subsidiary of the Company) will not exceed $100,000. If the Fair Market Value of Shares on the date of grant with respect to which ISOs are exercisable for the first time by a Participant during any calendar year exceeds $100,000, then the Options for the first $100,000 worth of Shares to become exercisable in such calendar year will be ISOs and the Options for the amount in excess of $100,000 that become exercisable in that calendar year will be NQSOs. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date of this Plan to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9 *Modification, Extension or Renewal.* The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, *provided* that (a) any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code; and (b) notwithstanding anything to the contrary elsewhere in the Plan, the Company will not reprice Options issued under the Plan by lowering the Exercise Price of a previously granted Award, by canceling outstanding Options and issuing replacements, or by otherwise replacing existing Options with substitute Options with a lower Exercise Price, without prior approval of the Company's stockholders.

5.10 *No Disqualification*. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. *Formula for Non-Employee Director Option Grants and Vesting.*

6.1 *Grant of Formula Option*. Following the final automatic grant of stock options under the Prior Plan, Options shall be granted to non-employee directors of the Company or any Affiliate *("non-employee directors")* during the term of this Plan as follows: (i) to the extent that a stock option has not already been granted to a non-employee director during the fiscal year of the Company in which such director becomes a director, a NQSO to purchase 20,000 shares will automatically be granted to such director upon such director's joining the Board, (ii) a NQSO to purchase 12,000 shares will be granted to each non-employee director, other than a non-employee director acting as the Chairman of the Board on the day after the Annual Meeting of Stockholders, *provided* that no such grant shall be made to a director within six months of the initial grant to such director, and (iii) a NQSO to purchase 20,000 shares will be granted each year to the non-employee director acting as the Chairman of the Board on the day after the Annual Meeting of Stockholders, *provided*, that no such grant shall be made to a director within six months of the initial grant to such director. Only non-employee directors who are neither an employee of the Company nor the holder of more than one percent of the Shares or a representative of any such stockholder shall be eligible for a formula option grant.

6.2 *Exercise Period for Formula Options.* A non-employee director may exercise a granted option in whole or in part for any Vested Shares, as determined in accordance with Section 6.3 hereof; *provided, however*, that the option shall expire and terminate on the tenth anniversary of the date of grant, or earlier in accordance with the provisions of this Plan.

6.3 *Vesting of Formula Options.* Twenty-five percent (25%) of the Shares shall vest on the First Vesting Date, as specified in the Stock Option Grant, with the remaining Shares vesting at the rate of 2.0833% of the total Shares per month over the subsequent three years (each a *"Succeeding Vesting Date"* ) provided that the non-employee director provides services to the Company or a Parent, Subsidiary or Affiliate of the Company on the First Vesting Date and on each Succeeding Vesting Date thereafter. Shares that are vested pursuant to the vesting schedule set forth in this Section 6.3 are *"Vested Shares"* and are exercisable hereunder.

7. *Restricted Stock Awards.* A Restricted Stock Award is an offer by the Company to issue to an eligible person Shares that are subject to restrictions. The Committee will determine to whom an offer will be made, the number of Shares the person may purchase, the Purchase Price, the restrictions to which the Shares will be subject, and all other terms and conditions of the Restricted Stock Award, subject to the following:

7.1 *Restricted Stock Purchase Agreement.* All purchases under a Restricted Stock Award will be evidenced by a written agreement (the " *Restricted Stock Purchase Agreement "*), which will be in substantially a form (which need not be the same for each Participant) that the Committee shall from time to time approve, and will comply with and be subject to the terms and conditions of the Plan. A Participant can accept a Restricted Stock Award only by signing and delivering to the Company the Restricted Stock Purchase Agreement, and full payment of the Purchase Price, within thirty (30) days from the date the Restricted Stock Purchase Agreement was delivered to the Participant. If the Participant does not accept the Restricted Stock Award in this manner within thirty (30) days, then the offer of the Restricted Stock Award will terminate, unless the Committee determines otherwise.

7.2 *Purchase Price.* The Purchase Price for a Restricted Stock Award will be determined by the Committee, and may be less than Fair Market Value (but not less than the par value of the Shares) on the date the Restricted Stock Award is granted, *provided* that the Exercise Price of any Restricted Stock Award to a Ten Percent Stockholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment of the Purchase Price must be made in accordance with Section 10 of this Plan and as permitted in the Restricted Stock Purchase Agreement, and in accordance with any procedures established by the Company.

7.3 *Terms of Restricted Stock Awards.* Restricted Stock Awards will be subject to all restrictions, if any, that the Committee may impose. These restrictions may be based on completion of a specified number of years of service with the Company and/or upon completion of the performance goals as set out in advance in the Participant's Restricted Stock Purchase Agreement, which shall be in such form and contain such provisions (which need not be the same for each Participant) as the Committee shall from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously

with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

7.4 *Termination During Performance Period.* Restricted Stock Awards shall cease to vest immediately if a Participant is Terminated during a Performance Period for any reason, unless the Committee determines otherwise, and any unvested Shares subject to such Restricted Stock Awards shall be subject to the Company's right to repurchase such Shares, as described in Section 12 of this Plan, if and as set forth in the applicable Restricted Stock Purchase Agreement.

8. *Restricted Stock Units* . A Restricted Stock Unit (or RSU) is an award covering a number of Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock). A RSU may be awarded for past services already rendered to the Company, or any Affiliate, Parent or Subsidiary of the Company pursuant to an Award Agreement (the " *RSU Agreement* ") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the following:

8.1 *Terms of RSUs* . RSUs may vary from Participant to Participant and between groups of Participants, and may be based upon the achievement of the Company, Affiliate, Parent or Subsidiary and/or individual performance factors or upon such other criteria as the Committee may determine. The Committee will determine all terms of each RSU including, without limitation: the number of Shares subject to each RSU, the time or times during which each RSU may be exercised, the consideration to be distributed on settlement, and the effect on each RSU of its holder's Termination. A RSU may be awarded upon satisfaction of such performance goals as are set out in advance in the Participant's individual Award Agreement (the " *Performance RSU Agreement* ") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. If the RSU is being earned upon the satisfaction of performance goals pursuant to a Performance RSU Agreement, then the Committee will: (a) determine the nature, length and starting date of any Performance Period for each RSU; (b) select from among the Performance Factors to be used to measure the performance, if any; and (c) determine the number of Shares deemed subject to the RSU. Prior to settlement of any RSU earned upon the satisfaction of performance goals pursuant to a Performance RSU Agreement, the Committee shall determine the extent to which such RSU has been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to the RSUs to take into account changes in law and accounting or tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships.

8.2 *Form and Timing of Settlement* . The portion of a RSU being settled may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee may determine. Payment may be made in the form of cash or whole Shares or a combination thereof, either in a lump sum payment or in installments, all as the Committee will determine.

9. *Stock Appreciation Rights* . A Stock Appreciation Right (or SAR) is an award that may be settled in cash, or Shares (which may consist of Restricted Stock), having a value equal to the value determined by multiplying the difference between the Fair Market Value on the date of settlement over the Exercise Price and the number of Shares with respect to which the SAR is being settled. A SAR may be awarded for past services already rendered to the Company, or any Parent or Subsidiary of the Company pursuant to an Award Agreement (the " *SAR Agreement* ") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the following:

9.1 *Terms of SARs* . SARs may vary from Participant to Participant and between groups of Participants, and may be based upon the achievement of the Company, Parent or Subsidiary and/or individual performance factors or upon such other criteria as the Committee may determine. The Committee will determine all terms of each SAR including, without limitation: the number of Shares deemed subject to each SAR, the time or times during which each SAR may be settled, the consideration to be distributed on settlement, and the effect on each SAR of its holder's Termination. A SAR may be awarded upon satisfaction of such performance goals as are set out in advance in the Participant's individual Award Agreement (the " *Performance SAR Agreement* ") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. If the SAR is being earned upon the satisfaction of performance goals pursuant to a Performance SAR Agreement, then the Committee will: (a) determine the nature, length and starting date of any Performance Period for each SAR; (b) select from among the Performance Factors to be used to measure the performance, if any; and (c) determine the number of Shares deemed subject to the SAR. Prior to settlement of any SAR earned upon the satisfaction of performance goals pursuant to a Performance SAR Agreement, the Committee shall determine the extent to which such SAR has been earned.

Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to the SARs to take into account changes in law and accounting or tax rules and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships.

9.2 *Form and Timing of Settlement* . The portion of a SAR being settled may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee may determine. Payment may be made in the form of cash or whole Shares or a combination thereof, either in a lump sum payment or in installments, all as the Committee will determine.

10. *Payment for Share Purchases.* Payment for Shares purchased pursuant to this Plan may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

(a) by cancellation of indebtedness of the Company to the Participant;

(b) by surrender of shares that either: (1) have been owned by Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by Participant in the public market;

(c) by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; *provided, however,* that Participants who are not employees or directors of the Company will not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares; *provided, further,* that the portion of the Purchase Price equal to the par value of the Shares, if any, must be paid in cash;

(d) by waiver of compensation due or accrued to the Participant for services rendered; *provided, further,* that the portion of the Purchase Price equal to the par value of the Shares, if any, must be paid in cash;

(e) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:

(1) through a "same day sale" commitment from the Participant and a broker-dealer that is a member of the National Association of Securities Dealers (an *"NASD Dealer"* ) whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(2) through a "margin" commitment from the Participant and an NASD Dealer whereby the Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or

(f) by any combination of the foregoing.

11. *Withholding Taxes.*

11.1 *Withholding Generally.* Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. Whenever, under this Plan, payments in satisfaction of Awards are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

11.2 *Stock Withholding.* When, under applicable tax laws, a Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined (the *"Tax Date"* ). All elections by a Participant to have Shares withheld for this purpose will be made in writing in a form acceptable to the Committee.

12. *Privileges of Stock Ownership; Voting and Dividends.* No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; *provided,* that if such Shares are restricted stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the restricted stock; *provided, further,* that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's original Purchase Price.

13. *Transferability.* Awards granted under this Plan, and any interest therein, will not be transferable or assignable by Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as consistent with the specific Plan and Award Agreement provisions relating thereto. All Awards shall be exercisable: (i) during the Participant's lifetime, only by (A) the Participant, or (B) the Participant's guardian or legal representative; and (ii) after Participant's death, by the legal representative of the Participant's heirs or legatees.

14. *Restrictions on Shares.* At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) in the Award Agreement a right to repurchase a portion of or all Shares that are not vested held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of Participant's Termination Date and the date Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's original Exercise Price or Purchase Price, as the case may be. All certificates for Shares or other securities delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

15. *Escrow; Pledge of Shares.* To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of Participant's obligation to the Company under the promissory note; *provided, however,* that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a *pro rata* basis as the promissory note is paid.

16. *Exchange and Buyout of Awards.* The Committee may, at any time or from time to time, authorize the Company, with the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Committee may at any time buy from a Participant an Award previously granted with payment in cash, Shares (including restricted stock) or other consideration, based on such terms and conditions as the Committee and the Participant may agree. This Section shall not be construed to defeat the approval requirements of Section 5.9 for any repricing of Options.

17. *Securities Law and Other Regulatory Compliance.* An Award will not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

18. *Corporate Transactions.*

18.1 *Assumption or Replacement of Awards by Successor.* In the event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation ( *other than* a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants), (c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company (other than any stockholder which merges (or which owns or controls another corporation which merges) with the Company in such merger) cease to own their shares or other equity interests in the Company, (d) the sale of substantially all of the assets of the Company, or (e) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company ( *except* for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company from or by the stockholders of the Company), any or all outstanding Awards may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants, or the successor corporation may substitute equivalent awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards); provided that all formula option grants, pursuant to Section 6, shall accelerate and be fully vested upon such merger, consolidation or corporate transaction and to the extent unexercised shall terminate upon such merger, consolidation or corporate transaction. In the event such successor corporation (if any) fails to assume or substitute Awards pursuant to a transaction described in this Subsection 18.1, all such Awards will expire on such transaction at such time and on such conditions as the Board shall determine.

18.2 *Other Treatment of Awards.* Subject to any greater rights granted to Participants under the foregoing provisions of this Section 18, in the event of the occurrence of any transaction described in Section 18.1, any outstanding Awards will be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, sale of assets or other "corporate transaction."

18.3 *Assumption of Awards by the Company.* The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged ( *except* that the exercise price and the number and nature of Shares issuable upon exercise of any such option will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

19. *No Obligation to Employ; Accelerated Expiration of Award for Harmful Act.* Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Participant's employment or other relationship at any time, with or without cause. Notwithstanding anything to the contrary herein, if a Participant is Terminated because of such Participant's actual or alleged commitment of a criminal act or an intentional tort and the Company (or an employee of the Company) is the victim or object of such criminal act or intentional tort or such criminal act or intentional tort results, in the reasonable opinion of the Company, in liability, loss, damage or injury to the Company, then, at the Company's election, Participant's Awards shall not be exercisable and shall expire upon the Participant's Termination Date. Termination by the Company based on a Participant's alleged commitment of a criminal act or an intentional tort shall be based on a reasonable investigation of the facts and a determination by the Company that a preponderance of the evidence discovered in such investigation indicates that such Participant is guilty of such criminal act or intentional tort.

20. *Adoption and Stockholder Approval.* This Plan will become effective on the date that it is adopted by the Board (the *"Effective Date"* ). This Plan shall be approved by the stockholders of the Company (excluding Shares issued pursuant to this Plan), consistent with applicable laws, within twelve (12) months before or after the Effective Date. Upon the Effective Date, the Board may grant Awards pursuant to this Plan; *provided, however,* that: (a) no Option may be exercised prior to initial stockholder approval of this Plan; (b) no Option granted pursuant to an increase in the number of Shares subject to this Plan approved by the Board will be

exercised prior to the time such increase has been approved by the stockholders of the Company; and (c) in the event that stockholder approval of this Plan or any amendment increasing the number of Shares subject to this Plan is not obtained, all Awards granted hereunder will be canceled, any Shares issued pursuant to any Award will be canceled, and any purchase of Shares hereunder will be rescinded.

21. *Term of Plan.* Unless earlier terminated as provided herein, this Plan will terminate ten (10) years from the date this Plan is adopted by the Board or, if earlier, the date of stockholder approval.

22. *Amendment or Termination of Plan.* The Board may at any time terminate or amend this Plan in any respect, including without limitation amendment of Section 6 of this Plan; *provided, however*, that the Board will not, without the approval of the stockholders of the Company, amend this Plan to increase the number of shares that may be issued under this Plan, or change the designation of employees or class of employees eligible for participation in this Plan.

23. *Nonexclusivity of the Plan.* Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

24. *Definitions.* As used in this Plan, the following terms will have the following meanings:

"*Affiliate*" means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

"*Award*" means any award under this Plan, including any Option, Stock Appreciation Right, Restricted Stock Unit, or Restricted Stock Award.

"*Award Agreement*" means, with respect to each Award, the signed written agreement between the Company and the Participant setting forth the terms and conditions of the Award.

"*Board*" means the Board of Directors of the Company.

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

"*Committee*" means the committee appointed by the Board to administer this Plan, or if no such committee is appointed, the Board.

"*Company*" means Symantec Corporation, a corporation organized under the laws of the State of Delaware, or any successor corporation.

"*Disability*" means a disability, whether temporary or permanent, partial or total, within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

"*Exercise Price*" means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option, and in the case of a Stock Appreciation Right the value specified on the date of grant that is subtracted from the Fair Market Value when such Stock Appreciation Right is settled.

"*Fair Market Value*" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(a) if such Common Stock is then quoted on the Nasdaq National Market, its closing price on the Nasdaq National Market on the date of determination as reported in *The Wall Street Journal;*

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal;*

(c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal;* or

(d) if none of the foregoing is applicable, by the Committee in good faith.

" *Insider "* means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

"*Outside Director"* shall mean a person who satisfies the requirements of an "outside director" as set forth in regulations promulgated under Section 162(m) of the Code.

"*Option"* means an award of an option to purchase Shares pursuant to Section 5.

"*Parent"* means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if at the time of the granting of an Award under this Plan, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"*Participant"* means a person who receives an Award under this Plan.

"*Performance Factors"* means the factors selected by the Committee from among the following measures to determine whether the performance goals established by the Committee and applicable to Awards have been satisfied:

(1) Net revenue and/or net revenue growth;

(2) Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;

(3) Operating income and/or operating income growth;

(4) Net income and/or net income growth;

(5) Earnings per share and/or earnings per share growth;

(6) Total stockholder return and/or total stockholder return growth;

(7) Return on equity;

(8) Operating cash flow return on income;

(9) Adjusted operating cash flow return on income;

(10) Economic value added; and

(11) Individual business objectives.

"*Performance Period"* means the period of service determined by the Committee, not to exceed five years, during which years of service or performance is to be measured for Restricted Stock Awards.

"*Plan"* means this Symantec Corporation 2004 Equity Incentive Plan, as amended from time to time.

"*Purchase Price"* means the price to be paid for Shares acquired under this Plan pursuant to an Award other than an Option.

"*Restricted Stock Award"* means an award of Shares pursuant to Section 7.

"*Restricted Stock Unit*" or "*RSU*" means an award of Shares pursuant to Section 8.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Shares*" means shares of the Company's Common Stock reserved for issuance under this Plan, as adjusted pursuant to Sections 2 and 18, and any successor security.

"*Stock Appreciation Right*" or "*SAR*" means an Award, granted pursuant to Section 9.

"*Subsidiary*" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"*Termination*" or "*Terminated*" means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, director, consultant, independent contractor or advisor to the Company or a Parent, Subsidiary or Affiliate of the Company, except in the case of sick leave, military leave, or any other leave of absence approved by the Committee, provided that such leave is for a period of not more than ninety (90) days, or reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "*Termination Date*").

Exhibit A

Form of Stock Option Agreement

SYMANTEC CORPORATION

STOCK OPTION GRANT — TERMS AND CONDITIONS

1. Grant of Option. Symantec Corporation, a Delaware corporation, (the " Company "), hereby grants to the optionee named in the Stock Option Grant (the " Optionee ") an option (this " Option ") to purchase the Total Number of Shares Subject to Option set forth in the Stock Option Grant (the " Shares ") at the Exercise Price Per Share set forth in the Stock Option Grant (the " Exercise Price "), subject to all of the terms and conditions set forth in this Terms and Conditions of Stock Option Grant and the Stock Option Grant (collectively, the " Grant ") and in the Company's 2004 Equity Incentive Plan (the " Plan "). If designated as an incentive stock option in the Stock Option Grant, this Option is intended to qualify as an "incentive stock option" (" ISO ") within the meaning of Section 422 of the Internal Revenue Code of 1986 (the " Code "). If not so designated, this Option shall be a nonqualified stock option (" NQSO ").

2. Exercise Period of Option. Subject to the terms and conditions set forth in this Grant and in the Plan, Optionee may exercise this Option in whole or in part for any Vested Shares, as determined in accordance with Section 8 hereof; provided, however, that this Option shall expire and terminate on the Expiration Date set forth in the Stock Option Grant (the "Expiration Date"), or earlier, as provided in Section 4 hereof, and must be exercised, if at all, on or before the Expiration Date.

3. Restrictions on Exercise . Exercise of this Option is subject to the following limitations:

(a) This Option may not be exercised unless such exercise is in compliance with the Securities Act of 1933, as amended, and all applicable state securities laws, as they are in effect on the date of exercise.

(b) This Option may not be exercised until the Plan, or any required increase in the number of shares authorized under the Plan, is approved by the stockholders of the Company.

(c) If Optionee is now or hereafter determined by the Company to be (i) an officer of the Company subject to the reporting and other requirements set forth in Section 16 of the Securities Exchange Act of 1934 and associated regulations (a "Section 16 Officer"), and (ii) a senior vice president of the Company, the exercise of this Option and/or sale of shares issued pursuant to an exercise of this Option shall be subject to such conditions and/or restrictions as may be established from time to time by the Company's Board of Directors ("Board") or applicable committee of the Board.

4. Termination of Option. Except as provided below in this Section, this Option shall terminate and may not be exercised if Optionee ceases to provide services as an employee, director, consultant, independent contractor or advisor to the Company or a Parent, Subsidiary or Affiliate of the Company (each as defined in the Plan), *except* in the case of sick leave, military leave, or any other leave of absence approved by the committee appointed by the Board to administer the Plan (the " Committee ") or by any person designated by the Committee, provided that such leave is for a period of not more than ninety days, or reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Committee or its designee will have sole discretion to determine whether an Optionee has ceased to provide services and the effective date on which the Optionee ceased to provide services (the " Termination Date ").

(a) If Optionee ceases to provide services to the Company or any Parent, Subsidiary or Affiliate of the Company for any reason except death or disability, Optionee may exercise this Option to the extent (and only to the extent) that it would have been exercisable upon the Termination Date, within three months (seven months if granted to a non-employee director) after the Termination Date, but in any event no later than the Expiration Date.

(b) If Optionee ceases to provide services to the Company or any Parent, Subsidiary or Affiliate of the Company because of the death or disability of Optionee, within the meaning of Section 22(e) (3) of the Code, (or the Optionee dies within three months after the Optionee ceases to provide services other than because of such Optionee's death or disability) the Option may be exercised to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, by Optionee (or the Optionee's legal representative) within twelve months after the Termination Date, but in any event no later than the Expiration Date.

(c) Notwithstanding anything to the contrary herein, if Optionee ceases to provide services to the Company or any Parent, Subsidary or Affiliate of the Company because of the Optionee's actual or alleged commitment of a criminal act or an intentional tort and the Company (or an employee of the Company) is the victim or object of such criminal act or intentional tort or such criminal act or intentional tort results, in the reasonable opinion of the Company, in liability, loss, damage or injury to the Company, then, at the Company's election, this Option shall not be exercisable and shall terminate upon the Optionee's Termination Date. Termination by the Company based on Optionee's alleged commitment of a criminal act or an intentional tort shall be based on a reasonable investigation of the facts and a determination by the Company that a preponderance of the evidence discovered in such investigation indicates that Optionee is guilty of such criminal act or intentional tort.

Nothing in this Grant or in the Plan shall confer on Optionee any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent, Subsidiary or Affiliate of the Company, or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the Company to terminate Optionee's employment or other relationship at any time, with or without cause.

5. Manner of Exercise.

(a) This Option shall be exercisable by delivery to the Company of an executed written Notice of Intent to Exercise Stock Option in the form attached hereto, or in such other form as may be approved by the Company (the " Exercise Agreement "), which shall set forth Optionee's election to exercise this Option, the number of Shares being purchased, any restrictions imposed on the Shares and such other representations and agreements regarding Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws.

(b) Such Exercise Agreement shall be accompanied by full payment of the Exercise Price for the Shares being purchased (i) in cash (by check); (ii) by surrender of shares of Common Stock of the Company that have been owned by the Optionee for more than six months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or were obtained by the Optionee in the open public market, having a Fair Market Value (as defined in the Plan) equal to the Exercise Price of the Option; (iii) by waiver of compensation due or accrued to Optionee for services rendered; (iv) provided that a public market for the Company's stock exists, through a "same day sale" commitment from the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an " NASD Dealer ") whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; (v) provided that a public market for the Company's stock exists, through a "margin" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (vi) by any combination of the foregoing where approved by the Committee, or its designee, in its sole discretion.

(c) Withholding Taxes. Prior to the issuance of the Shares upon exercise of this Option, Optionee must pay or make adequate provision for any applicable federal or state withholding obligations of the Company.

(d) Issuance of Shares. Provided that such notice and payment are in form and substance satisfactory to counsel for the Company, the Company shall cause the Shares to be issued in the name of Optionee or Optionee's legal representative or assignee.

6. Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Optionee pursuant to this Grant is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (1) the date which is two years after the Grant Date, or (2) the date one year after exercise of the ISO with respect to which the Shares are to be sold or disposed, the Optionee shall immediately notify the Company in writing of such disposition. Optionee acknowledges and agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by the Optionee from any such early disposition by payment in cash or out of the current wages or other earnings payable to the Optionee.

7. Nontransferability of Option. This Option may not be transferred in any manner other than by will or by the law of descent and distribution and may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

8. Vesting Schedule. Shares that are vested pursuant to the vesting schedule set forth in the Stock Option Grant are " Vested Shares " and exercisable hereunder, provided that the Optionee provides services to the Company or a Parent, Subsidiary or Affiliate of the Company on the First Vesting Date and on each Succeeding Vesting Date thereafter.

9. Compliance with Laws and Regulations. The exercise of this Option and the issuance of Shares shall be subject to compliance by the Company and the Optionee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange or national market system on which the Company's Common Stock may be listed at the time of such issuance. Optionee understands that the Company is under no obligation to register or qualify the Shares with the Securities and Exchange Commission, any state securities commission or any stock exchange or national market system on which the Company's Common Stock may be listed at the time of such issuance or transfer.

10. Tax Consequences. Set forth below is a brief summary as of the date of this Option of some of the federal and California tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISOR BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercise of ISO. If this Option qualifies as an ISO, there will be no regular federal income tax liability or California income tax liability upon the exercise of the Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as a tax preference item for federal income tax purposes and may subject the Optionee to alternative minimum tax in the year of exercise.

(b) Exercise of Nonqualified Stock Option. If this Option does not qualify as an ISO, there may be a regular federal income tax liability and a state income tax liability upon the exercise of the Option. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. The Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(c) Disposition of Shares. If the Shares are held for at least twelve months after the date of the transfer of the Shares pursuant to the exercise of this Option (and, if this Option qualifies as an ISO, are disposed of at least two years after the Grant Date), any gain realized on disposition of the Shares will be treated as long term capital gain for federal income tax purposes. If Shares purchased under an ISO are disposed of within one

year of exercise or within two years after the Grant Date, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price (provided that if the disposition results in a tax-deductible loss, then the amount treated as compensation income shall not exceed the amount realized on such disposition over the Exercise Price).

11. Interpretation. Any dispute regarding the interpretation hereof or of the Plan shall be submitted by Optionee or the Company forthwith to the Committee, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Committee shall be final and binding on the Company and on Optionee.

12. Governing Law **.** This Grant shall be governed by and construed in accordance with the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within California. If any provision of this Grant is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

13. Notices. Any notice required to be given or delivered to the Company under the terms of this Grant shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated in the Stock Option Grant or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three days after deposit in the United States mail by certified or registered mail (return receipt requested); one business day after deposit with any return receipt express courier (prepaid); or one business day after transmission by facsimile, rapifax or telecopier.

14. Entire Agreement. The Plan and the Exercise Agreement are incorporated in this Grant by reference. This Grant constitutes the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof.

**EXHIBIT I**
**NOTICE OF INTENT TO EXERCISE STOCK OPTION**

SYMANTEC CORPORATION
20330 Stevens Creek Blvd.
Cupertino, CA 95014

**DATE: __ __ \ __ __ \ __ __**

PURSUANT to the Stock Option Grants (detailed below) granted to me by Symantec Corporation (the "Company"), I hereby notify the company that I wish to exercise my right to purchase shares of common stock as described in the table below. I acknowledge that I have received, read and understood a copy of the Plan and the Grant Agreement, and that such are incorporated herein by reference.

| Grant Number | Grant Date | Option Type (NQ or ISO) | Option Price Per Share | Number of Shares | Total Option Price | Taxes Due (NQ Only) | **Total Due to Symantec** |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | **TOTALS** | | | | |

_____ I do not wish to sell the shares at this time. Payment for these shares will be made in a manner as defined in and allowed by the Plan and the Company. Please deliver the shares to the following address:

_____

❑ I am not a Company Insider.

❑ I am a Company Insider and have received pre-clearance approval from the Legal Department of the Company.

_____ _____
Name Signature

_____
Address

Social Security Number: __ __ \ __ __ \ __ __ __ Office Location: _____

Daytime Telephone Number: _____ Home Telephone Number: _____

Fax this form to the attention of "Stock Administration" in the Cupertino office, **not** to your broker.
Stock Administration Fax Number: (408) 517-8118.

Exhibit B

Form of Restricted Stock Unit Award Agreement

**SYMANTEC CORPORATION**

**RSU AWARD AGREEMENT**

**RECITALS**

A. The Board has adopted the Plan for the purpose of providing incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of Symantec Corporation (the "Company"), its Parent, Subsidiaries and Affiliates.

B. Participant is to render valuable services to the Company (or a Parent or Subsidiary), and this RSU Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company's issuance of shares of Common Stock to the Participant as Restricted Stock Units (each, a "RSU") under the Plan.

C. All capitalized terms in this RSU Agreement shall have the meaning assigned to them in Appendix A attached hereto. All undefined terms shall have the meaning assigned to them in the Plan.

**NOW, THEREFORE** , it is hereby agreed as follows:

**1. Grant of Restricted Stock Units** . The Company hereby awards to the Participant RSUs under the Plan. Each RSU represents the right to receive one share of Common Stock (each, a "Share") on the vesting date of that RSU (each, a "Share"). The number of shares of Common Stock subject to the awarded RSUs, the applicable vesting schedule for the RSU and the Shares, the dates on which those vested Shares shall be issued to Participant and the remaining terms and conditions governing the award (the "Award") shall be as set forth in this RSU Agreement.

**AWARD SUMMARY**

| | |
|---|---|
| Award Date and Number of Shares Subject to Award: | As set forth in the Notice of Agreement. |
| Vesting Schedule: | The Shares shall vest in four equal installments at a rate of 25% on each Annual Vest Date, or, if applicable, pursuant to the schedule set forth on Appendix B hereto.<br><br>The Shares allocated to each applicable vesting date shall vest on that date only if the employment of the Participant has not Terminated as of such date, and no additional shares shall vest following the Participant's Termination. |
| Issuance Schedule | The Shares in which the Participant vests in accordance with the foregoing Vesting Schedule shall be issuable as set forth in Paragraph 6. However, the actual number of vested Shares to be issued on each issue date will be subject to the automatic Share withholding provisions of Paragraph 6(b) pursuant to which the applicable Withholding Taxes are to be collected. |

**2. Limited Transferability** . RSUs granted under the Plan, and any interest therein, shall not be transferable or assignable by Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as consistent with this RSU

Agreement and the Plan. Any RSU granted under the Plan shall be exercisable: (i) during the Participant's lifetime, only by (A) the Participant, or (B) the Participant's guardian or legal representative; and (ii) after Participant's death, by the legal representative of the Participant's heirs or legatees.

**3. Cessation of Service** . Should the Participant's service to the Company (or a Parent or Subsidiary) be Terminated for any reason prior to vesting in one or more Shares subject to the RSU, then the RSUs covering such unvested Shares will be immediately cancelled and the Participant shall cease to have any right or entitlement to receive any Shares under those cancelled RSUs.

**4. Corporate Transaction** .

a. In the event of a Corporate Transaction, any or all outstanding RSUs pursuant to this RSU Agreement may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants, or the successor corporation may substitute equivalent awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the RSUs).

b. In the event such successor corporation (if any) fails to assume or substitute RSUs pursuant to a Corporate Transaction, all such RSUs will expire on such transaction at such time and on such conditions as the Board shall determine.

c. This RSU Agreement shall not in any way affect the right of the Company to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

**5. Adjustment in Shares** . Should any change be made to the Common Stock by reason of any stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration or if there is a change in the corporate structure, then appropriate adjustments shall be made to the total number and/or class of securities issuable pursuant to this Award in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

**6. Issuance of Shares of Common Stock** .

a. As soon as practicable following the applicable vesting date of any portion of the RSU, the Company shall issue to or on behalf of the Participant a certificate (which may be in electronic form) for the applicable number of underlying shares of Common Stock, subject, however, to the share withholding provisions of Paragraph 6(b) pursuant to which the applicable Withholding Taxes are to be collected. In no event shall the date of settlement be later than two and one half ($2\ ^{1}/_{2}$) months after the later of (i) the end of the Company's fiscal year in which the applicable vesting date occurs or (ii) the end of the calendar year in which the applicable vesting date occurs.

b. On each date vested Shares are to be issued hereunder to the Participant hereunder, the Company shall automatically withhold a portion of those vested Shares with a Fair Market Value (measured as of the vesting date) equal to the amount of the applicable Withholding Taxes; ***provided, however*** , that the amount of the Shares so withheld shall not exceed the amount necessary to satisfy the Company's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income.

c. In no event shall fractional shares be issued.

d. The holder of this Award shall not have any stockholder rights, including voting rights, with respect to the Shares subject to the RSU until the Participant becomes the record holder of those Shares following their actual issuance and after the satisfaction of the applicable Withholding Taxes.

**7. Compliance with Laws and Regulations** .

a. The issuance of shares of Common Stock pursuant to the RSU shall be subject to compliance by the Company and Participant with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange (or the Nasdaq National Market, if applicable) on which the Common Stock may be listed for trading at the time of such issuance.

b. The inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary to the lawful issuance of any Common Stock hereby shall relieve the Company of any liability with respect to the non-issuance of the Common Stock as to which such approval shall not have been obtained. The Company, however, shall use its best efforts to obtain all such approvals.

**8. Successors and Assigns** . Except to the extent otherwise provided in this RSU Agreement, the provisions of this RSU Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and Participant, Participant's assigns, the legal representatives, heirs and legatees of Participant's estate and any beneficiaries of the RSU designated by Participant.

**9. Notices** . Any notice required to be given or delivered to the Company under the terms of this RSU Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated below Participant's signature line on this RSU Agreement. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

**10. Construction** . This RSU Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Committee with respect to any question or issue arising under the Plan or this RSU Agreement shall be conclusive and binding on all persons having an interest in the RSU.

**11. Governing Law** . The interpretation, performance and enforcement of this RSU Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

**12. Excess Shares** . If the shares of Common Stock covered by this RSU Agreement exceed, as of the date the RSU is granted, the number of shares of Common Stock which may without stockholder approval be issued under the Plan, then the Award shall be void with respect to those excess Shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan.

**13. Employment at Will** . Nothing in this RSU Agreement or in the Plan shall confer upon Participant any right to continue in the employment of the Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Parent or Subsidiary employing or

retaining Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's service with the Company at any time for any reason, with or without cause.

**14. Severability .** The provisions of this RSU Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

**IN WITNESS WHEREOF** , the parties have executed this RSU Agreement on this _____ date of _____, 200___.

**SYMANTEC CORPORATION**

By: _____

Title: _____

Address: _____

_____

**PARTICIPANT**

Signature: _____

Address: _____

_____

**APPENDIX A**

**DEFINITIONS**

The following definitions shall be in effect under the Agreement:

**1. Agreement** shall mean this RSU Agreement.

**2. Annual Vest Date** shall mean June 1 of each year, commencing with the first June 1 following the date of grant, although if June 1 shall fall on a weekend or U.S. trading holiday, the Annual Vest Date shall be the next business day following June 1.

**3. Award** shall mean the award of RSUs made to the Participant pursuant to the terms of this RSU Agreement.

**4. Award Date** shall mean the date the RSUs are awarded to Participant pursuant to the RSU Agreement and shall be the date indicated in Paragraph 1 of the Agreement.

**5. Board** shall mean the Company's Board of Directors.

**6. Corporate Transaction** shall mean

(a) a dissolution or liquidation of the Company,

(b) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants),

(c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company (other than any stockholder which merges (or which owns or controls another corporation which merges) with the Company in such merger) cease to own their shares or other equity interests in the Company,

(d) the sale of substantially all of the assets of the Company, or

(e) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company from or by the stockholders of the Company)

**7. Code** shall mean the Internal Revenue Code of 1986, as amended.

**8. Committee** shall mean the committee appointed by the Board to administer the Plan, or if no such committee is appointed, the Board.

**9. Common Stock** shall mean shares of the Company's common stock, par value $0.01 per share.

**10. Company** shall mean Symantec Corporation, a corporation organized under the laws of the State of Delaware, or any successor corporation.

**11. Fair Market Value** means, as of any date, the value of a share of the Company's Common Stock determined as follows:

(a) if such Common Stock is then quoted on the Nasdaq National Market, its closing price on the Nasdaq National Market on the date of determination as reported in *The Wall Street Journal* ;

(b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal* ;

(c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal* ; or

(d) if none of the foregoing is applicable, by the Committee in good faith.

**12. Notice of Agreement** shall mean such notice as provided by the Stock Administration Department of the Company, or such other applicable department of the Company, providing Participant with notice of the issuance of a RSU award pursuant to the Plan and terms of this RSU Agreement.

**13. Participant** shall mean the person named in the Notice of Agreement relating to the RSUs covered by this Agreement.

**14. Parent** shall mean any company (other than the company) in an unbroken chain of corporations ending with the Company, if at the time of granting an Award under the Plan, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

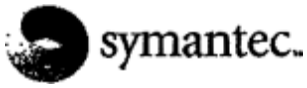
**15. Plan** shall mean the Company's 2004 Equity Incentive Plan, as the same may be amended from time to time.

**16. Subsidiary** shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**17. Termination** or **Terminated** means, for purposes of this Agreement, that Participant has for any reason ceased to provide services as an employee, director, consultant, independent contractor or advisor to the Company or a Parent, Subsidiary or Affiliate of the Company, except in the case of sick leave, military leave, or any other leave of absence approved by the

Committee, provided that such leave is for a period of not more than ninety (90) days, or reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Committee will have sole discretion to determine whether Participant has ceased to provide services and the effective date on which Participant ceased to provide services (the **Termination Date** ).

**Exhibit 10.17**



February 8, 2006

James Beer

Dear James,

On behalf of Symantec Corporation, I am pleased to offer you employment as Chief Financial Officer. In this position you will report directly to John Thompson, and be located in our Cupertino, California office. Your starting annual base salary will be $650,000.00 and you will be eligible for an annual focal (performance) review. Under our Executive Bonus Plan, you are eligible, at 100% of company and individual performance, to an additional 80% of annual base salary, which would bring your total target annual cash to $1,170,000.00. Should you commence employment with Symantec on or before April 1, 2006, you will be eligible to receive 50% of your annual executive bonus within thirty (30) days of September 30, 2006. Thereafter, executive bonuses will be paid on an annual basis following the close of the fiscal year under the terms of the Executive Bonus Plan.

Additionally, you will be eligible to participate in a wide variety of employee benefits plans including Symantec's Stock Purchase Plan, matching 401(k) savings and investment plan, health insurance and many other benefits. Information regarding these benefits accompanies this letter and will be reviewed with you in detail on your first day of employment.

We will recommend to the Board of Directors that you be granted an option to purchase 300,000 shares of Symantec's common stock under our Stock Incentive Plan. Typically, option grants are approved on the fourth day of the month following the start of your employment. The option will vest over a four-year period. Information regarding the vesting schedule will be provided at the time you receive your grant.

We will also recommend to the Board of Directors that you be granted 100,000 Restricted Stock Units for shares of Symantec's common stock under our Stock Incentive Plan. Typically, such equity grants will be approved on the fourth day of the month following the commencement of employment. The Restricted Stock Units also will vest over a four-year period. Information regarding the vesting schedule will be provided at the time you receive your grant. These Restricted Stock Units will be subject to accelerated vesting under the same terms as options under the Symantec Executive Severance Plan, filed with the Securities and Exchange Commission on June 22, 2001, the details of which have been provided to you under separate cover.

We will also pay you a one-time bonus in the amount of $1,400,000.00 (less withholding allowances) payable within thirty (30) days after you begin employment with us.

We will further pay you a separate one-time bonus in the amount of $600,000 (less withholding allowances) payable within thirty (30) days after you begin employment with us.

We will further pay you a separate one-time bonus in the amount of $500,000 (less withholding allowances) payable within thirty (30) days after the six month anniversary of your start date.

Symantec will provide you with relocation assistance to the Cupertino area, as described in the attached Relocation Agreement. To be eligible to receive these relocation benefits, you must sign the Relocation Agreement.

In the event that your employment is terminated without cause within the first three years of employment, then, subject to the conditions of this letter, you will be paid severance in an amount equal to twelve (12) months of your base salary at that time, net of tax withholding, and the initial grant of 100,000 Restricted Stock Units referenced above, shall fully vest. After three years of employment, this severance provision will lapse and your entitlement to severance will be determined under Symantec's severance program for executives that may exist at the time of termination. For the purposes of this agreement, "Cause" shall mean (i) an intentional tort (excluding any tort relating to a motor vehicle) which causes loss, damage or injury to the property or reputation of Symantec or its subsidiaries; (ii) any crime or act of fraud or dishonesty against Symantec or its subsidiaries; (iii) the commission of a felony; (iv) habitual neglect of duties which is not cured within ten (10) days after notice thereof by the Chief Executive Officer of Symantec to you, (v) the disregard of the written policies of Symantec or its subsidiaries which causes loss, damage or injury to the property or reputation of Symantec or its subsidiaries which is not cured within ten (10) days after notice of such neglect by the Chief Executive Officer of Symantec to you; (vi) or any material breach of your ongoing obligation not to disclose confidential information, and not to assign intellectual property developed during employment. The payment of the severance benefits specified above is conditioned upon your signing and returning a release of claims against Symantec in a form satisfactory to Symantec, and not withdrawing said release of claims within the period specified therein. The offer of severance contained in this paragraph supersedes all other severance arrangements, programs or policies other than terminations resulting from a change in control, which are governed by the Symantec Executive Severance Plan and Paragraph 4 of this letter. Except as set forth herein, all other aspects of your compensation and employment, including the terms of your stock option agreements, remain unchanged.

Notwithstanding any provision to the contrary in this letter or attachments, no payment which becomes due and payable by reason of termination of your employment shall be made prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of separation from service or (ii) the date of death, if you are deemed at the time of such separation from service to be a "key employee" within the meaning of that term under Internal Revenue Code Section 416(i) and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Internal Revenue Code Section 409A(a)(2). Upon the expiration of such deferral period, all payments deferred hereunder shall be paid in a lump sum.

This letter does not constitute a contract of employment for any specific period of time but will create an "employment at will" relationship. This means that the employment relationship may be terminated by either party for any reason at any time. Any statements or representation to the contrary (and, indeed any statements contradicting any provisions of this letter) are superseded by this offer. 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. Any modification of this form must be in writing and signed by the Chief Executive Officer of Symantec.

Please 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 Rebecca Ranninger in the Human Resources department.

Enclosed are two documents that must be signed and returned with your signed offer letter or on your first day of employment: the Symantec Confidentiality and Intellectual Property Agreement and the Symantec Code of Conduct. The Confidentiality and Intellectual Property Agreement 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. 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. The Code of Conduct governs the conduct of all Symantec employees; please read the Code and then sign the attached Acknowledgment form.

The offer described in this letter will be valid for three (3) working days from the date of this letter unless we notify you otherwise. Please confirm your acceptance of this offer by signing this letter in the space indicated, and forwarding one (1) signed original to Symantec in the pre-addressed envelope provided, or fax the signed letter to 408-517-8000, Attn: Becky Ranninger , followed by mailing of a signed original letter prior to your first working day. This offer is contingent upon successful completion of your background checks.

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James, I believe that Symantec will continue to be a leading force in the information security and availability industry and hope that you will accept this offer and join us in building the future. I look forward to working with you!

Sincerely,
/s/ John Thompson

John Thompson
CEO and Chairman
Symantec Corporation

I accept the offer of employment stated in this letter, and expect to commence employment on February 28, 2006.

| /s/ James Beer | 2/10/06 |
|---|---|
| James Beer | Date |

**Enclosures**

20330 Stevens Creek Blvd., Cupertino, CA 95014 telephone (408) 517-8000 fax (408) 517-8121
www.symanntec.com

Exhibit 21.01

**SYMANTEC CORPORATION**
**SUBSIDIARIES**

| Name of Subsidiary | State or Other Jurisdiction of Incorporation |
|---|---|
| AXENT (EMEA) Limited | United Kingdom |
| BindView Development Corporation | Texas, USA |
| DataCenter Technologies N.V. | Belgium |
| Delrina Corporation | Canada |
| Ejasent, Inc. | California, USA |
| Invio Software, Inc. | Delaware, USA |
| Jareva Technologies, Inc. | Delaware, USA |
| Kvault Software Ltd. | United Kingdom |
| Precise Software Solutions, Inc. | Delaware, USA |
| Sygate Technologies LLC | California, USA |
| Symantec (Australia) Pty Ltd. | Australia |
| Symantec (Canada) Corp. | Canada |
| Symantec (Japan), Inc. | Japan |
| Symantec Australia Holding Pty. Ltd. | Australia |
| Symantec Cyprus Ltd. | Cyprus |
| Symantec Financing Ltd. | United Kingdom |
| Symantec Holdings Limited | Ireland |
| Symantec Information Technology (Beijing) Ltd. | China |
| Symantec International Ltd. | Ireland |
| Symantec Israel Ltd. | Israel |
| Symantec Limited | Ireland |
| Symantec Security Services Holding Ltd. | United Kingdom |
| Symantec STDL Limited | United Kingdom |
| Symantec Technology Services GmbH | Germany |
| Symantec UK (Limited) | United Kingdom |
| Symantec US Holdings LLC | Delaware, USA |
| The Kernel Group Incorporated | Delaware, USA |
| VERITAS Operating Corporation | Delaware, USA |
| VERITAS Software Corporation | Delaware, USA |
| VERITAS Software International Holding Limited | Ireland |
| VERITAS Software (Beijing) Co., Ltd | China |
| VERITAS Software Asia Pacific Trading PTE Ltd. | Singapore |
| VERITAS Software Global LLC | Delaware, USA |
| VERITAS Software GmbH | Austria |
| VERITAS Software India PVT. LTD. | India |
| VERITAS Software Holdings Ltd. | Ireland |
| VERITAS Software International Limited | Ireland |
| VERITAS Software Investment Company | Delaware, USA |
| VERITAS Software Technology Corporation | Delaware, USA |
| W. Quinn, Inc. | Delaware, USA |

**Exhibit 23.01**

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Symantec Corporation:

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-31444, 33-32065, 33-33654, 33-37066, 33-42440, 33-44203, 33-46927, 33-51612, 33-54396, 33-55300, 33-64290, 33-70558, 33-80360, 33-88694, 33-60141, 33-64507, 333-07223, 333-18353, 333-18355, 333-39175, 333-71021, 333-71023, 333-31526, 333-31540, 333-31632, 333-47648, 333-52200, 333-56874, 333-64174, 333-81146, 333-102096, 333-106173, 333-116547, 333-117176, 333-119872 and 333-126403), and Form S-3 (Nos. 33-82012, 33-63513, 333-77072, 333-127958 and 333-127959), of Symantec Corporation, of our reports dated June 8, 2006, with respect to the consolidated balance sheets of Symantec Corporation and subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2006, and the related financial statement schedule listed in the Index at Item 15(a)2, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of March 31, 2006, which reports appear in this annual report on Form 10-K of Symantec Corporation.

Our report dated June 8, 2006, on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of March 31, 2006, expresses our opinion that Symantec Corporation did not maintain effective internal control over financial reporting as of March 31, 2006 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states that the Company has identified a material weakness with respect to the internal control over financial reporting related to accounting for income taxes.

/s/ KPMG LLP
Mountain View, California
June 8, 2006

**Exhibit 31.01**

**CERTIFICATION**

I, John W. Thompson, certify that:

1. I have reviewed this annual report on Form 10-K 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: June 8, 2006

By: /s/ John W. Thompson

**John W. Thompson**
*Chairman and Chief Executive Officer*
(Principal Executive Officer)

**Exhibit 31.02**

**CERTIFICATION**

I, James A. Beer, certify that:

1. I have reviewed this annual report on Form 10-K 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: June 8, 2006

By: /s/ James A. Beer

**James A. Beer**
*Executive Vice President and Chief Financial Officer*
(Principal Financial Officer)

**Exhibit 32.01**

**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 annual report on Form 10-K for the period ended March 31, 2006, to which this Certification is attached (the "Report"), 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 8, 2006

By: /s/ John W. Thompson
**John W. Thompson**
*Chairman and Chief Executive Officer*
(Principal Executive Officer)

This Certification which accompanies the Report 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 Report), irrespective of any general incorporation language contained in such filing.

**Exhibit 32.02**

**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 annual report on Form 10-K for the period ended March 31, 2006, to which this Certification is attached (the "Report"), 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 8, 2006

By: /s/ James A. Beer

**James A. Beer**
*Executive Vice President and Chief Financial Officer*
(Principal Financial Officer)

This Certification which accompanies the Report 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 Report), irrespective of any general incorporation language contained in such filing.