

SYMANTEC CORP
Form 10-Q
August 08, 2014
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the Quarterly Period Ended July 4, 2014

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the Transition Period from _____ to _____

Commission File Number 000-17781

Symantec Corporation

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

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

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

**350 Ellis Street,
Mountain View, California**
(Address of principal executive offices)

94043
(Zip Code)

Registrant's telephone number, including area code:

(650) 527-8000

Edgar Filing: SYMANTEC CORP - Form 10-Q

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Shares of Symantec common stock, \$0.01 par value per share, outstanding as of August 1, 2014: 690,468,702 shares.

Table of Contents

SYMANTEC CORPORATION
FORM 10-Q
Quarterly Period Ended July 4, 2014
TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	3
Condensed Consolidated Balance Sheets as of July 4, 2014 and March 28, 2014	3
Condensed Consolidated Statements of Income for the three months ended July 4, 2014 and June 28, 2013	4
Condensed Consolidated Statements of Comprehensive Income for the three months ended July 4, 2014 and June 28, 2013	5
Condensed Consolidated Statements of Cash Flows for the three months ended July 4, 2014 and June 28, 2013	6
Notes to Condensed Consolidated Financial Statements	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	24
<u>Item 4. Controls and Procedures</u>	24
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	25
<u>Item 1A. Risk Factors</u>	25
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
<u>Item 6. Exhibits</u>	25
<u>Signatures</u>	26

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

SYMANTEC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	July 4, 2014	March 28, 2014 *
	(Unaudited)	
	(Dollars in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,067	\$ 3,707
Short-term investments	982	377
Trade accounts receivable, net	685	1,007
Inventories, net	11	14
Deferred income taxes	149	142
Deferred commissions	118	115
Other current assets	276	290
Total current assets	5,288	5,652
Property and equipment, net	1,140	1,116
Intangible assets, net	735	768
Goodwill	5,871	5,858
Long-term deferred commissions	18	21
Other long-term assets	112	124
Total assets	\$ 13,164	\$ 13,539
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 230	\$ 282
Accrued compensation and benefits	333	365
Deferred revenue	3,141	3,322
Other current liabilities	275	337
Total current liabilities	3,979	4,306
Long-term debt	2,095	2,095
Long-term deferred revenue	572	581
Long-term deferred tax liabilities	462	425
Long-term income taxes payable	132	252
Other long-term obligations	86	83

Total liabilities	7,326	7,742
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock	7	7
Additional paid-in capital	6,547	6,744
Accumulated other comprehensive income	196	194
Accumulated deficit	(912)	(1,148)
Total stockholders' equity	5,838	5,797
Total liabilities and stockholders' equity	\$ 13,164	\$ 13,539

*Derived from audited financial statements.

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

Table of Contents

SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	July 4, 2014	June 28, 2013
	(Unaudited)	
	(In millions, except per share data)	
Net revenue:		
Content, subscription, and maintenance	\$ 1,574	\$ 1,520
License	161	189
Total net revenue	1,735	1,709
Cost of revenue:		
Content, subscription, and maintenance	269	263
License	27	22
Amortization of intangible assets	13	15
Total cost of revenue	309	300
Gross profit	1,426	1,409
Operating expenses:		
Sales and marketing	644	652
Research and development	308	262
General and administrative	103	119
Amortization of intangible assets	29	71
Restructuring and transition	20	81
Total operating expenses	1,104	1,185
Operating income	322	224
Interest income	3	3
Interest expense	(21)	(25)
Other income, net	1	18
Income before income taxes	305	220
Provision for income taxes	69	63
Net income	\$ 236	\$ 157
Basic net income per share	\$ 0.34	\$ 0.23
Diluted net income per share	\$ 0.34	\$ 0.22
Weighted-average shares outstanding basic	692	697
Weighted-average shares outstanding diluted	697	707

Cash dividends declared per common share	\$	0.15	\$	0.15
--	----	------	----	------

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

Table of Contents

SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended	
	July 4, 2014	June 28, 2013
	(Unaudited)	
	(Dollars in millions)	
Net income	\$ 236	\$ 157
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments:		
Translation adjustments	2	(18)
Net foreign currency translation adjustments	2	(18)
Available-for-sale securities:		
Unrealized gain on available-for-sale securities, net of taxes of \$0 million and \$0 million for the three months ended July 4, 2014 and June 28, 2013, respectively	-	(1)
Reclassification adjustments for realized gain included in net income, net of taxes of \$0 million and \$5 million for the three months ended July 4, 2014 and June 28, 2013, respectively	-	(3)
Net change in unrealized (loss) gain on available-for-sale securities	-	(4)
Other comprehensive (loss) income, net of taxes	2	(22)
Comprehensive income	\$ 238	\$ 135

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

Table of Contents

SYMANTEC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	July 4,	June 28,
	2014	2013
	(Unaudited)	
	(Dollars in millions)	
<i>OPERATING ACTIVITIES:</i>		
Net income	\$ 236	\$ 157
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	74	70
Amortization of intangible assets	42	86
Amortization of debt issuance costs and discounts	1	5
Stock-based compensation expense	43	39
Deferred income taxes	20	31
Excess income tax benefit from the exercise of stock options	(3)	(9)
Net gain from sale of short-term investments	-	(16)
Other	1	10
Net change in assets and liabilities, excluding effects of acquisitions:		
Trade accounts receivable, net	308	285
Inventories, net	3	6
Deferred commissions	-	(5)
Accounts payable	(57)	(64)
Accrued compensation and benefits	(34)	(97)
Deferred revenue	(185)	(199)
Income taxes payable	(148)	(9)
Other assets	14	1
Other liabilities	(22)	21
Net cash provided by operating activities	293	312
<i>INVESTING ACTIVITIES:</i>		
Purchases of property and equipment	(92)	(61)
Cash payments for acquisitions, net of cash acquired	(19)	-
Purchases of short-term investments	(712)	-
Proceeds from maturity and sales of short-term investments	99	32
Net cash used in investing activities	(724)	(29)
<i>FINANCING ACTIVITIES:</i>		
Repayments of debt and other obligations	(18)	(1,189)
Proceeds from convertible note hedge	-	189
Net proceeds from sales of common stock under employee stock benefit plans	23	54

Edgar Filing: SYMANTEC CORP - Form 10-Q

Excess income tax benefit from the exercise of stock options	3	9
Tax payments related to restricted stock units	(29)	(25)
Dividends paid, net	(104)	(105)
Repurchases of common stock	(125)	(125)
Proceeds from other financing, net	34	-
Net cash used in financing activities	(216)	(1,192)
Effect of exchange rate fluctuations on cash and cash equivalents	7	(27)
Change in cash and cash equivalents	(640)	(936)
Beginning cash and cash equivalents	3,707	4,685
Ending cash and cash equivalents	\$ 3,067	\$ 3,749

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

Table of Contents

SYMANTEC CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Symantec Corporation (Symantec, we, us, our, and the Company refer to Symantec Corporation and all of its subsidiaries) as of July 4, 2014 and March 28, 2014, and for the three months ended July 4, 2014 and June 28, 2013 have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S.) for interim financial information and with the instructions on Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). In accordance with those rules and regulations, we have omitted certain information and notes normally provided in our annual Consolidated Financial Statements. In the opinion of management, the unaudited Condensed Consolidated Financial Statements contain all adjustments, consisting only of normal recurring items, except as otherwise noted, necessary for the fair presentation of our financial position, results of operations, and cash flows for the interim periods. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 28, 2014. The results of operations for the three months ended July 4, 2014 are not necessarily indicative of the results expected for the entire fiscal year.

We have a 52/53-week fiscal accounting year. Unless otherwise stated, references to three month ended periods in this report relate to fiscal periods ended July 4, 2014 and June 28, 2013. The July 4, 2014 fiscal quarter consisted of 14 weeks, whereas the June 28, 2013 fiscal quarter consisted of 13 weeks. Our 2015 fiscal year consists of 53 weeks and ends on April 3, 2015.

Certain immaterial amounts in our 2014 Condensed Consolidated Financial Statements within operating expenses have been reclassified to be comparable with classifications used in our 2015 Condensed Consolidated Financial Statements.

Significant Accounting Policies

There have been no material changes in our significant accounting policies for the three months ended July 4, 2014, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 28, 2014.

Recently issued authoritative guidance

On May 28, 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers, and will replace most existing revenue recognition guidance in U.S. GAAP. The new standard is effective for the Company April 1, 2017, and early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that the standard will have on our Condensed Consolidated Financial Statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

There was no other recently issued authoritative guidance that has a material impact to our Condensed Consolidated Financial Statements through the reporting date.

Note 2. Fair Value Measurements

For assets and liabilities measured at fair value, such amounts are based on an expected exit price representing the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Table of Contents

Level 2: Observable inputs that reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs reflecting our own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

Assets measured and recorded at fair value on a recurring basis

Cash equivalents. Cash equivalents consist of money market funds that are classified as Level 1, and corporate securities and commercial paper classified as Level 2, all of which have an original maturity of three months or less, and the carrying amount is a reasonable estimate of fair value.

Short-term investments. Short-term investments consist of U.S. government securities with original maturities greater than three months and are classified as recurring Level 1. Also included in short-term investments are commercial paper, federal agency and corporate and international government securities with original maturities greater than three months, which are classified as Level 2. Short-term investments are priced using inputs such as actual trade data, benchmark yields, broker/dealer quotes, and other similar data, which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the fair value of these assets. Marketable equity securities are classified as Level 1 and are recorded at fair value using quoted prices in active markets for identical assets.

There have been no transfers between fair value measurement levels during the three months ended July 4, 2014. The following table summarizes our assets measured at fair value on a recurring basis, by level, within the fair value hierarchy:

	July 4, 2014			March 28, 2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	(Dollars in millions)					
Cash equivalents	\$ 2,124	\$ 15	\$ 2,139	\$ 2,380	\$ 40	\$ 2,420
Short-term investments:						
Corporate bonds	-	203	203	-	120	120
U.S. government securities	159	-	159	95	-	95
U.S. agency securities	-	150	150	-	45	45
Commercial paper	-	91	91	-	24	24
Other investments	-	66	66	-	47	47
Marketable equity securities	6	-	6	6	-	6

Fair value of long-term debt

As of July 4, 2014 and March 28, 2014, the fair value of the Company's long-term debt, based on Level 2 inputs, was \$2.2 billion.

Note 3. Goodwill and Intangible Assets**Goodwill**

The changes in the carrying amount of goodwill were as follows:

	User Productivity & Protection		Information Security		Information Management		Total
	(Dollars in millions)						
Net balance as of March 28, 2014	\$ 1,649	\$	1,502	\$	2,707	\$	5,858
Additions ⁽¹⁾	11		-		-		11
Adjustments ⁽²⁾	-		2		-		2
Net balance as of July 4, 2014	\$ 1,660	\$	1,504	\$	2,707	\$	5,871

⁽¹⁾ Additions due to an acquired business.

⁽²⁾ Adjustments made to goodwill reflect foreign currency exchange rate fluctuations.

Table of Contents***Intangible assets, net***

	July 4, 2014			Weighted- Average Remaining Useful Life (Dollars in millions)	March 28, 2014			Weighted- Average Remaining Useful Life
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Customer relationships	\$ 766	\$ (494)	\$ 272	3 years	\$ 766	\$ (469)	\$ 297	3 years
Developed technology	295	(154)	141	3 years	287	(142)	145	4 years
Finite-lived tradenames	125	(106)	19	1 years	125	(103)	22	2 years
Patents	21	(15)	6	3 years	21	(14)	7	4 years
Indefinite-lived tradenames	297	-	297	Indefinite	297	-	297	Indefinite
Total	\$ 1,504	\$ (769)	\$ 735	3 years	\$ 1,496	\$ (728)	\$ 768	3 years

Total future amortization expense for intangible assets that have finite lives is as follows:

	July 4, 2014 (Dollars in millions)
Remainder of fiscal 2015	\$ 118
2016	108
2017	88
2018	67
2019	37
Thereafter	20
Total	\$ 438

Note 4. Supplemental Financial Information***Property and equipment, net***

	July 4, 2014	March 28, 2014
	(Dollars in millions)	
Computer hardware and software	\$ 1,813	\$ 1,797
Office furniture and equipment	142	140
Buildings	541	539

Leasehold improvements		366		356
		2,862		2,832
Accumulated depreciation		(1,853)		(1,823)
		1,009		1,009
Construction in progress		52		28
Land		79		79
Total	\$	1,140	\$	1,116

Dividends and dividend equivalents

During the three months ended July 4, 2014, we declared and paid a cash dividend of \$0.15 per common share for a total of \$104 million, which was recorded as a reduction to Additional paid-in capital. In addition, our Board of Directors approved dividend equivalent rights entitling holders of restricted stock and performance-based stock to dividend equivalents to be paid in the form of cash upon vesting, for each share of the underlying units.

Table of Contents

On August 6, 2014, we declared a cash dividend of \$0.15 per share of common stock to be paid on September 17, 2014 to stockholders of record as of the close of business on August 27, 2014. All shares of common stock issued and outstanding, and unvested restricted stock and performance-based stock, as of the record date will be entitled to the dividend and dividend equivalents, respectively. Any future dividends and dividend equivalents will be subject to the approval of our Board of Directors.

Changes in accumulated other comprehensive income by component

Components of accumulated other comprehensive income, on a net of tax basis, were as follows:

	Foreign Currency Translation Adjustments	Unrealized Gain On Available-For-Sale Securities	Total
	(Dollars in millions)		
Balance as of March 28, 2014	\$ 191	\$ 3	\$ 194
Other comprehensive income before reclassifications	2	-	2
Amounts reclassified from accumulated other comprehensive income	-	-	-
Balance as of July 4, 2014	\$ 193	\$ 3	\$ 196

There were no effects to net income of amounts reclassified from accumulated other comprehensive income for the three months ended July 4, 2014.

Note 5. Commitments and Contingencies***Indemnification***

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, subsidiaries and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements or representations and warranties made by us. In addition, our bylaws contain indemnification obligations to our directors, officers, employees and agents, and we have entered into indemnification agreements with our directors and certain of our officers to give such directors and officers additional contractual assurances regarding the scope of the indemnification set forth in our bylaws and to provide additional procedural protections. We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and officers. It is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements might not be subject to maximum loss clauses. Historically, we have not incurred material costs as a result of obligations under these agreements and we have not accrued any liabilities related to such indemnification obligations in our Condensed Consolidated Financial Statements.

We provide limited product warranties and the majority of our software license agreements contain provisions that indemnify licensees of our software from damages and costs resulting from claims alleging that our software infringes on the intellectual property rights of a third party. Historically, payments made under these provisions have been immaterial. We monitor the conditions that are subject to indemnification to identify if a loss has occurred.

Litigation contingencies

During the first quarter of fiscal 2013, we were advised by the Commercial Litigation Branch of the Department of Justice's Civil Division and the Civil Division of the U.S. Attorney's Office for the District of Columbia that the government is investigating our compliance with certain provisions of our U.S. General Services Administration (GSA) Multiple Award Schedule Contract No. GS-35F-0240T effective January 24, 2007, including provisions relating to pricing, country of origin, accessibility, and the disclosure of commercial sales practices.

As reported on the GSA's publicly-available database, our total sales under the GSA Schedule contract were approximately \$222 million from the period beginning January 2007 and ending September 2012. We have fully cooperated with the government throughout its investigation and in January 2014, representatives of the government indicated that their initial analysis of our actual damages exposure from direct government sales under the GSA schedule is approximately \$145 million; since the initial meeting, the government's analysis of our potential damages exposure relating to direct sales has increased. The government has also indicated they are going to pursue claims for certain sales to New York, California, and Florida as well as sales to the federal government through reseller GSA Schedule contracts, which could significantly increase our potential damages exposure.

Table of Contents

In 2012, a sealed civil lawsuit was filed against Symantec related to compliance with the GSA Schedule contract and contracts with California, Florida, and New York. On July 18, 2014, the Court-imposed seal expired, and the government intervened in the lawsuit. Symantec and the government continue to discuss potential resolutions through confidential settlement discussions.

It is possible that the litigation could lead to claims or findings of violations of the False Claims Act, and could be material to our results of operations and cash flows for any period. Resolution of False Claims Act investigations can ultimately result in the payment of somewhere between one and three times the actual damages proven by the government, plus civil penalties in some cases, depending upon a number of factors. Our current estimate of the low end of the range of estimated loss from this matter is \$25 million, which we have accrued. However, we are currently unable to determine a precise range of estimated losses resulting from this matter.

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

Note 6. Stock Repurchases

The following table summarizes our stock repurchase activity:

	Three Months Ended	
	July 4, 2014	
	(Dollars in millions, except per share data)	
Total number of shares repurchased		6
Dollar amount of shares repurchased	\$	125
Average price paid per share	\$	20.71
Range of price paid per share	\$ 19.59 -	\$ 22.88

Through our stock repurchase programs we have repurchased shares on a quarterly basis since the fourth quarter of fiscal 2004. During the fourth quarter of fiscal 2013, our Board of Directors authorized a new \$1.0 billion stock repurchase program which commenced in fiscal 2014. Our active stock repurchase program has \$533 million remaining authorized for future repurchase as of July 4, 2014, and does not have an expiration date.

Note 7. Segment Information

The three reporting segments, which are the same as our operating segments, are as follows:

User Productivity & Protection: Our User Productivity & Protection segment focuses on making it simple for customers to be productive and protected at home and at work. These products include our Norton solutions, endpoint security and management, encryption, and mobile offerings.

Information Security: Our Information Security segment protects organizations so they can confidently conduct business while leveraging new platforms and data. These products include our SSL, authentication, mail and web security, data center security, data loss prevention, and information security services offerings.

Information Management: Our Information Management segment focuses on backup and recovery, archiving and eDiscovery, storage and high availability solutions, ensuring that our customers' IT infrastructure and mission-critical applications are protected, managed and available.

There were no intersegment sales during the three months ended July 4, 2014 or June 28, 2013. The following table summarizes the operating results of our reporting segments:

Table of Contents

	User Productivity & Information Security			Information Management	Total Segments
	(Dollars in millions)				
Three Months Ended July 4, 2014					
Net revenue	\$ 740	\$	345	\$ 650	\$ 1,735
<i>Percentage of total net revenue</i>	43 %		20 %	37 %	100 %
Operating income	270		68	89	427
<i>Operating margin</i>	36 %		20 %	14 %	

Three Months Ended June 28, 2013

Net revenue	\$ 732	\$	336	\$ 641	\$ 1,709
<i>Percentage of total net revenue</i>	43 %		20 %	37 %	100 %
Operating income	257		25	148	430
<i>Operating margin</i>	35 %		7 %	23 %	

From time to time, our management makes minor modifications to our segment reporting structure to more readily match our operating structure. All historical periods have been adjusted to reflect any modifications to the segment reporting structure.

Operating segments are based upon the nature of the business and how the business is managed. Our Chief Operating Decision Maker uses financial information to evaluate the performance of, and to assign resources to, each of the operating segments. We do not allocate to the operating segments certain operating expenses, which we manage separately at the corporate level. These unallocated costs primarily include amortization of intangible assets, restructuring and transition charges, stock-based compensation expense, and acquisition-related charges.

The reconciliation of total segment operating income to total consolidated operating income is as follows:

	Three Months Ended	
	July 4, 2014	June 28, 2013
	(Dollars in millions)	
Total segment operating income	\$ 427	\$ 430
Reconciling items:		
Stock-based compensation	43	39
Amortization of intangibles	42	86
Restructuring & transition	20	81
Total consolidated operating income	\$ 322	\$ 224

Note 8. Stock-Based Compensation

The following table sets forth the total stock-based compensation expense recognized in our Condensed Consolidated Statements of Income:

	Three Months Ended	
	July 4, 2014	June 28, 2013
	(Dollars in millions, except per share data)	
Cost of revenue	\$ 6	\$ 4
Sales and marketing	17	14
Research and development	13	13
General and administrative	7	8
Total stock-based compensation expense	43	39
Tax benefit associated with stock-based compensation expense	(12)	(11)
Net stock-based compensation expense	\$ 31	\$ 28
Net stock-based compensation expense per share basic	\$ 0.04	\$ 0.04
Net stock-based compensation expense per share diluted	\$ 0.04	\$ 0.04

Table of Contents

The following table summarizes additional information pertaining to our stock-based compensation:

	Three Months Ended	
	July 4, 2014	June 28, 2013
(Dollars in millions, except per grant data)		
Restricted stock		
Weighted-average fair value per grant	\$ 21.22	\$ 23.86
Fair value of awards granted	\$ 236	\$ 45
Total fair value of awards vested	\$ 71	\$ 74
Total unrecognized compensation expense	\$ 389	\$ 224
Weighted-average remaining vesting period	3 years	3 years
Performance-based restricted stock		
Weighted-average fair value per grant	\$ 25.08	\$ 19.04
Fair value of awards granted	\$ 33	\$ 33
Total fair value of awards vested	\$ 20	\$ 11
Total unrecognized compensation expense	\$ 21	\$ 40
Weighted-average remaining vesting period	2 years	2 years
Stock options		
Weighted-average fair value per grant	\$ -	\$ -
Total intrinsic value of stock options exercised	\$ 4	\$ 21
Total unrecognized compensation expense	\$ 3	\$ 11
Weighted-average remaining vesting period	1 year	2 years

Note 9. Income Taxes

The effective tax rate was approximately 23% and 29% for the three months ended July 4, 2014 and June 28, 2013, respectively.

For the three months ended July 4, 2014, the tax expense was reduced by \$17 million in tax benefits primarily resulting from tax settlements, lapses of statutes of limitations, and prior year items. For the three months ended June 28, 2013, the tax expense was reduced by \$3 million in tax benefits primarily resulting from tax settlements, lapses of statutes of limitations, and prior year items. These tax benefits were offset by \$6 million in tax expense resulting from the sale of short-term investments.

The provision for the three months ended July 4, 2014 and June 28, 2013 otherwise reflects a forecasted tax rate of 28% and 29%, respectively. The forecasted tax rates for both periods presented reflect the benefits of lower-taxed international earnings, domestic manufacturing incentives, and research and development credits (the U.S. federal Research and Development tax credit expired on December 31, 2013), partially offset by state income taxes.

We are a U.S.-based multinational company subject to tax in multiple U.S. and international tax jurisdictions. A substantial portion of our international earnings were generated from subsidiaries organized in Ireland and Singapore. Our results of operations would be adversely affected to the extent that our geographical mix of income becomes more weighted toward jurisdictions with higher tax rates and would be favorably affected to the extent the relative geographic mix shifts to lower tax jurisdictions. Any change in our mix of earnings is dependent upon many factors and is therefore difficult to predict.

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involve multiple tax periods and jurisdictions, it is reasonably possible that the gross unrecognized tax benefits related to these audits could decrease (whether by payment, release, or a combination of both) in the next 12 months by between \$30 million and \$120 million. Depending on the nature of the settlement or expiration of statutes of limitations, we estimate between \$15 million and \$65 million could affect our income tax provision and therefore benefit the resulting effective tax rate. As of July 4, 2014, we have \$126 million on deposit with the IRS pertaining to U.S. tax matters in the Symantec fiscal 2009 through 2012 audit cycle, which includes a \$104 million deposit made during the quarter ended July 4, 2014.

We continue to monitor the progress of ongoing tax controversies and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions.

Table of Contents**Note 10. Earnings Per Share**

The components of earnings per share are as follows:

	Three Months Ended	
	July 4, 2014	June 28, 2013
	(Dollars in millions, except per grant data)	
Net income	\$ 236	\$ 157
Net income per share basic	\$ 0.34	\$ 0.23
Net income per share diluted	\$ 0.34	\$ 0.22
Weighted-average outstanding common shares basic	692	697
Dilutive potential shares issuable from assumed exercise of stock options	1	3
Dilutive potential shares related to stock award plans	4	7
Weighted-average shares outstanding diluted	697	707
Anti-dilutive weighted-average stock options	2	4
Anti-dilutive weighted-average restricted stock	-	1

Table of Contents

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

Forward-Looking Statements and Factors That May Affect Future Results

The discussion below contains forward-looking statements, which are subject to safe harbors under the Securities Act of 1933, as amended (the Securities Act), or the Securities Act, and the Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements include references to our ability to utilize our deferred tax assets, as well as statements including words such as expects, plans, anticipates, believes, estimates, predicts, projects, and other expressions. In addition, statements that refer to projections of our future financial performance, anticipated growth and trends in our businesses and in our industries, the anticipated impacts of acquisitions, our intent to pay quarterly cash dividends in the future, the actions we intend to take as part of our new strategy, the expected impact of our new strategy and other characterizations of future events or circumstances are forward-looking statements. These statements are only predictions, based on our current expectations about future events and may not prove to be accurate. We do not undertake any obligation to update these forward-looking statements to reflect events occurring or circumstances arising after the date of this report. These forward-looking statements involve risks and uncertainties, and our actual results, performance, or achievements could differ materially from those expressed or implied by the forward-looking statements on the basis of several factors, including those that we discuss in Risk Factors, set forth in Part I, Item 1A, of our annual report on Form 10-K for the fiscal year ended March 28, 2014. We encourage you to read that section carefully.

Fiscal Calendar

We have a 52/53-week fiscal accounting year ending on the Friday closest to March 31. The three months ended July 4, 2014 and June 28, 2013 consisted of 14 and 13 weeks, respectively.

OVERVIEW

Our Business

Symantec Corporation protects the world's information and is a global leader in security, backup and availability solutions. Our market leading products and services protect people and information in any environment from the smallest mobile device, to the enterprise data center, to cloud-based systems.

Strategy

We operate a global civilian cyber intelligence threat network and track a vast number of threats across the Internet from hundreds of millions of mobile devices, endpoints and servers across the globe. We believe one of our competitive advantages is our database of threat indicators which allows us to reduce the number of false positives and provide faster and better protection for customers through all of our products.

We are leveraging our capabilities in advanced threat protection and data loss prevention and extending them into our core security offerings. We are also pioneering new solutions in growing markets like mobile, cloud, appliances, backup, data loss prevention, and managed security services.

In fiscal 2015, we are focused on five priorities: optimizing certain businesses for operating margin, prioritizing investments for growth, further reducing costs and improving efficiencies, attracting top talent to our executive team, and continuing to return significant cash to shareholders. We are optimizing some of our businesses by methodically evaluating every product line to balance our profitability targets against our objectives. In order to prioritize

investments for growth, we are realigning our research and development budgets to apply the best resources to the most promising market opportunities. To further reduce costs and improve efficiencies, we are consolidating our global footprint, data centers, and product support capabilities as well as streamlining the way we run our businesses with initiatives to increase research and development efficiencies and sales productivity. We are focused on attracting talented business and technology leaders to the company. We remain committed to returning significant cash to shareholders in the form of dividends and share buybacks.

Our Operating Segments

Our operating segments are significant strategic business units that offer different products and services, distinguished by customer needs. Since the first quarter of fiscal 2014, we have operated in three operating segments: User Productivity & Protection, Information Security, and Information Management. Our reporting segments are the same as our operating segments. In connection with our five priorities, we are analyzing our operations and organization structure and will modify our segment reporting structure as necessary.

Table of Contents**Financial Results and Trends**

Revenue increased by \$26 million for the three months ended July 4, 2014, as compared to the same period last year, primarily from an additional week of deferred revenue amortization as a result of the 14 week fiscal quarter ended July 4, 2014 compared to 13 weeks in the same period last year, largely offset by lower license revenue due to the transition of our sales force into new and renewals business teams.

Revenue increased domestically and internationally during the three months ended July 4, 2014, compared to the same period last year. The EMEA region experienced the largest net revenue increase followed by Americas, while the Asia Pacific and Japan region experienced revenue declines. The EMEA region revenue included a favorable foreign currency fluctuation of \$24 million, while the Asia Pacific and Japan region revenue included an unfavorable foreign currency fluctuation resulting from the weakening of the Japanese yen compared to the U.S. dollar.

Gross margins remained constant at 82% during the three months ended July 4, 2014 when compared to the same period last year. Additionally, total cost of revenue remained relatively consistent for three months ended July 4, 2014, as compared to the same period in the prior year.

Operating expenses declined by \$81 million for the three months ended July 4, 2014, as compared to the same period in the prior year, primarily from lower restructuring costs as well as from lower intangible assets amortization expense.

Critical Accounting Estimates

There have been no material changes in the matters for which we make critical accounting estimates in the preparation of our Condensed Consolidated Financial Statements during the three months ended July 4, 2014 as compared to those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended March 28, 2014.

RESULTS OF OPERATIONS**Total Net Revenue**

	July 4, 2014	Three Months Ended		Change in \$ %
		June 28, 2013		
(Dollars in millions)				
Content, subscription, and maintenance revenue	\$ 1,574	\$ 1,520	\$ 54	4 %
<i>Percentage of total net revenue</i>	<i>91 %</i>	<i>89 %</i>		
License revenue	161	189	(28)	(15)%
<i>Percentage of total net revenue</i>	<i>9 %</i>	<i>11 %</i>		
Total	\$ 1,735	\$ 1,709	\$ 26	2 %

Content, subscription and maintenance revenue represented 91% of total net revenue for the three months ended July 4, 2014. Our content, subscription and maintenance revenue increased by \$54 million for the three months ended July 4, 2014, compared to the same period last year, primarily due to an additional week of amortization of deferred revenue as a result of the 14 week fiscal quarter ended July 4, 2014 compared to 13 weeks in the same period last year.

Our license revenue, which includes sales from software licenses, appliances, and certain revenue-sharing arrangements, declined by \$28 million during the three months ended July 4, 2014, compared to the same period last year. The license revenue decline was primarily due to greater sales incentives driving a high level of activity in the same period last year.

Table of Contents**Net Revenue and Operating Income by Segment***User Productivity & Protection Segment*

	July 4, 2014	Three Months Ended		Change in	
		June 28, 2013		\$	%
(Dollars in millions)					
User Productivity & Protection revenue	\$ 740	\$ 732	\$ 8		1 %
<i>Percentage of total net revenue</i>	<i>43 %</i>	<i>43 %</i>			
User Productivity & Protection operating income	\$ 270	\$ 257	\$ 13		5 %
<i>User Productivity & Protection operating margin</i>	<i>36 %</i>	<i>35 %</i>			

User Productivity & Protection revenue remained relatively consistent for the three months ended July 4, 2014, as compared to the same period last year.

User Productivity & Protection operating income increased \$13 million for the three months ended July 4, 2014, as compared to the same period last year, primarily due to reductions in cost of revenue driven by a decrease in fees to original equipment manufacturers (OEMs).

Information Security Segment

	July 4, 2014	Three Months Ended		Change in	
		June 28, 2013		\$	%
(Dollars in millions)					
Information Security revenue	\$ 345	\$ 336	\$ 9		3 %
<i>Percentage of total net revenue</i>	<i>20 %</i>	<i>20 %</i>			
Information Security operating income	\$ 68	\$ 25	\$ 43		172 %
<i>Information Security operating margin</i>	<i>20 %</i>	<i>7 %</i>			

Information Security revenue increased \$9 million for the three months ended July 4, 2014, as compared to the same period last year, primarily due to increases in our trust services and data loss prevention businesses.

Information Security operating income increased \$43 million for the three months ended July 4, 2014, as compared to the same period last year primarily from lower operating expenses due to our continued emphasis on cost reduction efforts.

Information Management Segment

Three Months Ended
Change in

	July 4, 2014	June 28, 2013	\$	%
--	-------------------------	--------------------------	-----------	----------

(Dollars in millions)

Information Management revenue	\$ 650	\$ 641	\$ 9	1 %
<i>Percentage of total net revenue</i>	<i>37 %</i>	<i>37 %</i>		
Information Management operating income	\$ 89	\$ 148	\$ (59)	(40)%
<i>Information Management operating margin</i>	<i>14 %</i>	<i>23 %</i>		

Information Management revenue increased \$9 million for the three months ended July 4, 2014, when compared to the same period last year, primarily due to an increase in revenue from our NetBackup appliance business offset by weakness in our Backup Exec products.

Information Management operating income decreased \$59 million for the three months ended July 4, 2014, when compared to the same period last year, driven by increased marketing spend and higher research and development expenses for our NetBackup appliance business.

Table of Contents**Net Revenue by Geography**

	July 4, 2014	Three Months Ended		Change in	
		June 28, 2013		\$	%
(Dollars in millions)					
Americas (U.S., Canada and Latin America)					
User Productivity & Protection segment	\$ 418	\$ 425	\$ (7)	(2)%	
Information Security segment	181	175	6	3 %	
Information Management segment	341	333	8	2 %	
Total Americas	\$ 940	\$ 933	\$ 7	1 %	
<i>Percentage of total net revenue</i>	<i>54 %</i>	<i>55 %</i>			
EMEA (Europe, Middle East, Africa)					
User Productivity & Protection segment	\$ 204	\$ 189	\$ 15	8 %	
Information Security segment	93	90	3	3 %	
Information Management segment	198	191	7	4 %	
Total EMEA	\$ 495	\$ 470	\$ 25	5 %	
<i>Percentage of total net revenue</i>	<i>29 %</i>	<i>27 %</i>			
Asia Pacific/Japan					
User Productivity & Protection segment	\$ 118	\$ 118	\$ -	0 %	
Information Security segment	71	71	-	0 %	
Information Management segment	111	117	(6)	(5)%	
Total Asia Pacific/Japan	\$ 300	\$ 306	\$ (6)	(2)%	
<i>Percentage of total net revenue</i>	<i>17 %</i>	<i>18 %</i>			
Total	\$ 1,735	\$ 1,709	\$ 26	2 %	
U.S.	\$ 832	\$ 830	\$ 2	0 %	
<i>U.S. percentage of total net revenue</i>	<i>48 %</i>	<i>49 %</i>			
International	903	879	24	3 %	
<i>International percentage of total net revenue</i>	<i>52 %</i>	<i>51 %</i>			
Total	\$ 1,735	\$ 1,709	\$ 26	2 %	

Revenue increased domestically and internationally during the three months ended July 4, 2014, when compared to the same period last year. For the three months ended July 4, 2014, the EMEA region experienced the largest net revenue increase followed by Americas, while the Asia Pacific and Japan region experienced a net revenue decrease when compared to the same period last year. The EMEA region revenue included a favorable foreign currency fluctuation of \$24 million for the three months ended July 4, 2014, compared to the same period last year.

Our international sales are expected to continue to be a significant portion of our revenue. As a result, revenue is expected to continue to be affected by foreign currency exchange rates as compared to the U.S. dollar. We are unable to predict the extent to which revenue 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 revenue and operating results.

Table of Contents**Cost of Revenue**

	July 4, 2014	Three Months Ended		Change in	
		June 28, 2013		\$	%
(Dollars in millions)					
Cost of content, subscription, and maintenance	\$ 269	\$ 263	\$ 6		2 %
<i>As a percentage of related revenue</i>	<i>17 %</i>	<i>17 %</i>			
Cost of license	\$ 27	\$ 22	\$ 5		23 %
<i>As a percentage of related revenue</i>	<i>17 %</i>	<i>12 %</i>			
Amortization of intangible assets	\$ 13	\$ 15	\$ (2)		(13)%
<i>As a percentage of total net revenue</i>	<i>1 %</i>	<i>1 %</i>			
Total	\$ 309	\$ 300	\$ 9		3 %
<i>Gross margin</i>	<i>82 %</i>	<i>82 %</i>			

Cost of content, subscription, and maintenance consists primarily of technical support costs, costs of billable services, and fees to OEMs under revenue-sharing agreements. Cost of license consists primarily of royalties paid to third parties under technology licensing agreements, appliance manufacturing costs, and other direct material costs. Our total cost of revenue remained relatively consistent for the three months ended July 4, 2014, compared to the same period last year.

Intangible assets are comprised of developed technologies and patents from acquired companies. Amortization decreased for the three months ended July 4, 2014, as compared with same period last year, as certain developed technologies became fully amortized early in fiscal 2014.

Operating Expenses

	July 4, 2014	Three Months Ended		Change in	
		June 28, 2013		\$	%
(Dollars in millions)					
Sales and marketing expense	\$ 644	\$ 652	\$ (8)		(1)%
<i>Percentage of total net revenue</i>	<i>37 %</i>	<i>38 %</i>			
Research and development expense	\$ 308	\$ 262	\$ 46		18 %
<i>Percentage of total net revenue</i>	<i>18 %</i>	<i>15 %</i>			
General and administrative expense	\$ 103	\$ 119	\$ (16)		(13)%
<i>Percentage of total net revenue</i>	<i>6 %</i>	<i>7 %</i>			
Amortization of intangible assets	\$ 29	\$ 71	\$ (42)		(59)%
<i>Percentage of total net revenue</i>	<i>2 %</i>	<i>4 %</i>			
Restructuring and transition	\$ 20	\$ 81	\$ (61)		(75)%

*Percentage of total net revenue**1 %**5 %*

Total	\$ 1,104	\$	1,185	\$ (81)	(7)%
-------	----------	----	-------	---------	------

Research and development expense increased for the three months ended July 4, 2014, as compared to the same period last year, primarily due to higher salary and benefits of \$14 million as a result of the 14 week fiscal quarter compared to the same period last year, as well as higher equipment cost of \$7 million and an \$11 million increase in other expenses.

General and administrative expense decreased for the three months ended July 4, 2014, as compared to the same period last year, primarily due to a reduction of usage of outside services of \$20 million.

Amortization of intangible assets decreased by \$42 million for the three months ended July 4, 2014, as compared to the same period last year, as a result of various customer relationship intangibles becoming fully amortized at the end of the June 28, 2013 quarter.

We are a U.S.-based multinational company subject to tax in multiple U.S. and international tax jurisdictions. A substantial portion of our international earnings were generated from subsidiaries organized in Ireland and Singapore. Our results of operations would be adversely affected to the extent that our geographical mix of income becomes more weighted toward jurisdictions with higher tax rates and would be favorably affected to the extent the relative geographic mix shifts to lower tax jurisdictions. Any change in our mix of earnings is dependent upon many factors and is therefore difficult to predict.

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involve multiple tax periods and jurisdictions, it is reasonably possible that the gross unrecognized tax benefits related to these audits could decrease (whether by payment, release, or a combination of both) in the next 12 months by between \$30 million and \$120 million. Depending on the nature of the settlement or expiration of statutes of limitations, we estimate between \$15 million and \$65 million could affect our income tax provision and therefore benefit the resulting effective tax rate. As of July 4, 2014, we have \$126 million on deposit with the IRS pertaining to U.S. tax matters in the Symantec fiscal 2009 through 2012 audit cycle, which includes a \$104 million deposit made during the quarter ended July 4, 2014.

Table of Contents

We continue to monitor the progress of ongoing tax controversies and the impact, if any, of the expiration of the statute of limitations in various taxing jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Cash

We have historically relied on cash flow from operations, borrowings under a credit facility, and issuances of debt and equity securities for our liquidity needs. As of July 4, 2014, we had cash, cash equivalents and short term investments of \$4 billion and an unused credit facility of \$1.0 billion resulting in a liquidity position of approximately \$5 billion. As of July 4, 2014, \$2.5 billion in cash and cash equivalents were held by our foreign subsidiaries. We have provided U.S. deferred taxes on a portion of our undistributed foreign earnings sufficient to address the incremental U.S. tax that would be due if we needed such portion of these funds to support our operations in the U.S.

Senior Notes: In the first quarter of fiscal 2013, we issued \$600 million in principal amount of 2.75% senior notes due June 15, 2017 and \$400 million in principal amount of 3.95% senior notes due June 15, 2022, for an aggregate principal amount of \$1.0 billion. In the second quarter of fiscal 2011, we issued \$350 million in principal amount of 2.75% senior notes due September 15, 2015 and \$750 million in principal amount of 4.20% senior notes due September 15, 2020, for an aggregate principal amount of \$1.1 billion.

Revolving Credit Facility: In the second quarter of fiscal 2011, we entered into a \$1.0 billion senior unsecured revolving credit facility (credit facility), which was amended in the first quarter of 2013 to extend the term to June 7, 2017. Under the terms of this credit facility, we must comply with certain financial and non-financial covenants, including a debt to EBITDA (earnings before interest, taxes, depreciation and amortization) covenant. As of July 4, 2014, we were in compliance with all required covenants, and there was no outstanding balance on the credit facility.

We believe that our existing cash and investment balances, our available revolving credit facility, our ability to issue new debt instruments, and cash generated from operations will be sufficient to meet our working capital and capital expenditure requirements, as well as fund any cash dividends, principal and interest payments on debt and repurchases of our stock, for at least the next 12 months and foreseeable future. We have implemented a capital allocation strategy pursuant to which we expect to return over time approximately 50% of free cash flow to stockholders through a combination of dividends and share repurchases, while still enabling our company to invest in its future. Our strategy emphasizes organic growth through internal innovation and will be complemented by acquisitions that fit strategically and meet specific internal profitability hurdles.

Uses of Cash

Our principal cash requirements include working capital, capital expenditures, payments of principal and interest on our debt, and payments of taxes. Also, we may, from time to time, engage in the open market purchase of our notes prior to their maturity. Furthermore, our capital allocation strategy contemplates a quarterly cash dividend. In addition, we regularly evaluate our ability to repurchase stock, pay debts and acquire other businesses.

Stock Repurchases: For the three months ended July 4, 2014, we repurchased 6 million shares, or \$125 million, of our common stock. During the three months ended June 28, 2013, we repurchased 5 million shares, or \$125 million, of our common stock. Our active stock repurchase program had \$533 million remaining authorized for future repurchase as of July 4, 2014, with no expiration date.

Dividend Program: During the three months ended July 4, 2014, we declared and paid a cash dividend of \$0.15 per common share for a total of \$104 million, which was recorded as a reduction to additional paid-in capital. In addition, our Board of Directors approved dividend equivalent rights entitling holders of restricted stock and performance-based stock to dividend equivalents to be paid in the form of cash upon vesting, for each share of the underlying units. During the three months ended June 28, 2013 we declared and paid cash dividends of \$0.15 per common share for a total of \$105 million. On August 6, 2014, we declared a cash dividend of \$0.15 per share of common stock to be paid on September 17, 2014 to stockholders of record as of the close of business on August 27, 2014. All shares of common stock issued and outstanding, and unvested restricted stock and performance-based stock, as of the record date will be entitled to the dividend and dividend equivalents, respectively. Any future dividends and dividend equivalents will be subject to the approval of our Board of Directors.

Table of Contents

Restructuring Plan: In the fourth quarter of fiscal 2013, we announced our strategy focusing on three priority areas, developing innovative products and services, changing our go-to-market plans and investing in people, process and technology infrastructure to make it easier to do business with us and improve our execution. In connection with this strategy we initiated a restructuring plan in the fourth quarter of fiscal 2013 to reduce management and redundant personnel resulting in headcount reductions across the Company. As of July 4, 2014, total costs related to our plan incurred from inception were \$236 million. This amount was primarily related to severance and related employee benefits costs and was substantially complete as of March 28, 2014.

Cash Flows

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

	Months Ended		Three
	July 4,		June 28,
	2014		2013
	(Dollars in millions)		
Net cash provided by (used in):			
Operating activities	\$ 293	\$	312
Investing activities	(724)		(29)
Financing activities	(216)		(1,192)
<i>Operating Activities</i>			

We expect cash from our operating activities to fluctuate in future periods as a result of a number of factors, including the timing of our billings and collections, our operating results and the timing and amount of tax and other liability payments.

Net cash provided by operating activities was \$293 million for the three months ended July 4, 2014, which resulted from net income of \$236 million adjusted for non-cash items, including depreciation and amortization of \$117 million, as well as net changes in trade receivables resulting in inflows of \$308 million. These amounts were partially offset by decreases in deferred revenue of \$185 million, and accrued compensation of \$34 million, as well as by a tax payment of \$104 million related to a previous IRS audit.

Net cash provided by operating activities was \$312 million for the three months ended June 28, 2013, which resulted from net income of \$157 million adjusted for non-cash items, including depreciation and amortization charges of \$161 million, as well as net changes in trade receivables resulting in inflows of \$285 million. These amounts were partially offset by decreases in deferred revenue of \$199 million and accrued compensation of \$97 million.

Investing Activities

Net cash used in investing activities was \$724 million for the three months ended July 4, 2014 and was primarily due to the purchase of \$712 million of short-term investments and payments of \$92 million for capital expenditures, partially offset by \$99 million in net proceeds from maturity and sales of our short-term investments.

Net cash used in investing activities was \$29 million for the three months ended June 28, 2013 and was primarily due to payments of \$61 million for capital expenditures, offset by \$32 million in net proceeds from the sale of our short-term investments.

Financing Activities

Net cash used in financing activities was \$216 million for the three months ended July 4, 2014 and was primarily due to repurchases of our common stock of \$125 million and dividend payments of \$104 million, partially offset by proceeds from sales of common stock under employee stock plans of \$23 million.

Table of Contents

Net cash used in financing activities was \$1.2 billion for the three months ended June 28, 2013 and was primarily due to the repayment of our 1.00% notes of \$1.2 billion, repurchases of our common stock of \$125 million and a dividend payment of \$105 million, partially offset by proceeds from the exercise of our note hedge of \$189 million and proceeds from sales of common stock under employee stock plans of \$54 million.

Contractual Obligations

There have been no significant changes during the three months ended July 4, 2014 to the contractual obligations disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7, of our Annual Report on Form 10-K for the fiscal year ended March 28, 2014.

Indemnifications

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, subsidiaries and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements or representations and warranties made by us. In addition, our bylaws contain indemnification obligations to our directors, officers, employees and agents, and we have entered into indemnification agreements with our directors and certain of our officers to give such directors and officers additional contractual assurances regarding the scope of the indemnification set forth in our bylaws and to provide additional procedural protections. We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and officers. It is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements might not be subject to maximum loss clauses. Historically, we have not incurred material costs as a result of obligations under these agreements and we have not accrued any liabilities related to such indemnification obligations in our Condensed Consolidated Financial Statements.

We provide limited product warranties and the majority of our software license agreements contain provisions that indemnify licensees of our software from damages and costs resulting from claims alleging that our software infringes on the intellectual property rights of a third party. Historically, payments made under these provisions have been immaterial. We monitor the conditions that are subject to indemnification to identify if a loss has occurred.

Table of Contents

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

There have been no significant changes in our market risk exposures during the three months ended July 4, 2014 as compared to the market risk exposures disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7A, of our Annual Report on Form 10-K for the fiscal year ended March 28, 2014.

Item 4. *Controls and Procedures*

(a) Evaluation of Disclosure Controls and Procedures

The SEC defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our management (with the participation of our interim Chief Executive Officer and Chief Financial Officer) has conducted 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). Based on such evaluation, our interim Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended July 4, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Limitations on Effectiveness of Controls

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

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

Information with respect to this Item may be found in Note 5 of Notes to Condensed Consolidated Financial Statements in this Form 10-Q, which information is incorporated herein by reference.

Item 1A. Risk Factors

A description of the risks associated with our business, financial condition, and results of operations is set forth in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended March 28, 2014. There have been no material changes in our risks from such description.

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

Stock repurchases during the three months ended July 4, 2014 were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

	Total Number of Shares Purchased	Average Price Paid per Share (In millions, except per share data)	Total Number of Shares Purchased Under Publicly Announced Plans or Programs	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
March, 29 2014 to April 25, 2014	3	\$ 20.37	3	\$ 594
April, 26 2014 to May 30, 2014	3	\$ 21.07	3	\$ 533
May, 31 2014 to July 4, 2014	-	\$ -	-	\$ 533
Total	6	\$ 20.71	6	

For information regarding our stock repurchase programs, see Note 6 of Notes to Condensed Consolidated Financial Statements, which information is incorporated herein by reference.

Item 6. Exhibits

The information required by this Item is set forth in the Exhibit Index that follows the signature page of this Report.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYMANTEC CORPORATION
(Registrant)

By: /s/ MICHAEL A. BROWN
Michael A. Brown
Interim President and Chief Executive Officer, and Director

By: /s/ THOMAS J. SEIFERT
Thomas J. Seifert
Executive Vice President and Chief Financial Officer

Date: August 8, 2014

Table of Contents**EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Incorporated by Reference			File Date	Filed with this 10-Q
		Form	File Number	Exhibit		
10.01*	Amendment to Employment Offer Letter between Symantec Corporation and Thomas J. Seifert, dated April 30, 2014					X
10.02*	FY15 Executive Annual Incentive Plan Senior Vice President and Executive Vice President					X
31.01	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.02	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.01	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.02	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Schema Linkbase Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X

101.DEF	XBRL Taxonomy Definition Linkbase Document	X
101.LAB	XBRL Taxonomy Labels Linkbase Document	X
101.PRE	XBRL Taxonomy Presentation Linkbase Document	X

* Indicates a management contract or compensatory plan or arrangement.

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