

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 January 3, 2020

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



NortonLifeLock Inc.

(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.)

60 E. Rio Salado Parkway, Suite 1000, Tempe, Arizona
(Address of principal executive offices)

85281
(Zip code)

Registrant's telephone number, including area code:
(650) 527-8000

Former name or former address, if changed since last report:
Not applicable

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	NLOK	The Nasdaq Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
						Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of NortonLifeLock common stock, \$0.01 par value per share, outstanding as of January 30, 2020 was 600,384,184 shares.

NORTONLIFELOCK INC.

FORM 10-Q

Quarterly Period Ended January 3, 2020

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NORTONLIFELOCK INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in millions, except par value per share amounts)

	January 3, 2020	March 29, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,649	\$ 1,791
Short-term investments	119	252
Accounts receivable, net	171	708
Assets held for sale	213	—
Other current assets	411	286
Current assets of discontinued operations	8	149
Total current assets	13,571	3,186
Property and equipment, net	365	663
Operating lease assets	107	—
Intangible assets, net	1,119	1,202
Goodwill	2,676	2,677
Other long-term assets	709	1,160
Long-term assets of discontinued operations	—	7,050
Total assets	\$ 18,547	\$ 15,938
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 157	\$ 165
Accrued compensation and benefits	131	250
Current portion of long-term debt	749	491
Contract liabilities	1,019	1,032
Current operating lease liabilities	32	—
Other current liabilities	2,604	524
Current liabilities of discontinued operations	21	1,304
Total current liabilities	4,713	3,766
Long-term debt	3,719	3,961
Long-term contract liabilities	28	27
Deferred income tax liabilities	165	577
Long-term income taxes payable	1,086	1,076
Long-term operating lease liabilities	92	—
Other long-term liabilities	67	78
Long-term liabilities of discontinued operations	—	715
Total liabilities	9,870	10,200
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, \$0.01 par value: 1 shares authorized; 0 shares issued and outstanding	—	—
Common stock and additional paid-in capital, \$0.01 par value: 3,000 shares authorized; 614 and 630 shares issued and outstanding as of January 3, 2020 and March 29, 2019, respectively	4,853	4,812
Accumulated other comprehensive loss	12	(7)
Retained earnings	3,812	933
Total stockholders' equity	8,677	5,738
Total liabilities and stockholders' equity	\$ 18,547	\$ 15,938

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Net revenues	\$ 618	\$ 615	\$ 1,876	\$ 1,839
Cost of revenues	103	110	296	331
Gross profit	515	505	1,580	1,508
Operating expenses:				
Sales and marketing	178	166	551	537
Research and development	72	110	258	322
General and administrative	85	98	271	317
Amortization of intangible assets	20	19	61	59
Restructuring, transition and other costs	98	50	128	187
Total operating expenses	453	443	1,269	1,422
Operating income	62	62	311	86
Interest expense	(51)	(53)	(146)	(157)
Other income (expense), net	399	(18)	397	(56)
Income (loss) from continuing operations before income taxes	410	(9)	562	(127)
Income tax expense	57	10	133	20
Income (loss) from continuing operations	353	(19)	429	(147)
Income from discontinued operations	2,492	84	3,227	144
Net income (loss)	\$ 2,845	\$ 65	\$ 3,656	\$ (3)
Income (loss) per share - basic:				
Continuing operations	\$ 0.57	\$ (0.03)	\$ 0.69	\$ (0.23)
Discontinued operations	\$ 4.01	\$ 0.13	\$ 5.20	\$ 0.23
Net income (loss) per share - basic ⁽¹⁾	\$ 4.58	\$ 0.10	\$ 5.90	\$ —
Income (loss) per share - diluted:				
Continuing operations	\$ 0.55	\$ (0.03)	\$ 0.67	\$ (0.23)
Discontinued operations	\$ 3.85	\$ 0.13	\$ 5.01	\$ 0.23
Net income (loss) per share - diluted ⁽¹⁾	\$ 4.40	\$ 0.10	\$ 5.68	\$ —
Weighted-average shares outstanding:				
Basic	621	637	620	631
Diluted	647	637	644	631

(1) Amounts may not add due to rounding.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in millions)

	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Net income (loss)	\$ 2,845	\$ 65	\$ 3,656	\$ (3)
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	15	2	17	(21)
Net unrealized gain on available-for-sale securities	(1)	1	1	1
Other comprehensive income from equity method investee				
Other comprehensive income from equity method investee	1	—	2	2
Reclassification adjustments for income included in net income (loss)	(1)	—	(1)	—
Net other comprehensive income from equity method investee	—	—	1	2
Other comprehensive income (loss), net of taxes	14	3	19	(18)
Comprehensive income (loss)	\$ 2,859	\$ 68	\$ 3,675	\$ (21)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited, in millions, except per share amounts)

Three months ended January 3, 2020	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of October 4, 2019	623	\$ 4,816	\$ (2)	\$ 1,298	\$ 6,112
Net income	—	—	—	2,845	2,845
Other comprehensive income	—	—	14	—	14
Common stock issued under employee stock incentive plans	5	21	—	—	21
Shares withheld for taxes related to vesting of restricted stock units	(1)	(7)	—	—	(7)
Repurchases of common stock	(13)	(110)	—	(253)	(363)
Cash dividends declared (\$0.125 per share of common stock) and dividend equivalents accrued	—	—	—	(78)	(78)
Stock-based compensation	—	124	—	—	124
Short-swing profit disgorgement	—	9	—	—	9
Balance as of January 3, 2020	<u>614</u>	<u>\$ 4,853</u>	<u>\$ 12</u>	<u>\$ 3,812</u>	<u>\$ 8,677</u>

Nine months ended January 3, 2020	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of March 29, 2019	630	\$ 4,812	\$ (7)	\$ 933	\$ 5,738
Net income	—	—	—	3,656	3,656
Other comprehensive income	—	—	19	—	19
Common stock issued under employee stock incentive plans	27	109	—	—	109
Shares withheld for taxes related to vesting of restricted stock units	(4)	(71)	—	—	(71)
Repurchases of common stock	(39)	(300)	—	(604)	(904)
Cash dividends declared (\$0.275 per share of common stock) and dividend equivalents accrued	—	—	—	(173)	(173)
Stock-based compensation	—	294	—	—	294
Short-swing profit disgorgement	—	9	—	—	9
Balance as of January 3, 2020	<u>614</u>	<u>\$ 4,853</u>	<u>\$ 12</u>	<u>\$ 3,812</u>	<u>\$ 8,677</u>

NORTONLIFELOCK INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited, in millions, except per share amounts)

Three months ended December 28, 2018	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of September 28, 2018	632	\$ 4,867	\$ (17)	\$ 1,100	\$ 5,950
Net income	—	—	—	65	65
Other comprehensive income	—	—	3	—	3
Common stock issued under employee stock incentive plans	13	2	—	—	2
Shares withheld for taxes related to vesting of restricted stock units	(6)	(115)	—	—	(115)
Cash dividends declared (\$0.075 per share of common stock) and dividend equivalents accrued	—	—	—	(49)	(49)
Stock-based compensation	—	50	—	—	50
Balance as of December 28, 2018	639	\$ 4,804	\$ (14)	\$ 1,116	\$ 5,906

Nine months ended December 28, 2018	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of March 30, 2018	624	\$ 4,691	\$ 4	\$ 328	\$ 5,023
Cumulative effect from adoption of accounting standard	—	—	—	939	939
Net loss	—	—	—	(3)	(3)
Other comprehensive loss	—	—	(18)	—	(18)
Common stock issued under employee stock incentive plans	23	8	—	—	8
Shares withheld for taxes related to vesting of restricted stock units	(8)	(168)	—	—	(168)
Cash dividends declared (\$0.225 per share of common stock) and dividend equivalents accrued	—	—	—	(148)	(148)
Stock-based compensation	—	273	—	—	273
Balance as of December 28, 2018	639	\$ 4,804	\$ (14)	\$ 1,116	\$ 5,906

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended	
	January 3, 2020	December 28, 2018
OPERATING ACTIVITIES:		
Net income (loss)	\$ 3,656	\$ (3)
Adjustments:		
Amortization and depreciation	307	457
Impairments of long-lived assets	32	8
Stock-based compensation expense	270	265
Deferred income taxes	14	(18)
Loss from equity interest	31	84
Gain on sale of Enterprise Security assets	(5,422)	—
Gain on sale of equity method investment	(379)	—
Non-cash operating lease expense	32	—
Other	27	(32)
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable, net	537	97
Accounts payable	(21)	35
Accrued compensation and benefits	(99)	(26)
Contract liabilities	(163)	59
Income taxes payable	2,096	(17)
Other assets	(94)	1
Other liabilities	81	38
Net cash provided by operating activities	905	948
INVESTING ACTIVITIES:		
Purchases of property and equipment	(86)	(153)
Proceeds from sale of Enterprise Security assets, net of transaction costs	10,572	—
Payments for acquisitions, net of cash acquired	—	(41)
Proceeds from maturities and sales of short-term investments	135	119
Proceeds from sale of property	—	26
Proceeds from sale of equity method investment	378	—
Other	(8)	(12)
Net cash provided by (used in) investing activities	10,991	(61)
FINANCING ACTIVITIES:		
Net proceeds from sales of common stock under employee stock incentive plans	109	8
Tax payments related to restricted stock units	(71)	(168)
Dividends and dividend equivalents paid	(177)	(169)
Repurchases of common stock	(904)	—
Repayments of debt	(302)	—
Proceeds from issuance of debt, net of issuance costs	300	—
Short-swing profit disgorgement	9	—
Other	(1)	—
Net cash used in financing activities	(1,037)	(329)
Effect of exchange rate fluctuations on cash and cash equivalents	(1)	(23)
Change in cash and cash equivalents	10,858	535
Beginning cash and cash equivalents	1,791	1,774
Ending cash and cash equivalents	\$ 12,649	\$ 2,309

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NORTONLIFELOCK INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****Note 1. Basis of Presentation and Significant Accounting Policies****Recent Corporate Name Change**

In connection with the sale of certain assets of our Enterprise Security business as disclosed in Basis of presentation below, effective November 4, 2019, we changed our corporate name from Symantec Corporation to NortonLifeLock Inc.

Basis of presentation

On August 8, 2019, we entered into a definitive agreement with Broadcom Inc. (Broadcom) under which Broadcom agreed to purchase certain of our Enterprise Security assets and assume certain liabilities for a purchase price of \$10.7 billion (the Broadcom sale). On November 4, 2019, we completed the transaction. The divestiture of our Enterprise Security business allows us to shift our operational focus to our consumer business and represents a strategic shift in our operations. As a result, the majority of results of our Enterprise Security business were classified as discontinued operations in our Condensed Consolidated Statements of Operations and thus excluded from both continuing operations and segment results for all periods presented. We have operated in one reportable segment since the second quarter of fiscal 2020. The Enterprise Security business was part of our Enterprise Security segment. Results of discontinued operations include all revenues and expenses directly derived from the Enterprise Security business, with the exception of revenues and associated costs of our ID Analytics solutions, which were formerly included in the Enterprise Security segment, and general corporate overhead which were previously allocated to the Enterprise Security segment but are not allocated to discontinued operations. These revenues and expenses are now included in continuing operations. The assets acquired and liabilities to be sold to Broadcom, as specified in the August 8, 2019 definitive agreement, were classified as discontinued operations in our Condensed Consolidated Balance Sheets, subject to changes set forth in the agreement. See Notes 3 and 18 for additional information about the divestiture of our Enterprise Security business.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America (U.S.) for interim financial information. 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 accompanying Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 29, 2019. The results of operations for the nine months ended January 3, 2020 are not necessarily indicative of the results expected for the entire fiscal year.

We have a 52/53-week fiscal year ending on the Friday closest to March 31. Unless otherwise stated, references to three and six-month periods in this report relate to fiscal periods ended January 3, 2020 and December 28, 2018. The three and nine months ended January 3, 2020 consisted of 13 and 40 weeks, respectively, whereas the three and nine months ended December 28, 2018 consisted of 13 and 39 weeks, respectively. Our 2020 fiscal year consists of 53 weeks and ends on April 3, 2020.

Use of estimates

The preparation of Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Such estimates include, but are not limited to, the determination of stand-alone selling price for performance obligations, valuation of business combinations including acquired intangible assets and goodwill, loss contingencies, valuation of stock-based compensation, and the recognition and measurement of current and deferred income taxes, including the measurement of uncertain tax positions. Management determines these estimates and assumptions based on historical experience and on various other assumptions that are believed to be reasonable. Actual results could differ significantly from these estimates, and such differences may be material to the Condensed Consolidated Financial Statements.

Significant accounting policies

There have been no material changes to our significant accounting policies as of and for the nine months ended January 3, 2020, except for those noted in Note 2 and Note 5, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended March 29, 2019.

Note 2. Recent Accounting Standards

Recently adopted authoritative guidance

Leases. In February 2016, the Financial Accounting Standards Board (FASB) issued new guidance on lease accounting which requires lessees to recognize assets and liabilities on their balance sheet for the rights and obligations created by operating leases and also requires disclosures designed to give users of financial statements information on the amount, timing, and uncertainty of cash flows arising from leases. Most prominent among the changes in the standard is the recognition of right-of-use (ROU) assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

On March 30, 2019, the first day of our fiscal 2020, we adopted the new guidance using the alternative modified retrospective transition method under which we continue to apply the legacy lease accounting guidance, including its disclosure requirements, in comparative periods prior to fiscal 2020. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard that allowed us not to reassess (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases, and (3) initial direct costs for any existing leases. We currently do not have any finance leases. We combine the lease and non-lease components in determining the operating lease assets and liabilities.

The adoption of the new lease accounting standard resulted in the recognition of ROU assets and lease liabilities of \$182 million and \$209 million, respectively, as of March 30, 2019 related to our operating leases. The adoption of the standard also resulted in elimination of deferred rent liabilities of \$17 million, as of March 30, 2019, which are now recorded as a reduction of the ROU assets. The standard did not have an impact on our consolidated statements of operations or statements of cash flows.

Recently issued authoritative guidance not yet adopted

Credit Losses. In June 2016, the FASB issued new authoritative guidance on credit losses which changes the impairment model for most financial assets and certain other instruments. For trade receivables and other instruments, we will be required to use a new forward-looking “expected loss” model. Additionally, for available-for-sale debt securities with unrealized losses, we will measure credit losses in a manner similar to today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The standard will be effective for us in our first quarter of fiscal 2021. We are currently evaluating the impact of the adoption of this guidance on our Consolidated Financial Statements.

Internal-Use Software. In August 2018, the FASB issued new guidance that clarifies the accounting for implementation costs in a cloud computing arrangement. The new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard will be effective for us in our first quarter of fiscal 2021. We are currently evaluating the impact of the adoption of this guidance on our Consolidated Financial Statements and disclosures.

Income taxes. In December 2019, the FASB issued new guidance that simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The guidance also clarifies and amends existing guidance to improve consistent application. The standard will be effective for us in our first quarter of fiscal 2023, with early adoption permitted. We are currently evaluating the adoption date and the impact of the adoption of this guidance on our Consolidated Financial Statements and disclosures.

Although there are several other new accounting pronouncements issued or proposed by the FASB that we have adopted or will adopt, as applicable, we do not believe any of these accounting pronouncements has had, or will have, a material impact on our consolidated financial position, operating results or disclosures.

Note 3. Divestiture and Discontinued Operations

Divestiture of Enterprise Security Assets

On August 8, 2019, we entered into a definitive agreement with Broadcom under which Broadcom agreed to purchase certain of our Enterprise Security assets and assume certain liabilities for a purchase price of \$10.7 billion. On November 4, 2019, we completed the transaction and recognized a gain on sale of \$5,422 million calculated as follows.

(In millions)		
Cash proceeds	\$	10,582
Income taxes withheld by Broadcom		109
Net assets sold		(5,225)
Transaction costs		(38)
Foreign exchange impact		(6)
Total gain on sale	\$	5,422

The carrying value of the net assets sold are as follows:

(In millions)	
Current assets	\$ 157
Intangible assets, net	934
Goodwill	5,773
Other long-term assets	252
Current contract liabilities	(1,200)
Other current liabilities	(28)
Long-term contract liabilities	(629)
Other long-term liabilities	(34)
Total net assets sold	\$ 5,225

In connection with the Broadcom sale, we entered into a transition services agreement under which we will provide assistance to Broadcom including, but not limited to, business support services and information technology services for a period of up to six months. Income, net of dedicated direct costs, for these transition services was \$5 million during the three and nine months ended January 3, 2020 and were presented as part of Other income (expense), net in the Condensed Consolidated Statements of Operations.

Discontinued Operations

The definitive agreement for the Broadcom sale provided that the selection of certain assets sold and liabilities assumed would be subject to negotiations between us and Broadcom subsequent to the signing of the agreement through the date of the close of the Broadcom sale. As a result of such negotiations, our results of operations for the six months ended October 4, 2019 and September 28, 2018 and our March 29, 2019 Condensed Consolidated Balance Sheet reflect changes in the assets and liabilities that were determined to be part of discontinued operations as reported in our previously filed Form 10-Q for the period ended October 4, 2019. These changes resulted in decreases of \$6 million and \$6 million to income from discontinued operations, net of tax, for the six months ended October 4, 2019 and September 28, 2018, respectively, and total assets from discontinued assets increased \$58 million and total liabilities from discontinued operations increased \$9 million as of March 29, 2019, as compared to the amounts reported in our previously filed Form 10-Q for the period ended October 4, 2019.

The following table presents information regarding certain components of income from discontinued operations, net of income taxes:

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Net revenues	\$ 193	\$ 599	\$ 1,366	\$ 1,715
Operating income (loss)	\$ (118)	\$ 110	\$ 6	\$ 198
Gain on sale	\$ 5,422	\$ —	\$ 5,422	\$ —
Income before income taxes	\$ 5,300	\$ 109	\$ 5,424	\$ 194
Income tax expense	\$ 2,808	\$ 25	\$ 2,197	\$ 50
Income from discontinued operations	\$ 2,492	\$ 84	\$ 3,227	\$ 144

Our discontinued operations consist of our divested Enterprise Security assets and also includes results of our previously divested Veritas information management business (Veritas). There was no income from Veritas during the three and nine months ended January 3, 2020. Revenue from Veritas was \$2 million and \$11 million during the three and nine months ended December 28, 2018. Income from Veritas, net of taxes was \$6 million and \$11 million during the three and nine months ended December 28, 2018.

We recorded an income tax expense from discontinued operations of \$2,808 million for the three months ended January 3, 2020, primarily consisting of a discrete tax expense of \$2,801 million related to the gain on the sale of the Enterprise Security assets, and a discrete tax expense of \$39 million related to global intangible low-tax income (GILTI), compared to income tax expense from discontinued operations of \$25 million during the three months ended December 28, 2018.

We recorded an income tax expense from discontinued operations of \$2,197 million and \$50 million for the nine months ended January 3, 2020 and December 28, 2018, respectively. The increase in tax expense is primarily driven by the discrete tax expense of \$2,801 million related to the sale of the Enterprise Security assets and the discrete tax expense of \$39 million related to GILTI, partially offset by a \$665 million tax benefit resulting from the remeasurement of the deferred tax assets associated with the tax basis of intellectual property held by our subsidiaries organized in Ireland. We previously expected to recover the tax basis through normal operation of our Enterprise Security business, which is taxed at the Irish trading rate of 12.5%. Instead, we recovered the tax basis through the sale of certain assets of the Enterprise Security assets, which is taxed at the Irish capital gains tax rate of 33%.

The following table presents the aggregate carrying amounts of the classes of assets and liabilities of discontinued operations:

(In millions)	January 3, 2020	March 29, 2019
Assets:		
Current assets	\$ 2	\$ 149
Intangible assets, net	—	1,048
Goodwill	—	5,773
Other long-term assets	6	229
Total assets of discontinued operations	\$ 8	\$ 7,199
Liabilities:		
Current contract liabilities	\$ 10	\$ 1,288
Other current liabilities	3	16
Long-term contract liabilities	5	709
Other long-term liabilities	3	6
Total liabilities of discontinued operations	\$ 21	\$ 2,019

The following table presents significant non-cash items and capital expenditures of discontinued operations:

(In millions)	Nine Months Ended	
	January 3, 2020	December 28, 2018
Amortization and depreciation	\$ 130	\$ 274
Stock-based compensation expense	\$ 170	\$ 140
Purchases of property and equipment	\$ 43	\$ 45

Note 4. Revenues

Timing of revenue recognition

The following table provides our revenue disaggregated by the timing of recognition:

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Products and services transferred at a point in time	\$ 15	\$ 12	\$ 40	\$ 36
Products and services transferred over time	\$ 603	\$ 603	\$ 1,836	\$ 1,803

Contract liabilities

The amount of revenue recognized during the three and nine months ended January 3, 2020 that was included within the contract liabilities balance at October 4, 2019 and March 29, 2019 was \$430 million and \$951 million, respectively. The amount of revenue recognized during the three and nine months ended December 28, 2018 that was included within the contract liabilities balance at September 28, 2018 and March 31, 2018 was \$440 million and \$969 million, respectively.

Contract acquisition costs

We recognized amortization expense of capitalized contract acquisition costs of \$2 million and \$5 million during the three and nine months ended January 3, 2020, respectively, and \$1 million and \$3 million during the three and nine months ended December 28, 2018, respectively. There were no impairment losses recognized during the periods.

Remaining performance obligations

Remaining performance obligations represent contracted revenue that has not been recognized, which include contract liabilities and amounts that will be billed and recognized as revenue in future periods. As of January 3, 2020, we had \$702 million of remaining performance obligations, which does not include customer deposit liabilities of \$345 million, of which we expect to recognize approximately 96% as revenue over the next twelve months.

Note 5. Leases

We lease certain of our facilities, equipment, and data center co-locations under operating leases that expire on various dates through fiscal 2029. Our leases generally have terms that range from 1 year to 17 years for our facilities, 1 year to 6 years for equipment, and 1 year to 6 years for data center co-locations. Some of our leases contain renewal options, escalation clauses, rent concessions, and leasehold improvement incentives.

We determine if an arrangement is a lease at inception. We have elected to not recognize a lease liability or ROU asset for short-term leases (leases with a term of twelve months or less that do not include an option to purchase the underlying asset). Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The interest rate we use to determine the present value of future payments is our incremental borrowing rate because the rate implicit in our leases is not readily determinable. Our incremental borrowing rate is a hypothetical rate for collateralized borrowings in economic environments where the leased asset is located based on credit rating factors. Our operating lease assets also include adjustments for prepaid lease payments, lease incentives and initial direct costs.

Certain lease contracts include obligations to pay for other services, such as operations and maintenance. We elected the practical expedient whereby we record all lease components and the related minimum non-lease components as a single lease component. Cash payments made for variable lease costs are not included in the measurement of our operating lease assets and liabilities. Many of our lease terms include one or more options to renew. We do not assume renewals in our determination of the lease term unless it is reasonably certain that we will exercise that option. Lease costs for minimum lease payments for operating leases is recognized on a straight-line basis over the lease term. Our lease agreements do not contain any residual value guarantees.

The following summarizes our lease costs:

(In millions)	Three Months Ended	Nine Months Ended
	January 3, 2020	January 3, 2020
Operating lease costs	\$ 6	\$ 28
Short-term lease costs	2	6
Variable lease costs	6	17
Total lease costs	\$ 14	\$ 51

Rent expense under operating leases was \$16 million and \$53 million for the three and nine months ended December 28, 2018, respectively.

Other information related to our operating leases was as follows:

	Nine Months Ended
	January 3, 2020
Weighted-average remaining lease term	4.6 years
Weighted-average discount rate	4.08%

See Note 7 for additional cash flow information related to our operating leases.

As of January 3, 2020, the maturities of our lease liabilities, excluding lease liabilities associated with our discontinued operations, by fiscal year are as follows:

(In millions)	
Remainder of 2020	\$ 10
2021	35
2022	30
2023	22
2024	19
Thereafter	20
Total lease payments	136
Less: Imputed interest	(12)
Present value of lease liabilities	\$ 124

As of March 29, 2019, the minimum future rentals on non-cancelable operating leases, including leases associated with our discontinued operations and based on the previous lease accounting standard, by fiscal year were as follows:

(In millions)	
2020	\$ 55
2021	49
2022	40
2023	32
2024	26
Thereafter	42
Total minimum future lease payments	<u>\$ 244</u>

Note 6. Goodwill and Intangible Assets

Goodwill

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

(In millions)	
Balance as of March 29, 2019	\$ 2,677
Translation adjustments	(1)
Balance as of January 3, 2020	<u>\$ 2,676</u>

Intangible assets, net

(In millions)	January 3, 2020			March 29, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 541	\$ (227)	\$ 314	\$ 541	\$ (168)	\$ 373
Developed technology	142	(83)	59	143	(61)	82
Other	4	(2)	2	6	(3)	3
Total finite-lived intangible assets	687	(312)	375	690	(232)	458
Indefinite-lived trade names	744	—	744	744	—	744
Total intangible assets	<u>\$ 1,431</u>	<u>\$ (312)</u>	<u>\$ 1,119</u>	<u>\$ 1,434</u>	<u>\$ (232)</u>	<u>\$ 1,202</u>

Goodwill and intangible assets to be disposed of as a result of our agreement with Broadcom to sell certain assets of Enterprise Security business were included in assets of discontinued operations in our Condensed Consolidated Balance Sheets as of March 29, 2019, and were derecognized on November 4, 2019 upon the close of the sale, and accordingly, are excluded from the tables above.

Amortization expense for purchased intangible assets is summarized below:

(In millions)	Three Months Ended		Nine Months Ended		Statements of Operations Classification
	January 3, 2020	December 28, 2018	October 4, 2019	September 28, 2018	
Customer relationships and other	\$ 20	\$ 19	\$ 61	\$ 59	Operating expenses
Developed technology	8	9	23	22	Cost of revenues
Total	<u>\$ 28</u>	<u>\$ 28</u>	<u>\$ 84</u>	<u>\$ 81</u>	

As of January 3, 2020, future amortization expense related to intangible assets that have finite lives is as follows by fiscal year:

(In millions)		
Remainder of 2020	\$	28
2021		108
2022		100
2023		79
2024		59
Thereafter		1
Total	\$	375

Note 7. Supplementary Information (in millions)

Cash and cash equivalents:

	January 3, 2020	March 29, 2019
Cash	\$ 648	\$ 376
Cash equivalents	12,001	1,415
Total cash and cash equivalents	\$ 12,649	\$ 1,791

Other current assets:

	January 3, 2020	March 29, 2019
Prepaid expenses	\$ 118	\$ 136
Income tax receivable and prepaid income taxes	49	61
Other tax receivable	161	69
Other	83	20
Total other current assets	\$ 411	\$ 286

Property and equipment, net:

	January 3, 2020	March 29, 2019
Land	\$ 21	\$ 65
Computer hardware and software	786	814
Office furniture and equipment	95	105
Buildings	213	364
Leasehold improvements	178	327
Construction in progress	3	9
Total property and equipment, gross	1,296	1,684
Accumulated depreciation and amortization	(931)	(1,021)
Total property and equipment, net	\$ 365	\$ 663

During the three months ended January 3, 2020, we reclassified certain land and buildings previously reported as property and equipment to assets held for sale in the Condensed Consolidated Balance sheets because we expect to sell them within the next twelve months. The fair value of the assets held for sale less costs to sell exceed their carrying value.

Other long-term assets:

	January 3, 2020	March 29, 2019
Cost method investments	\$ 185	\$ 184
Equity method investment	—	32
Long-term income tax receivable and prepaid income taxes	43	34
Deferred income tax assets	404	830
Other	77	80

Total other long-term assets

\$	709	\$	1,160
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Deferred income tax assets as of January 3, 2020 reflect a \$1,119 million decrease as a result of the sale of Enterprise Security assets, partially offset by a \$665 million remeasurement adjustment in Ireland as described in Note 3.

Short-term contract liabilities:

	January 3, 2020	March 29, 2019
Deferred revenue	\$ 674	\$ 527
Customer deposit liabilities	345	505
Total short-term contract liabilities	<u>\$ 1,019</u>	<u>\$ 1,032</u>

Other current liabilities:

	January 3, 2020	March 29, 2019
Income taxes payable	\$ 2,086	\$ 103
Other taxes payable	232	143
Other	286	278
Total other current liabilities	<u>\$ 2,604</u>	<u>\$ 524</u>

Income tax payable as of January 3, 2020 reflect \$1,867 million of income tax obligations as a result of the sale of Enterprise Security assets.

Long-term income taxes payable:

	January 3, 2020	March 29, 2019
Deemed repatriation tax payable	\$ 626	\$ 703
Uncertain tax positions (including interest and penalties)	460	373
Total long-term income taxes payable	<u>\$ 1,086</u>	<u>\$ 1,076</u>

Other income (expense), net:

	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Interest income	\$ 38	\$ 11	\$ 56	\$ 29
Loss from equity interest	(9)	(24)	(31)	(84)
Foreign exchange loss	(5)	(3)	(7)	(12)
Gain on sale of equity method investment	379	—	379	—
Other	(4)	(2)	—	11
Other income (expense), net	<u>\$ 399</u>	<u>\$ (18)</u>	<u>\$ 397</u>	<u>\$ (56)</u>

Supplemental cash flow information:

	Nine Months Ended	
	January 3, 2020	December 28, 2018
Income taxes paid, net of refunds	\$ 198	\$ 80
Interest expense paid	\$ 133	\$ 145
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 43	\$ —

Non-cash operating activities:

Operating lease assets obtained in exchange for operating lease liabilities	\$ 14	\$ —
Reduction of operating lease assets as a result of lease terminations and modifications	\$ 24	\$ —

Non-cash investing and financing activities:

Purchases of property and equipment in current liabilities	\$ 1	\$ 29
Extinguishment of debt with borrowings from same creditors	\$ 198	\$ —

Note 8. Financial Instruments and Fair Value Measurements

For financial instruments measured at fair value, fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use when pricing the asset or liability.

The three levels of inputs that may be used to measure fair value are:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets or model-derived valuations. All significant inputs used in our valuations, such as discounted cash flows, are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. We monitor and review the inputs and results of these valuation models to help ensure the fair value measurements are reasonable and consistent with market experience in similar asset classes.

Assets measured and recorded at fair value on a recurring basis

The following table summarizes our financial instruments measured at fair value on a recurring basis:

(In millions)	January 3, 2020			March 29, 2019		
	Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
Assets:						
Money market funds	\$ 10,301	\$ 10,301	\$ —	\$ 1,415	\$ 1,415	\$ —
Certificates of deposit	1,702	—	1,702	1	—	1
Corporate bonds	118	—	118	251	—	251
Total	<u>\$ 12,121</u>	<u>\$ 10,301</u>	<u>\$ 1,820</u>	<u>\$ 1,667</u>	<u>\$ 1,415</u>	<u>\$ 252</u>

The following table presents the contractual maturities of our investments in debt securities as of January 3, 2020:

(In millions)	Fair Value
Due in one year or less	\$ 1,784
Due after one year through five years	36
Total	<u>\$ 1,820</u>

Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay certain obligations.

Financial instruments not recorded at fair value on a recurring basis include our non-marketable equity investments, equity method investment and our long-term debt.

Non-marketable equity investments

As of January 3, 2020 and March 29, 2019, the carrying value of our non-marketable equity investments was \$185 million and \$184 million, respectively.

Equity method investment

Our investment in equity securities that was accounted for using the equity method was included in Other long-term assets in our Condensed Consolidated Balance Sheets and consisted of our equity investment in DigiCert Parent Inc. (DigiCert) that had a carrying value of \$32 million at March 29, 2019. On October 16, 2019, Clearlake Capital Group, L.P. (Clearlake), a private investment firm, and TA Associates, an investor of DigiCert and a private equity firm, completed an investment in DigiCert. As a part of the transaction, Clearlake and TA became equal partners in DigiCert. As a result, we received \$378 million in cash for our equity investment in DigiCert and \$2 million remains in escrow. We recognized a gain on sale of \$379 million. We expect to make income tax payments of approximately \$53 million as a result of the transaction.

We recorded a loss from equity interests of \$9 million and \$31 million during the three and nine months ended January 3, 2020, respectively, and \$24 million and \$84 million during the three and nine months ended December 28, 2018, respectively, in Other income (expense), net in our Condensed Consolidated Statements of Operations. This loss was reflected as a reduction in the carrying amount of our investment in equity interests in our Condensed Consolidated Balance Sheets.

The following table summarizes financial data from DigiCert, which was provided to us on a three-month lag:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue	\$ 121	\$ 80	\$ 230	\$ 220
Gross profit	\$ 104	\$ 67	\$ 194	\$ 181
Net loss	\$ (18)	\$ (83)	\$ (55)	\$ (288)

Current and long-term debt

As of January 3, 2020 and March 29, 2019, the total fair value of our current and long-term fixed rate debt was \$4,016 million and \$3,964 million, respectively. The fair value of our variable rate debt approximated its carrying value. The fair values of all our debt obligations were based on Level 2 inputs.

Note 9. Debt

The following table summarizes components of our debt:

(In millions, except percentages)	January 3, 2020	March 29, 2019	Effective Interest Rate
4.2% Senior Notes due September 15, 2020	\$ 750	\$ 750	4.25%
2.5% Convertible Senior Notes due April 1, 2022	500	500	3.76%
Senior Term Loan A-5 due August 1, 2021	—	500	LIBOR plus ⁽¹⁾
2.0% Convertible Senior Notes due August 15, 2022	1,250	1,250	2.66%
3.95% Senior Notes due June 15, 2022	400	400	4.05%
Term Loan due November 4, 2024	500	—	LIBOR plus ⁽¹⁾
5.0% Senior Notes due April 15, 2025	1,100	1,100	5.23%
Total principal amount	4,500	4,500	
Less: unamortized discount and issuance costs	(32)	(48)	
Total debt	4,468	4,452	
Less: current portion	(749)	(491)	
Total long-term debt	\$ 3,719	\$ 3,961	

(1) The term loans bear interest at a rate equal to the London Interbank Offered Rate (LIBOR) plus a margin based on the current debt rating of our non-credit-enhanced, senior unsecured long-term debt and the underlying loan agreement. The interest rates for the outstanding term loans are as follows:

	January 3, 2020	March 29, 2019
Senior Term Loan A-5 due August 1, 2021	N/A	4.24%
Term Loan due November 4, 2024	3.31%	N/A

As of January 3, 2020, the future contractual maturities of debt by fiscal year are as follows:

(In millions)	
Remainder of 2020	\$ —
2021	756
2022	525
2023	1,675
2024	25
Thereafter	1,519
Total future maturities of debt	\$ 4,500

New credit facility

On November 4, 2019, we entered into a credit agreement with financial institutions, which provides a revolving line of credit of \$1,000 million through November 2024, a 5-year term loan of \$500 million, and a delayed 5-year term loan commitment of \$750 million through September 15, 2020. At our option, we may increase commitments under the revolving line of credit or the

term loan facility by an aggregate amount of up to \$500 million, subject to customary conditions. Interest on borrowings under the credit agreement can be based on a base rate or a LIBOR at our election. Based on our debt ratings and our consolidated leverage ratios as determined in accordance with the credit agreement, loans borrowed bear interest, in the case of base rate loans, at a per annum rate equal to the applicable base rate plus a margin ranging from 0.125% to 0.75%, and in the case of LIBOR loans, LIBOR, as adjusted for statutory reserves, plus a margin ranging from 1.125% to 1.75%. The unused revolving line of credit is subject to a commitment fee ranging from 0.125% to 0.30% per annum. The principal amount of the term loan is repayable in quarterly installments on the last business day of each calendar quarter commencing with the quarter ended March 31, 2021 in an amount equal to 1.25% of the aggregate principal amount of the term loan and in the outstanding principal amount upon the November 2024 maturity date. We may voluntarily repay outstanding principal balances without penalty.

The credit agreement contains customary representations and warranties, non-financial covenants for financial reporting, affirmative and negative covenants, including a covenant that we maintain a consolidated leverage ratio of not more than 5.25 to 1.0, or 5.75 to 1.0 if we acquire assets or business in an aggregate amount greater than \$250 million, and restrictions on indebtedness, liens, investments, stock repurchases, and dividends (with exceptions permitting our regular quarterly dividend and other specific capital returns). As of January 3, 2020, we were in compliance with all debt covenants.

In connection with the credit agreement, on November 4, 2019, we fully prepaid the principal amount of \$500 million of our Senior Term Loan A-5 and terminated our existing revolving line of credit. This transaction was accounted for as an extinguishment of debt and resulted in accelerated recognition of interest expense for unamortized debt issuance costs, which was not significant. Out of the repayments, \$198 million was replaced by borrowings under the term loan of \$500 million issued on November 4, 2019 to the same creditors.

As of January 3, 2020 and March 29, 2019, there were no borrowings outstanding under our revolving credit facilities.

Amendments to Convertible Senior Notes

On March 4, 2016, we issued \$500 million of convertible notes with maturity on April 1, 2021 and bear interest at an annual rate of 2.5% (2.5% Convertible Notes). On August 1, 2016, we issued an additional \$1.25 billion of convertible notes with maturity on August 15, 2021 and bear interest at an annual rate of 2.0% (2.0% Convertible Notes). Both the 2.5% Convertible Notes and the 2.0% Convertible Notes (collectively, Convertible Senior Notes) have coupon interest payable semiannually in arrears in cash. Interest payments on the Convertible Senior Notes are due on October 1 and April 1 of each year in the case of the 2.5% Convertible Notes, and February 15 and August 15 in the case of the 2.0% Convertible Notes. The fair value of the equity component of our Convertible Senior Notes of \$41 million, net of tax, was recorded in additional paid-in capital and is being amortized as interest expense. Additionally, as of March 29, 2019, the principal amount and associated unamortized discount and issuance costs of the 2.5% Convertible Notes were classified as current because upon the 4-year anniversary of the issuance of the notes, holders of thereof had the option to require us to repurchase the notes, in cash, equal to the principal amount and accrued and unpaid interest of the 2.5% Convertible Notes.

Holders of the Convertible Senior Notes could convert the notes into our common stock at any time up to the maturity date of each note. The conversion rate for all the 2.0% Convertible Notes was 48.9860 shares of common stock per \$1,000 principal amount of the notes, which represented an initial conversion price of approximately \$20.41 per share. The conversion rate for the 2.5% Convertible Notes was 59.6341 shares of common stock per \$1,000 principal amount of the notes, which represented an initial conversion price of approximately \$16.77 per share. If holders of the Convertible Senior Notes convert them in connection with a fundamental change, we may be required to provide a make-whole premium in the form of an increased conversion rate, subject to a maximum amount, based on the effective date of the fundamental change as set forth in a table contained in the indenture governing each of the Convertible Senior Notes. A fundamental change, as defined, includes a sale of substantially all our assets, a change of the control of NortonLifeLock, or a plan for our liquidation or dissolution. The conversion rates under the Convertible Senior Notes are subject to customary anti-dilution adjustments. If the holders request a conversion, we have the option to settle the par amount of the Convertible Senior Notes using cash, shares of our common stock, or a combination of cash and shares with the cash settlement not exceeding the principal amount and accrued and unpaid interest of the Convertible Senior Notes.

Additionally, we could redeem all or part of the principal of the 2.5% Convertible Notes, at our option, at a purchase price equal to the principal amount plus accrued interest on or after the 4-year anniversary of the issuance date of the 2.5% Convertible Notes, if the closing trading price of our common stock exceeds 150% of the then-current conversion price for 20 or more trading days in the 30 consecutive trading-day period preceding our exercise of the redemption right (including the last three such trading days) and provided that we have satisfied all regulatory common stock registration requirements. The 2.0% Convertible Notes are not redeemable at our option.

As long as the holders of the Convertible Senior Notes each own at least 4% of our common stock on an as-converted basis, they are entitled to nominate one director to our Board of Directors. As of January 3, 2020, the holders' percentage interest in our common stock exceeded this threshold.

On November 11, 2019, we amended the Convertible Senior Notes agreements to provide that, if and when we pay a special dividend of \$12 to our stockholders, we would exchange \$250 million of the principal amount underlying the 2.5% Convertible Notes for new notes to be issued pursuant to a new indenture (the "New 2.5% Convertible Notes") and make a payment of \$12 for each share underlying the New 2.5% Convertible Notes, and exchange \$625 million of the principal amount underlying the 2.0% Convertible Notes for new notes to be issued pursuant to a new indenture (the "New 2.0% Convertible Notes") and make a payment of \$12 for each share underlying the New 2.0% Convertible Notes, in each case in lieu of a conversion price

adjustment (the Cash Note Payment). The remaining principal of the Convertible Senior Notes would receive a conversion price adjustment with respect to such special dividend.

The special dividend was payable to stockholders on January 31, 2020 and on February 4, 2020, we issued the New 2.5% Convertible Notes and the New 2.0% Convertible Notes pursuant to two new indentures, and then made the Cash Note Payment. The Cash Note Payments consisted of \$179 million with respect to holders of the New 2.5% Convertible Senior Notes and \$367 million with respect to holders of the New 2.0% Convertible Senior Notes. After giving effect to the conversion rate adjustment that was made in connection with the payment of the special dividend on January 31, 2020, the conversion rate for the remaining \$250 million of the 2.5% Convertible Notes is 118.9814 shares of common stock per \$1,000 principal amount of the notes, which represents an adjusted conversion price of approximately \$8.40 per share and the conversion rate for the remaining \$625 million of the 2.0% Convertible Notes is 97.7364 shares of common stock per \$1,000 principal amount of the notes, which represents an adjusted conversion price of approximately \$10.23 per share.

In addition, in connection with the amendments, we extended the maturity dates of all of the 2.5% Convertible Notes, including the New 2.5% Convertible Notes to April 1, 2022 and all of the 2.0% Convertible Notes, including the New 2.0% Convertible Notes, to August 15, 2022. Further, holders of the Convertible Senior Notes will only be able to convert the notes in a period of six months prior to the extended maturity dates. For the 2.5% Convertible Notes, we no longer have the redemption right, nor do the holders of the 2.5% Convertible Notes have the right to require us to repurchase the notes.

Based on the closing price of our common stock of \$25.83 on January 3, 2020, the if-converted value of our 2.5% Convertible Notes exceeded the principal amount by approximately \$270 million and the if-converted value of our 2.0% Convertible Notes exceeded the principal amount by approximately \$332 million.

During the three and nine months ended January 3, 2020, we made payments totaling \$5 million to holders of the Convertible Notes in lieu of conversion price adjustments because our dividend of \$0.125 per share to our common stockholders that was paid in December 2019 exceeded the amounts defined in the Convertible Senior Notes agreements. These payments were recorded as interest expense during the three and nine months ended January 3, 2020.

The following table sets forth total interest expense recognized related to our 2.5% and 2.0% Convertible Senior Notes:

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Contractual interest expense	\$ 9	\$ 9	\$ 28	\$ 28
Amortization of debt discount and issuance costs	\$ 3	\$ 4	\$ 11	\$ 12
Payments in lieu of conversion price adjustments	\$ 5	\$ —	\$ 5	\$ —

Note 10. Derivatives

We conduct business in numerous currencies throughout our worldwide operations, and our entities hold monetary assets or liabilities, earn revenues, or incur costs in currencies other than the entity's functional currency. As a result, we are exposed to foreign exchange gains or losses which impacts our operating results. As part of our foreign currency risk mitigation strategy, we have entered into foreign exchange forward contracts with up to twelve months in duration. We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of the changes in foreign exchange rates.

To help protect the net investment in a foreign operation from adverse changes in foreign currency exchange rates, we conduct a program under which we may enter into foreign currency forward and option contracts to offset the changes in the carrying amounts of these investments due to fluctuations in foreign currency exchange rates. We exclude changes in forward points for the forward contracts from the assessment of hedge effectiveness. We recognize changes in the excluded component in other income (expense), net. As of January 3, 2020 and December 28, 2018, the fair value of these contracts was insignificant. During the nine months ended January 3, 2020, a net loss of \$1 million was recorded in Accumulated other comprehensive loss.

We also enter into foreign currency forward contracts to hedge foreign currency balance sheet exposure. These forward contracts are not designated as hedging instruments. As of January 3, 2020 and December 28, 2018, the fair value of these contracts was insignificant. The related gain (loss) recognized in Other income (expense), net in our Condensed Consolidated Statements of Operations was as follows:

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Foreign exchange forward contracts gain (loss)	\$ 7	\$ (1)	\$ 1	\$ (39)

The fair value of our foreign exchange forward contracts is presented on a gross basis in our Condensed Consolidated Balance Sheets. To mitigate losses in the event of nonperformance by counterparties, we have entered into master netting

arrangements with our counterparties that allow us to settle payments on a net basis. The effect of netting on our derivative assets and liabilities was not material as of January 3, 2020 and December 28, 2018.

The notional amount of our outstanding foreign exchange forward contracts in U.S. dollar equivalent was as follows:

(In millions)	January 3, 2020	March 29, 2019
Net investment hedges		
Foreign exchange forward contracts sold	\$ 374	\$ 116
Balance sheet contracts		
Foreign exchange forward contracts purchased	\$ 913	\$ 963
Foreign exchange forward contracts sold	\$ 51	\$ 122

Note 11. Restructuring, Transition and Other Costs

Our restructuring, transition and other costs consist primarily of severance, facilities, separation, transition and other related costs. Severance costs generally include severance payments, outplacement services, health insurance coverage, and legal costs. Included in other exit and disposal costs are advisory fees incurred in connection with restructuring events and facilities exit costs, which generally include rent expense and lease termination costs, less estimated sublease income. Separation costs primarily consist of consulting costs incurred in connection with the divestiture of our Enterprise Security business. Transition costs are incurred in connection with Board of Directors approved discrete strategic information technology transformation initiatives and primarily consist of consulting charges associated with our enterprise resource planning and supporting systems and costs to automate business processes. Such transition projects were completed by the end of fiscal 2019.

November 2019 Plan

In November 2019, our Board of Directors approved a restructuring plan (the November 2019 Plan) in connection with the strategic decision to divest our Enterprise Security business. Actions under this plan include the reduction of our workforce by approximately 3,100 employees, as well as asset write-offs, contract terminations, facilities closures, and the sale of underutilized facilities. We estimate that we will incur total costs of \$800 million in connection with the November 2019 Plan, of which approximately \$330 million are expected to consist of cash expenditures for severance and termination benefits and \$170 million of cash expenditures for contract terminations. These actions are expected to be completed within the next twelve months. As of January 3, 2020, we have incurred costs of \$285 million related to our November 2019 Plan.

In addition, as a result of our divestiture, our Board of Directors approved an equity-based severance program under which certain equity awards to certain terminated employees were accelerated. See Note 14 for more information on the impact of this program.

August 2019 Plan

On August 6, 2019, our Board of Directors approved a restructuring plan (the August 2019 Plan) to improve productivity and reduce complexity in the way we manage the business. We expect to reduce net global headcount by approximately 7% under the August 2019 Plan. We also plan to downsize, vacate or close certain facilities and data centers in connection with the restructuring plan. We estimate that we will incur total costs in connection with the restructuring of approximately \$100 million, approximately \$75 million for severance and termination benefits and \$25 million for site closures. These actions are expected to be completed in fiscal 2020. As of January 3, 2020, we have incurred costs of \$53 million related to our Fiscal 2020 Plan.

August 2018 Plan

In August 2018, we announced a restructuring plan (the August 2018 Plan) under which we incurred costs of \$48 million as of October 4, 2019. These actions were substantially completed in fiscal 2020.

Restructuring, transition and other costs summary

Our restructuring, transition and other costs attributable to continuing operations are presented in the table below:

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Severance and termination benefit costs	11	4	39	9
Contract cancellation charges	67	—	67	—
Stock-based compensation charges	6	—	6	—
Asset write-offs	10	—	10	2
Other exit and disposal costs	4	3	6	10
Separation costs	—	—	—	4
Transition costs	—	43	—	162
Total restructuring, transition and other costs	\$ 98	\$ 50	\$ 128	\$ 187

In connection with the agreement to sell certain assets of our Enterprise Security business, a portion of our restructuring, transition and other costs were classified to discontinued operations for all periods presented. Our restructuring costs attributable to discontinued operations are presented in the table below:

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Severance and termination benefit costs	78	1	123	8
Contract cancellation charges	5	—	5	—
Stock-based compensation charges	95	—	95	—
Asset write-offs	13	—	13	—
Other exit and disposal costs	—	—	—	3
Separation costs	15	—	22	—
Other	—	2	—	7
Total restructuring, transition and other	\$ 206	\$ 3	\$ 258	\$ 18

Restructuring summary

Our activities related to our restructuring plans are presented in the tables below:

November 2019 Plan

(In millions)	Liability Balance as of March 29, 2019	Net Charges	Cash Payments	Non-Cash Items	Liability Balance as of January 3, 2020
Severance and termination benefit costs	\$ —	\$ 88	\$ (47)	\$ —	\$ 41
Contract cancellation charges	—	71	—	(9)	63
Stock-based compensation charges	—	101	—	(101)	—
Asset write-offs	—	23	—	(23)	—
Other exit and disposal costs	—	2	—	(1)	1
Total	\$ —	\$ 285	\$ (47)	\$ (134)	\$ 105

August 2019 Plan

(In millions)	Liability Balance as of March 29, 2019	Net Charges	Cash Payments	Non-Cash Items	Liability Balance as of January 3, 2020
Severance and termination benefit costs	\$ —	\$ 50	\$ (48)	\$ —	\$ 2
Other exit and disposal costs	—	3	—	(3)	—
Total	\$ —	\$ 53	\$ (48)	\$ (3)	\$ 2

August 2018 Plan

(In millions)	Liability Balance as of March 29, 2019	Net Charges	Cash Payments	Non-Cash Items	Liability Balance as of January 3, 2020
Severance and termination benefit costs	\$ 11	\$ 23	\$ (31)	\$ —	\$ 3
Other exit and disposal costs	2	2	(3)	—	1
Total	\$ 13	\$ 25	\$ (34)	\$ —	\$ 4

The restructuring liabilities are included in Accounts payable and Other current liabilities in our Condensed Consolidated Balance Sheets.

Note 12. Income Taxes

The following table summarizes our effective tax rate for the periods presented:

(In millions, except percentages)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Income (loss) from continuing operations before income taxes	\$ 410	\$ (9)	\$ 562	\$ (127)
Income tax expense	\$ 57	\$ 10	\$ 133	\$ 20
Effective tax rate	14%	(111)%	24%	(16)%

Our effective tax rate for continuing operations for fiscal 2020 was based on the statutory tax rate of 21%. Our effective tax rate for continuing operations for the three and nine months ended January 3, 2020 differs from the federal statutory income tax rate primarily due to a discrete tax charge of \$53 million recorded to account for the sale of DigiCert equity investment, various permanent differences and state taxes, partially offset by the benefits of lower-taxed international earnings and the research and development tax credit. In addition, for the nine months ended January 3, 2020, there was an additional tax expense of \$62 million recorded to account for uncertain tax positions related to the Ninth Circuit Court of Appeals recent holding in *Altera Corp. v. Commissioner*.

Our effective tax rate for income (loss) from continuing operations for the three and nine months ended December 28, 2018 differs from the federal statutory income tax rate primarily due to the tax expense recorded to account for one-time adjustments related to guidance issued on the Tax Cuts and Jobs Act (H.R. 1) (Tax Reform) and other changes in response to the Tax Reform, various permanent differences, and state taxes, partially offset by the benefits of lower-taxed international earnings and the research and development tax credit.

On July 27, 2015, the United States Tax Court (Tax Court) issued its opinion in *Altera Corp. v. Commissioner* and concluded that related parties in a cost sharing arrangement are not required to share expenses related to stock-based compensation. The Commissioner of the Internal Revenue Service appealed the Tax Court decision to the Ninth Circuit. In June 2019, the U.S. Court of Appeals for the Ninth Circuit reversed the July 2015 decision of the U.S. Tax Court. As a result of this decision, we recorded a cumulative income tax expense of \$62 million in nine months ended January 3, 2020. On July 22, 2019, the taxpayer requested a rehearing before the full Ninth Circuit, but such request was denied on November 12, 2019. Nevertheless, the taxpayer may still file an appeal with the United States Supreme Court. Consequently, the final outcome of the case is uncertain. If the *Altera Ninth Circuit Panel Opinion* is reversed, we would anticipate recording an income tax benefit at that time.

The aggregate changes in the balance of gross unrecognized tax benefits for the nine months ended January 3, 2020 were as follows:

(In millions)	
Balance as of March 29, 2019	\$ 446
Settlements with tax authorities	(1)
Lapse of statute of limitations	(14)
Increase related to prior period tax positions	84
Increase related to current year tax positions	54
Balance as of January 3, 2020	<u>\$ 569</u>

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

Note 13. Stockholders' Equity

Stock repurchase program

Under our stock repurchase program, we may purchase shares of our outstanding common stock through open market and through accelerated stock repurchase transactions. On August 6, 2019, our Board of Directors increased the share repurchase authorization to \$1,600 million. As of January 3, 2020, we had \$1,236 million remaining under the authorization to be completed in future periods with no expiration date.

The following table summarizes activity related to this program for the three and nine months ended January 3, 2020:

(In millions, except per share amounts)	Three Months Ended January 3, 2020	Nine Months Ended January 3, 2020
Number of shares repurchased	14	39
Average price per share	\$ 25.79	\$ 23.28
Aggregate purchase price	\$ 364	\$ 904

During the three and nine months ended January 3, 2020, we executed repurchases of \$18 million for 1 million shares that settled after January 3, 2020. In addition, during the fourth quarter of fiscal 2019, we executed repurchases of \$18 million for 1 million shares that settled during the nine months ended January 3, 2020. No shares were repurchased during the nine months ended December 28, 2018.

Accumulated other comprehensive loss

Components of Accumulated other comprehensive loss, net of taxes, were as follows:

(In millions)	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Available-For-Sale Securities	Equity Method Investee	Total
Balance as of March 29, 2019	\$ (5)	\$ (1)	\$ (1)	\$ (7)
Other comprehensive income before reclassifications	17	1	2	20
Reclassifications to net income (loss)	—	—	(1)	(1)
Balance as of January 3, 2020	\$ 12	\$ —	\$ —	\$ 12

Note 14. Employee Equity Incentive Plans

The following table sets forth the stock-based compensation expense recognized for our equity incentive plans:

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Cost of revenues	\$ —	\$ 2	\$ 1	\$ 5
Sales and marketing	10	10	23	32
Research and development	6	9	21	25
General and administrative	20	16	46	63
Restructuring, transition and other costs	6	—	6	—
Other income (expense), net	3	—	3	—
Total stock-based compensation from continuing operations	45	37	100	125
Discontinued operations	75	18	170	140
Total stock-based compensation expense	\$ 120	\$ 55	\$ 270	\$ 265
Income tax benefit for stock-based compensation expense	\$ (22)	\$ (12)	\$ (51)	\$ (59)

As of January 3, 2020, the total unrecognized stock-based compensation costs related to our unvested stock-based awards was \$138 million, which will be recognized over an estimated weighted-average amortization period of 1.7 years.

The following table summarizes additional information related to our stock-based awards, including awards associated with our discontinued operations:

(In millions, except per grant data)	Nine Months Ended	
	January 3, 2020	December 28, 2018
Restricted stock units (RSUs):		
Weighted-average fair value per award granted	\$ 19.56	\$ 21.71
Awards granted	13	14
Total fair value of awards released	\$ 251	\$ 203
Outstanding and unvested	8	21
Performance-based restricted stock units (PRUs):		
Weighted-average fair value per award granted	\$ 13.42	\$ 21.21
Awards granted	2	2
Total fair value of awards released	\$ 33	\$ 261
Outstanding and unvested at target payout	1	4
Stock options:		
Weight-average fair value per award granted	\$ 4.76	\$ —
Awards granted	2	—
Total intrinsic value of stock options exercised	\$ 159	\$ 13
Outstanding	3	12
Exercisable	2	12
Restricted stock:		
Outstanding and unvested	—	1

We settled certain fiscal 2019 bonuses and certain fixed monetary awards in approximately 2 million RSUs during the nine months ended January 3, 2020. These awards were granted and vested in fiscal 2020. As of January 3, 2020 and March 29, 2019, the total liability associated with liability-classified awards was \$2 million and \$22 million, respectively, which is presented in Accrued compensation and benefits in our Condensed Consolidated Balance Sheets.

Stock-based award modifications

In connection with the Broadcom sale, we approved severance and retention arrangements for certain executives. As a result, these executives are entitled to receive vesting of 50% of their unvested equity, subject to a service condition, and the remaining unvested equity may be earned at levels of 0% to 150%, subject to market and service conditions. In connection with restructuring activities related to the Broadcom sale, we entered into severance and retention arrangements with certain other employees. These arrangements accelerate either a portion or all of the vesting of their stock-based awards.

During the three and nine months ended January 3, 2020, we recognized \$120 million of expense associated with these modifications, of which \$12 million was recognized in General and administrative expense, \$5 million in Sales and marketing expense, \$6 million in continuing operations restructuring costs, \$95 million in discontinued operations restructuring costs and \$2 million in discontinued operations expense.

Note 15. Net Income Per Share

Basic income per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share also includes the incremental effect of dilutive potentially issuable common shares outstanding during the period using the treasury stock method. Dilutive potentially issuable common shares includes the dilutive effect of the shares underlying convertible debt and employee equity awards. Diluted loss per share was the same as basic loss per share for the three and nine months ended December 28, 2018, as there was a loss from continuing operations in the period and inclusion of potentially issuable shares was anti-dilutive.

The components of basic and diluted net income (loss) per share are as follows:

(In millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Income (loss) from continuing operations	\$ 353	\$ (19)	\$ 429	\$ (147)
Income from discontinued operations	2,492	84	3,227	144
Net income (loss)	\$ 2,845	\$ 65	\$ 3,656	\$ (3)
Income (loss) per share - basic:				
Continuing operations	\$ 0.57	\$ (0.03)	\$ 0.69	\$ (0.23)
Discontinued operations	\$ 4.01	\$ 0.13	\$ 5.20	\$ 0.23
Net income (loss) per share - basic	\$ 4.58	\$ 0.10	\$ 5.90	\$ —
Income (loss) per share - diluted:				
Continuing operations	\$ 0.55	\$ (0.03)	\$ 0.67	\$ (0.23)
Discontinued operations	\$ 3.85	\$ 0.13	\$ 5.01	\$ 0.23
Net income (loss) per share - diluted	\$ 4.40	\$ 0.10	\$ 5.68	\$ —
Weighted-average shares outstanding - basic	621	637	620	631
Dilutive potentially issuable shares:				
Convertible debt	20	—	15	—
Employee equity awards	6	—	9	—
Weighted-average shares outstanding - diluted	647	637	644	631
Anti-dilutive shares excluded from diluted net income (loss) per share calculation:				
Convertible debt	—	91	—	91
Employee equity awards	—	36	2	47
Total	—	127	2	138

(1) Net income per share amounts may not add due to rounding.

Under the treasury stock method, our Convertible Senior Notes will generally have a dilutive impact on net income per share when our average stock price for the period exceeds approximately \$16.77 per share for the 2.5% Convertible Senior Notes and \$20.41 per share for the 2.0% Convertible Senior Notes. The conversion feature of both notes was anti-dilutive during the three and nine months ended December 28, 2018 as there was a loss from continuing operations in the period.

Note 16. Segment and Geographic Information

Historically, we operated in two reportable segments: Enterprise Security and Consumer Cyber Safety. The Enterprise Security segment focused on providing our Integrated Cyber Defense solutions to help business and government customers unify cloud and on-premises security to deliver a more effective cyber defense solution, while driving down cost and complexity. The Consumer Cyber Safety segment focused on providing cyber safety solutions under our NortonLifeLock brand to help consumers protect their devices, online privacy, identities, and home networks. On August 8, 2019, we entered into a definitive agreement to sell certain assets of our Enterprise Security business to Broadcom, representing substantially all of our Enterprise Security segment. This transaction closed on November 4, 2019. The divestiture of these Enterprise Security assets allows us to shift our operational focus to our consumer business and represents a strategic shift in our operations. Therefore, the results of our divested Enterprise Security assets were classified as discontinued operations in our Condensed Consolidated Statements of Operations and thus excluded from both continuing operations and segment results for all periods presented. Accordingly, we now have one reportable segment. Our Chief Operating Decision Maker reviews financial information presented on a consolidated basis to evaluate company performance and to allocate resources. The change has been reflected in our segment reporting for all periods presented.

The following table summarizes net revenues by significant products and services categories:

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Consumer security	\$ 364	\$ 367	\$ 1,103	\$ 1,104
Identity and information protection	239	235	731	699
Other	15	13	42	36
Total net revenues	\$ 618	\$ 615	\$ 1,876	\$ 1,839

Consumer security products include Norton security, Norton Secure VPN, and other consumer security solutions. Identity and information protection products include LifeLock identity theft protection and other information protection solutions.

Geographical information

Net revenues by geography are based on the billing addresses of our customers. The following table represents net revenues by geographic area for the periods presented:

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Americas	\$ 454	\$ 451	\$ 1,380	\$ 1,335
EMEA	93	95	282	295
APJ	71	69	214	209
Total net revenues	\$ 618	\$ 615	\$ 1,876	\$ 1,839

The Americas include U.S., Canada and Latin America; EMEA includes Europe, Middle East and Africa; APJ includes Asia Pacific and Japan.

Revenues from customers inside the U.S. were \$433 million and \$1,316 million during the three and nine months ended January 3, 2020, respectively, and \$431 million and \$1,273 million during the three and nine months ended December 28, 2018, respectively. No other individual country accounted for more than 10% of revenues.

Most of our assets as of January 3, 2020 and March 29, 2019 were attributable to our U.S. operations. The table below represents cash, cash equivalents and short-term investments held in the U.S. and internationally in various foreign subsidiaries.

(In millions)	January 3, 2020	March 29, 2019
U.S.	\$ 11,705	\$ 1,544
International	1,063	499
Total cash, cash equivalent and short-term investments	\$ 12,768	\$ 2,043

The table below represents our property and equipment, net of accumulated depreciation and amortization, by geographic area, based on the physical location of the asset, at the end of each period presented.

(In millions)	January 3, 2020	March 29, 2019
U.S.	\$ 287	\$ 568
International ⁽¹⁾	78	95
Total property and equipment, net	\$ 365	\$ 663

(1) No individual country represented more than 10% of the respective totals.

Our operating lease assets by geographic area, based on the physical location of the asset, were as follows:

(In millions)	January 3, 2020
U.S.	\$ 50
India	14
Japan	11
Other Countries ⁽¹⁾	32
Total operating lease assets	\$ 107

(1) No individual country represented more than 10% of the respective totals.

Significant customers

Customers that accounted for over 10% of our net accounts receivable were as follows:

	January 3, 2020	March 29, 2019
Customer A	N/A	16%
Customer B	N/A	15%
Customer C	24%	N/A

Note 17. Commitments and Contingencies

Purchase obligations

As of January 3, 2020, we had purchase obligations of \$523 million associated with agreements for purchases of goods or services, including purchase obligations associated with our discontinued operations. The amount of purchase obligations reflects estimated future payments as of January 3, 2020 according to the contract terms.

Deemed repatriation taxes

As of January 3, 2020, we are required to pay a one-time transition tax of \$694 million on untaxed foreign earnings of our foreign subsidiaries due in installments through July 2025 as a result of the Tax Reform Act.

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 material liabilities related to such indemnification obligations in our Condensed Consolidated Financial Statements.

In connection with the sale of Veritas and the sale of our Enterprise Security business to Broadcom, we assigned several leases to Veritas Technologies LLC or Broadcom and/or their related subsidiaries. As a condition to consenting to the assignments, certain lessors required us to agree to indemnify the lessor under the applicable lease with respect to certain matters, including, but not limited to, losses arising out of Veritas Technologies LLC, Broadcom or their related subsidiaries' breach of payment obligations under the terms of the lease. As with our other indemnification obligations discussed above and in general, 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. As with our other indemnification obligations, such indemnification agreements might not be subject to maximum loss clauses, and to date, generally under our real estate obligations, we have not incurred material costs as a result of such obligations under our leases and 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

SEC Investigation

As previously disclosed in our public filings, the Audit Committee of our Board of Directors (the Audit Committee) completed its internal investigation (the Audit Committee Investigation) in September 2018. In connection with the Audit Committee Investigation, we voluntarily contacted the U.S. Securities and Exchange Commission (SEC) in April 2018. The SEC commenced a formal investigation, and we continue to cooperate with that investigation. The outcome of such an investigation is difficult to predict. We have incurred, and will continue to incur, significant expenses related to legal and other professional services in connection with the SEC investigation. At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible as a result of the SEC's investigation or estimate the range of any potential loss.

Securities Class Action and Derivative Litigation

Securities class action lawsuits, which have since been consolidated, were filed in May 2018 against us and certain of our former officers, in the U.S. District Court for the Northern District of California. The lead plaintiff's consolidated amended complaint alleged that, during a purported class period of May 11, 2017 to August 2, 2018, defendants made false and misleading statements in violation of Sections 10(b) and 20(a), and that certain individuals violated Section 20A, of the Securities Exchange Act. Defendants filed motions to dismiss, which the Court granted in an order dated June 14, 2019. Pursuant to that order, plaintiff filed a motion seeking leave to amend and a proposed first amended complaint on July 11, 2019. The Court granted the motion in part on October 2, 2019 and the first amended complaint was filed on October 11, 2019. The Court's order dismissed certain claims and certain of our former officers. Defendants filed answers on November 7, 2019. No trial date has been set.

Purported shareholder derivative lawsuits have been filed against us and certain of our former officers and current and former directors in the U.S. District Courts for the District of Delaware and the Northern District of California, Delaware Chancery Court, and Delaware Superior Court, arising generally out of the same facts and circumstances as alleged in the securities class action and alleging claims for breach of fiduciary duty and related claims; these lawsuits include an action brought derivatively on behalf of our 2008 Employee Stock Purchase Plan. The derivative actions are currently voluntarily stayed in light of the securities class action. No specific amount of damages has been alleged in these lawsuits. We have also received demands from purported stockholders to inspect corporate books and records under Delaware law.

We will continue to incur legal fees in connection with these pending cases and demands, including expenses for the reimbursement of legal fees of present and former officers and directors under indemnification obligations. The expense of continuing to defend such litigation may be significant. We intend to defend these lawsuits vigorously, but there can be no assurance that we will be successful in any defense. If any of the lawsuits are decided adversely, we may be liable for significant damages directly or under our indemnification obligations, which could adversely affect our business, results of operations, and cash flows.

At this stage, we are unable to assess whether any material loss or adverse effect is reasonably possible as a result of these lawsuits or estimate the range of any potential loss.

GSA

During the first quarter of fiscal 2013, we were advised by the Commercial Litigation Branch of the Department of Justice's (DOJ) 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 was 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 California, Florida, and New York as well as sales to the federal government through reseller GSA Schedule contracts, which could significantly increase our potential damages exposure.

In 2012, a sealed civil lawsuit was filed against us 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. On September 16, 2014, the states of California and Florida intervened in the lawsuit, and the state of New York notified the Court that it would not intervene. On October 3, 2014, the DOJ filed an amended complaint, which did not state a specific damages amount. On October 17, 2014, California and Florida combined their claims with those of the DOJ and the relator on behalf of New York in an Omnibus Complaint, and a First Amended Omnibus Complaint was filed on October 8, 2015; the state claims also do not state specific damages amounts. On June 6, 2019, we filed a motion seeking summary judgment on all claims asserted by all plaintiffs, and the plaintiffs filed a motion for partial summary judgment on elements of liability on their claims. Both motions are currently pending before the court and NortonLifeLock is currently unable to forecast the likely outcome of these motions.

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 the probable estimated loss from this matter is \$25 million, which we have accrued. This amount contemplates estimated losses from both the investigation of compliance with the terms of the GSA Schedule contract as well as possible violations of the False Claims Act. There is at least a reasonable possibility that a loss may have been incurred in excess of our accrual for this matter, however, we are currently unable to determine the high end of the range of estimated losses resulting from this matter.

Avila v. LifeLock et al

On August 29, 2019 the Ninth Circuit issued a mandate remanding a securities class action lawsuit, originally filed on July 22, 2015, against our subsidiary, LifeLock, as well as certain of LifeLock's former officers (the "LifeLock Defendants") for further proceedings in the U.S. District Court for the District of Arizona. The Ninth Circuit had affirmed in part and reversed in part the August 21, 2017 decision of the District Court, which had dismissed the case with prejudice. The complaint in the remanded action alleges that, during a purported class period of July 30, 2014 to July 21, 2015, a period that predates LifeLock's acquisition by us, the LifeLock Defendants made false and misleading statements in violation of Sections 10(b) and 20(a) of the Securities Exchange Act. The case is now back in the U.S. District Court for further proceedings.

Other

We are 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 flows.

Note 18. Subsequent Events

Dividends

On January 9, 2020, we announced that our Board of Directors declared a special cash dividend of \$12 per share of common stock to be paid in January 2020. On February 6, 2020, we announced that our Board of Directors declared a cash dividend of \$0.125 per share of common stock to be paid in March 2020. All shares of common stock issued and outstanding and all RSUs and PRUs 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.

In connection with the special dividend of \$12 per share, on February 4, 2020, we made approximately \$550 million of cash payments in lieu of conversion price adjustments to the holders of our Convertible Senior Notes during our fourth quarter of fiscal 2020. See Note 9 for more information.

Sale of ID Analytics

On January 31, 2020, we completed the sale of our ID Analytics solutions for approximately \$375 million in net cash proceeds.

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) 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," "goal," "intent," "momentum," "projects," and similar expressions. In addition, projections of our future financial performance; anticipated growth and trends in our businesses and in our industries; the anticipated impacts of acquisitions, divestitures, restructurings, stock repurchases, and investment activities; the outcome or impact of pending litigation, claims or disputes; our intent to pay quarterly cash dividends in the future; plans for and anticipated benefits of our solutions; matters arising out of the ongoing U.S. Securities and Exchange Commission (the SEC) investigation; anticipated tax rates, benefits and expenses; 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 Part II Item 1A, of this quarterly report on Form 10-Q. We encourage you to read that section carefully.

OVERVIEW

NortonLifeLock Inc. is a global leader in consumer cyber safety. Our Norton LifeLock branded solutions help consumers protect their devices, online privacy, identity, and home networks.

On August 8, 2019, we entered into a definitive agreement with Broadcom Inc. (Broadcom) under which Broadcom agreed to purchase certain of our Enterprise Security assets and assume certain liabilities for a purchase price of \$10.7 billion (the Broadcom sale). On November 4, 2019, we completed the transaction.

The divestiture of our Enterprise Security business allows us to shift our operational focus to our consumer business and represents a strategic shift in our operations. As a result, the results of our Enterprise Security business were classified as discontinued operations in our Condensed Consolidated Statements of Operations and thus excluded from both continuing operations and segment results for all periods presented. Accordingly, we now have one reportable segment. The Enterprise Security business was part of our Enterprise Security Segment. Revenues and associated costs of our ID Analytics solutions, which were formerly included in the Enterprise Security segment, are now included in our remaining reportable segment.

In connection with the Broadcom sale, effective November 4, 2019, we changed our corporate name from Symantec Corporation to NortonLifeLock Inc.

Subsequent Events

Special Dividend

As a result of the Broadcom sale, we made a distribution to our stockholders through a special dividend of \$12 per share of common stock, which was declared by our Board of Directors on January 9, 2020 and paid on January 31, 2020. The aggregate amount of such dividend payments was \$7.2 billion. Concurrent with the payment of the special dividend, on February 4, 2020, we made \$546 million of cash payments in lieu of conversion price adjustments to the holders of our Convertible Senior Notes (as defined below).

Sale of ID Analytics solutions

On January 31, 2020, we completed the sale of our ID Analytics solutions for approximately \$375 million in net cash proceeds.

Fiscal calendar

We have a 52/53-week fiscal year ending on the Friday closest to March 31. The third quarter of fiscal 2020 and fiscal 2019 each consisted of 13 weeks. The nine months ended January 3, 2020 consisted of 40 weeks, whereas the nine months ended December 28, 2018 consisted of 39 weeks. Our 2020 fiscal year consists of 53 weeks and ends on April 3, 2020.

Key financial metrics

The following tables provide our key financial metrics for the periods presented:

(In millions, except for per share amounts)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Net revenues	\$ 618	\$ 615	\$ 1,876	\$ 1,839
Operating income	\$ 62	\$ 62	\$ 311	\$ 86
Income (loss) from continuing operations	\$ 353	\$ (19)	\$ 429	\$ (147)
Income from discontinued operations	\$ 2,492	\$ 84	\$ 3,227	\$ 144
Net income (loss)	\$ 2,845	\$ 65	\$ 3,656	\$ (3)
Net income (loss) per share from continuing operations - diluted	\$ 0.55	\$ (0.03)	\$ 0.67	\$ (0.23)
Net income per share from discontinued operations - diluted	\$ 3.85	\$ 0.13	\$ 5.01	\$ 0.23
Net income (loss) per share - diluted	\$ 4.40	\$ 0.10	\$ 5.68	\$ —
Cash provided by operating activities			\$ 905	\$ 948

(In millions)	As Of	
	January 3, 2020	March 29, 2019
Cash, cash equivalents and short-term investments	\$ 12,768	\$ 2,043
Contract liabilities	\$ 1,047	\$ 1,059

Below are our financial highlights for the third quarter of fiscal 2020, compared to the corresponding period in the prior year:

- Net revenues were relatively flat.
- Operating income was flat reflecting lower compensation expense other than stock-based compensation expense and outside services expense that we achieved as a result of our cost reduction programs, offset by higher advertising and promotional expense and higher costs recognized in connection with our restructuring plans.
- Income (loss) from continuing operations increased \$372 million, primarily due to the gain on the sale of equity method investment.
- Income from discontinued operations increased \$2,408 million, primarily due to the gain on the sale of Enterprise Security assets.

- Net income and net income per share increased, primarily due to higher income from both our continuing operations and discontinued operations.

Below are our financial highlights for the first nine months of fiscal 2020, compared to the corresponding period in the prior year unless stated otherwise:

- Net revenues increased \$37 million primarily due to the favorable impact from the additional week in the first nine months of fiscal 2020.
- Operating income increased \$225 million primarily due to higher revenue, lower outside services expense, and lower restructuring, transition and other expense.
- Income (loss) from continuing operations, increased \$576 million primarily due to higher operating income and the gain on the sale of the DigiCert equity method investment, partially offset by higher income tax expense.
- Income from discontinued operations, increased \$3,083 million primarily due to the gain on the sale of Enterprise Security assets.
- Net income and net income per share increased primarily due to higher income from both our continuing operations and discontinued operations.
- Cash, cash equivalents and short-term investments increased by \$10,725 million compared to March 29, 2019, primarily due to net proceeds from sale of Enterprise Security assets and net cash provided by operating activities, partially offset by stock repurchases.
- Contract liabilities was relatively flat compared to March 29, 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our Condensed Consolidated Financial Statements and related notes in accordance with generally accepted accounting principles in the U.S. requires us to make estimates, including 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. Management believes that the accounting estimates employed and the resulting amounts are reasonable; however, actual results may differ from these estimates. Making estimates and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and cash flows.

Our critical accounting policies and estimates were disclosed in Item 7, 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 29, 2019. 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 nine months ended January 3, 2020, except for those related to discontinued operations as a result of changes in reporting that relate to the Broadcom sale.

Discontinued Operations. We review the presentation of planned business dispositions in the Condensed Consolidated Financial Statements based on the available information and events that have occurred. The review consists of evaluating whether the business meets the definition of a component for which the operations and cash flows are clearly distinguishable from the other components of the business, and if so, whether it is anticipated that after the disposal the cash flows of the component would be eliminated from continuing operations and whether the disposition represents a strategic shift that has a major effect on operations and financial results. In addition, we evaluate whether the business has met the criteria as a business held for sale. In order for a planned disposition to be classified as a business held for sale, the established criteria must be met as of the reporting date, including an active program to market the business and the expected disposition of the business within one year.

Planned business dispositions are presented as discontinued operations when all the criteria described above are met. For those divestitures that qualify as discontinued operations, all comparative periods presented are reclassified in the Condensed Consolidated Balance Sheet. Additionally, the results of operations of a discontinued operation are reclassified to income from discontinued operations, net of tax, for all periods presented. Results of discontinued operations include all revenues and expenses directly derived from such businesses; general corporate overhead is not allocated to discontinued operations. See Note 3 - Divestiture and Discontinued Operations in our Notes to Condensed Consolidated Financial statements for additional information.

RESULTS OF OPERATIONS

The following table sets forth our Condensed Consolidated Statements of Operations data as a percentage of net revenues for the periods indicated:

	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Net revenues	100 %	100 %	100 %	100 %
Cost of revenues	17	18	16	18
Gross profit	83	82	84	82
Operating expenses:				
Sales and marketing	29	27	29	29
Research and development	12	18	14	18
General and administrative	14	16	14	17
Amortization of intangible assets	3	3	3	3
Restructuring, transition and other costs	16	8	7	10
Total operating expenses	73	72	68	77
Operating income	10	10	17	5
Interest expense	(8)	(9)	(8)	(9)
Other income (expense), net	65	(3)	21	(3)
Income (loss) from continuing operations before income taxes	66	(1)	30	(7)
Income tax expense	9	2	7	1
Income (loss) from continuing operations	57	(3)	23	(8)
Income from discontinued operations	403	14	172	8
Net income (loss)	460 %	11 %	195 %	— %

Percentages may not add due to rounding.

Net revenues

(In millions, except for percentages)	Three Months Ended			Nine Months Ended		
	January 3, 2020	December 28, 2018	Change in %	January 3, 2020	December 28, 2018	Change in %
Net revenues	\$ 618	\$ 615	—%	\$ 1,876	\$ 1,839	2%

Performance Metrics

We regularly monitor a number of metrics in order to measure our current performance and estimate our future performance. Our metrics may be calculated in a manner different than similar metrics used by other companies.

The following table summarizes supplemental key performance metrics for our consumer solutions:

(In millions, except for per user amounts)	Three Months Ended	
	January 3, 2020	December 28, 2018
Direct customer revenues	\$ 542	\$ 540
Average direct customer count	20.1	20.6
Direct customer count (at quarter end)	20.1	20.5
Direct average revenue per user (ARPU)	\$ 8.99	\$ 8.75

We define direct customer revenues as revenues from sales of our consumer solutions to direct customers, which we define as those customers who have a direct billing relationship with us. Such customer sources include online acquisition and retention, affiliates, co-marketing, and original contract manufacturer channels. Direct customers excludes customers of our partners and ID Analytics solutions and direct customer revenues excludes partner revenues and ID Analytics revenues. For the three months ended January 3, 2020 partner revenues and ID Analytics revenues were \$61 million and \$15 million, respectively.

For the three months ended December 28, 2018 partner revenues and ID Analytics revenues were \$62 million and \$13 million, respectively.

Average direct customer count presents the average of the total number of direct customers at the beginning and end of the fiscal quarter.

ARPU is calculated as estimated direct customer revenues for the period divided by the average direct customer count for the same period, expressed as a monthly figure. We monitor ARPU because it helps us understand the rate at which we are monetizing our consumer customer base.

Net revenues by geographical region

	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Americas	73%	73%	74%	73%
EMEA	15%	15%	15%	16%
APJ	11%	11%	11%	11%

Percentages may not add to 100% due to rounding.

The Americas include the U.S., Canada and Latin America; EMEA includes Europe, the Middle East and Africa; APJ includes Asia Pacific and Japan.

Three Months Ended January 3, 2020 Compared with Three Months Ended December 28, 2018

Net revenues were relatively flat, as our average direct customer count decline was largely offset by an increase in our ARPU.

Nine Months Ended January 3, 2020 Compared with Nine Months Ended December 28, 2018

Net revenues increased \$37 million compared to the corresponding period in fiscal 2019 primarily due to approximately \$44 million of revenue from the additional week in the first nine months of fiscal 2020.

Cost of revenues

(In millions, except for percentages)	Three Months Ended			Nine Months Ended		
	January 3, 2020	December 28, 2018	Change in %	January 3, 2020	December 28, 2018	Change in %
Cost of revenues	\$ 103	\$ 110	(6)%	\$ 296	\$ 331	(11)%

Three Months Ended January 3, 2020 Compared with Three Months Ended December 28, 2018

Our cost of revenues decreased \$7 million primarily due to a decrease in technical support costs, partially offset by an increase in royalty charges.

Nine Months Ended January 3, 2020 Compared with Nine Months Ended December 28, 2018

Our cost of revenues decreased \$35 million primarily due to a decrease in technical support costs, partially offset by an increase in royalty charges. In addition, in the first nine months of fiscal 2019, we recorded inventory write-offs of \$9 million due to our discontinuation of a consumer hardware product line.

Operating expenses

(In millions, except for percentages)	Three Months Ended			Nine Months Ended		
	January 3, 2020	December 28, 2018	Change in %	January 3, 2020	December 28, 2018	Change in %
Sales and marketing	\$ 178	\$ 166	7 %	\$ 551	\$ 537	3 %
Research and development	72	110	(35)%	258	322	(20)%
General and administrative	85	98	(13)%	271	317	(15)%
Amortization of intangible assets	20	19	5 %	61	59	3 %
Restructuring, transition and other costs	98	50	96 %	128	187	(32)%
Total operating expenses	\$ 453	\$ 443	2 %	\$ 1,269	\$ 1,422	(11)%

Three Months Ended January 3, 2020 Compared with Three Months Ended December 28, 2018

Sales and marketing expense increased \$12 million, primarily due to a \$31 million increase in advertising and promotional expense reflecting our higher investments in direct marketing programs, partially offset by decreases in compensation expense and outside services expense, reflecting our cost reduction initiatives.

Research and development expense decreased \$38 million, primarily due to an approximately \$25 million decrease in compensation expense and allocated corporate shared costs, and an \$8 million decrease in outside services expense, reflecting our cost reduction initiatives.

General and administrative expense decreased \$13 million, primarily due to an \$8 million decrease in outside services expense and a \$6 million decrease in compensation expense, reflecting our cost reduction initiatives.

Restructuring, transition and other costs increased \$48 million, primarily due to amounts recognized in connection with our fiscal 2020 restructuring plans, including \$67 million in contract cancellation charges and \$10 million in assets write-offs in the third quarter of fiscal 2020, and a \$7 million increase in severance costs, while in the third quarter of fiscal 2019, we incurred \$43 million in transition related projects costs that were completed in fiscal 2019.

Nine Months Ended January 3, 2020 Compared with Nine Months Ended December 28, 2018

Sales and marketing expense increased \$14 million primarily due to a \$39 million increase advertising and promotional expense reflecting our increased investment in direct marketing programs, partially offset decreases in compensation expense and outside services expense, reflecting our cost reduction initiatives.

Research and development expense decreased \$64 million, primarily due to an approximately \$40 million decrease in compensation expense and allocated corporate costs, and a \$18 million decrease in outside services expense.

General and administrative expense decreased \$46 million, primarily due to a \$17 million decrease in outside services expense, a \$17 million decrease in stock-based compensation expense, and an \$8 million decrease in allocated corporate costs.

Restructuring, transition and other costs decreased \$59 million, primarily due to a \$162 million decrease in costs related to transition projects that were completed in fiscal 2019, partially offset by \$67 million in contract cancellation charges incurred during the third quarter of fiscal 2020 in connection with our restructuring plans and a \$30 million increase in severance cost.

Non-operating income (expense), net

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Interest expense	\$ (51)	\$ (53)	\$ (146)	\$ (157)
Interest income	38	11	56	29
Loss from equity interest	(9)	(24)	(31)	(84)
Foreign exchange gain (loss)	(5)	(3)	(7)	(12)
Gain on sale of equity method investment	379	—	379	—
Other	(4)	(2)	—	11
Total non-operating income (expense), net	\$ 348	\$ (71)	\$ 251	\$ (213)

Non-operating income, net of expense, increased \$419 million and \$464 million, respectively, during the third quarter and the first nine months of fiscal 2020 compared to the corresponding periods in fiscal 2019, primarily due to the gain on the sale of the DigiCert equity method investment of \$379 million in the third quarter of fiscal 2020 and higher interest income as a result of increased money market funds purchased with proceeds from the sale of our Enterprise Security assets and the sale of the DigiCert equity method investment during the third quarter of fiscal 2020.

Provision for income taxes

(In millions, except for percentages)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Income (loss) from continuing operations before income taxes	\$ 410	\$ (9)	\$ 562	\$ (127)
Income tax expense	\$ 57	\$ 10	\$ 133	\$ 20
Effective tax rate	14%	N/M ⁽¹⁾	24%	N/M ⁽¹⁾

(1) Effective tax rate is not meaningful due to pre-tax loss in the period.

Our effective tax rate for continuing operations for fiscal 2020 was based on the statutory tax rate of 21%. Our effective tax rate for continuing operations for the third quarter and the first nine months of fiscal 2020 differs from the federal statutory income tax rate primarily due to a discrete tax charge of \$53 million related to the sale of the DigiCert equity method investment, various permanent differences and state taxes, partially offset by the benefits of lower-taxed international earnings and the research and development tax credit. In addition, for the first nine months of fiscal 2020, there was additional tax expense of \$62 million recorded to account for uncertain tax positions related to the Ninth Circuit Court of Appeals' recent holding in *Altera Corp. v. Commissioner*.

Our effective tax rate for income (loss) from continuing operations for the third quarter and the first nine months of fiscal 2019 differs from the federal statutory income tax rate primarily due to the tax expense recorded to account for one-time adjustments related to guidance issued on the Tax Cuts and Jobs Act (H.R.1) (Tax Reform) and other changes in response to the Tax Reform, various permanent differences and state taxes, partially offset by the benefits of lower-taxed international earnings and the research and development tax credit.

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 involves 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 \$17 million, which could reduce our income tax provision and therefore benefit the resulting effective tax rate.

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

Discontinued operations

(In millions)	Three Months Ended		Nine Months Ended	
	January 3, 2020	December 28, 2018	January 3, 2020	December 28, 2018
Net revenues	\$ 193	\$ 599	\$ 1,366	\$ 1,715
Operating income (loss)	\$ (118)	\$ 110	\$ 6	\$ 198
Gain on sale	\$ 5,422	\$ —	\$ 5,422	\$ —
Income before income taxes	\$ 5,300	\$ 109	\$ 5,424	\$ 194
Income tax expense	\$ 2,808	\$ 25	\$ 2,197	\$ 50
Income from discontinued operations	\$ 2,492	\$ 84	\$ 3,227	\$ 144

Three Months Ended January 3, 2020 Compared with Three Months Ended December 28, 2018

Income from discontinued operations in the third quarter of fiscal 2020 reflects a \$5,422 million gain on the sale of Enterprise Security assets and \$2,801 million of related income taxes. In addition, we recognized \$206 million in restructuring charges in the third quarter of fiscal 2020, compared to \$3 million in the third quarter of fiscal 2019.

Nine Months Ended January 3, 2020 Compared with Nine Months Ended December 28, 2018

Income from discontinued operations for the first nine months of fiscal 2020 reflects the impacts of the gain on sale of Enterprise Security assets discussed above. In addition, we recognized \$258 million in restructuring charges in the third quarter of fiscal 2020, compared to \$18 million in the third quarter of fiscal 2019. Further, during the nine months ended January 3, 2020, we recognized a \$665 million tax benefit resulting from the remeasurement of the deferred tax assets associated with the tax basis of intellectual property held by our subsidiaries organized in Ireland. We previously expected to recover the tax basis through normal operation of our Enterprise business, which is taxed at the Irish trading rate of 12.5%. Instead, we recovered the tax basis through the sale of certain assets of the Enterprise Security assets, which is taxed at the Irish capital gains tax rate of 33%.

LIQUIDITY, CAPITAL RESOURCES AND CASH REQUIREMENTS

Liquidity

We have historically relied on cash generated from operations, borrowings under credit facilities, issuances of debt, and proceeds from divestitures for our liquidity needs.

As of January 3, 2020, we had cash, cash equivalents and short-term investments of \$12.8 billion, of which \$1.1 billion was held by our foreign subsidiaries. Our cash, cash equivalents and short-term investments are managed with the objective to preserve principal, maintain liquidity, and generate investment returns. The participation exemption system under current U.S. federal tax regulations generally allows us to make distributions of non-U.S. earnings to the U.S. without incurring additional U.S. federal tax, however these distributions may be subject to applicable state or non-U.S. taxes. We have not recognized deferred income taxes for local country income and withholding taxes that could be incurred on distributions of certain non-U.S. earnings or for outside basis differences in our subsidiaries, because we plan to indefinitely reinvest such earnings and basis differences.

We also have an undrawn credit facility of \$1.0 billion which expires in November 2024.

Our principal cash requirements are primarily to meet our working capital needs, support on-going business activities, including the payment of taxes, fund capital expenditures, payments of cash dividends, service existing debt, and invest in business acquisitions.

Our capital allocation strategy is to balance driving stockholder returns, managing financial risk, and preserving our flexibility to pursue strategic options, including acquisitions. Historically this has included a quarterly cash dividend, the repayment of debt and the repurchase of our common stock.

Sale of equity method investment

On October 16, 2019, Clearlake Capital Group, L.P. (Clearlake), a private investment firm, and TA Associates, an existing investor of DigiCert and a private equity firm, completed an investment in DigiCert. As a part of the transaction, Clearlake and TA became equal partners in DigiCert. As a result, we received \$378 million in cash for our equity investment in DigiCert. We expect to make income tax payments of approximately \$53 million as a result of the transaction.

Divestiture of Enterprise Security business

On November 4, 2019, we completed the sale of certain assets and the assumption of certain liabilities of our Enterprise Security business to Broadcom for a purchase price of \$10.7 billion. In connection with the transaction, we incurred direct costs of approximately \$38 million. We expect to pay approximately \$1.9 billion for U.S. and foreign income taxes as a result of the transaction, mostly within the next twelve months.

As a result of the divestiture, we made a distribution to our stockholders through a special dividend of \$12 per share of common stock, which was declared by our Board of Directors on January 9, 2020 and paid on January 31, 2020. The aggregate amount of such dividend payments was \$7.2 billion. Concurrent with the payment of the special dividend, on February 4, 2020, we made \$546 million of cash payments in lieu of conversion price adjustments to the holders of our Convertible Senior Notes.

Sale of ID Analytics solutions

On January 31, 2020, we completed the sale of our ID Analytics solutions for approximately \$375 million in net cash proceeds.

Share Repurchase Program

During the three and nine months ended January 3, 2020, we executed repurchases of 14 million and 39 million shares of our common stock, respectively, under our existing share repurchase program for an aggregate amounts of \$363 million and \$904 million, respectively.

Cash flows

The following summarizes our cash flow activities:

(In millions)	Nine Months Ended	
	January 3, 2020	December 28, 2018
Net cash provided by (used in):		
Operating activities	\$ 905	\$ 948
Investing activities	\$ 10,991	\$ (61)
Financing activities	\$ (1,037)	\$ (329)

See Note 3 to the Condensed Consolidated Financial Statements for additional cash flow information associated with our discontinued operations.

Cash from operating activities

Our cash flows for the first nine months of fiscal 2020 reflected net income of \$3,656 million, adjusted by non-cash items, including gain on sale of Enterprise Security assets of \$5,422 million, gain on sale of equity method investment of \$379 million,

amortization and depreciation of \$307 million, and stock-based compensation expense of \$270 million, compared to a net loss of \$3 million adjusted by non-cash items, including amortization and depreciation of \$457 million, and stock-based compensation expense of \$265 million for the first nine months of fiscal 2019.

Changes in operating assets and liabilities in the first nine months of fiscal 2020 consisted primarily of the following:

Income tax payable increased \$2,096 million, compared to a decrease of \$17 million in the first nine months of fiscal 2019, primarily due to our U.S. and foreign tax obligations from the gain on sale of Enterprise Security assets to Broadcom in the third quarter of fiscal 2020.

Accounts receivable decreased \$537 million, compared to \$97 million in the first nine months of fiscal 2019, primarily due to the absence of Enterprise Security billings after the close of the Broadcom sale but continued collections of those receivables thereafter.

Contract liabilities decreased \$163 million in the nine months ended January 3, 2020, excluding the derecognition of contract liabilities related to the Broadcom sale, compared to an increase of \$59 million in the first nine months of fiscal 2019. This decrease reflects higher Enterprise Security revenues than recognized than billings from the period of March 29, 2019 through the date of the Broadcom sale.

Cash from investing activities

Our investing activities in the first nine months of fiscal 2020 consisted primarily of cash proceeds from the Broadcom sale, net of transaction costs, of \$10,572 million, proceeds from sale of equity method investment of \$378 million, and proceeds from maturities and sales of short-term investments of \$135 million, partially offset by capital expenditures of \$86 million. Our investing activities in the first nine months of fiscal 2019 consisted primarily of capital expenditures of \$153 million, partially offset by cash proceeds from maturities and sales of short-term investments of \$119 million.

Our investing activities in the first nine months of fiscal 2020 included purchases of property and equipment related to discontinued operations of \$43 million, compared to \$45 million for the first nine months of fiscal 2019.

Cash from financing activities

Our financing activities in the first nine months of fiscal 2020 included common stock repurchases of \$904 million, repayments of debt of \$302 million, and dividends and dividend equivalents of \$177 million, partially offset by proceeds from issuance of debt, net of issuance costs, of \$300 million and proceeds from sales of common stock under employee stock incentive plans of \$109 million. Our financing activities in the first nine months of fiscal 2019 included payment of dividends and dividend equivalents of \$169 million and tax withholding payments related to restricted stock units of \$168 million.

Cash requirements

Debt - As of January 3, 2020, our total outstanding principal amount of indebtedness was \$4.5 billion, summarized as follows. See Note 9 to the Condensed Consolidated Financial Statements for further information on our debt.

(In millions)	January 3, 2020
Senior Term Loan	\$ 500
Senior Notes	2,250
Convertible Senior Notes	1,750
Total debt	\$ 4,500

In our second quarter of fiscal 2021, we plan to borrow under the delayed draw term loan of \$750 million, which will mature in November 2024 and to use the proceeds to repay our 4.2% Senior Notes, which are due in September 2020.

Debt covenant compliance. The credit agreement we entered into in November 2019 contains customary representations and warranties, non-financial covenants for financial reporting, and affirmative and negative covenants, including compliance with specified financial ratios. As of January 3, 2020, we were in compliance with all debt covenants.

Stock repurchases. Under our stock repurchase program, we may purchase shares of our outstanding common stock through accelerated stock repurchase transactions, open market transactions (including through trading plans intended to qualify under Rule 10b5-1 under the Exchange Act) and privately-negotiated transactions. As of January 3, 2020, the remaining balance of our stock repurchase authorization was \$1.2 billion and does not have an expiration date. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and other investment opportunities.

Dividends. On February 6, 2020, we announced that our Board of Directors declared a cash dividend of \$0.125 per share of common stock to be paid in March 2020. All shares of common stock issued and outstanding and all restricted stock units and performance restricted stock units 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.

Restructuring. Under our restructuring plans approved by our Board of Directors in August and November 2019, we will incur cash expenditures for severance and termination benefits and contract terminations. See Note 11 to the Condensed Consolidated Financial Statements for additional cash flow information associated with our restructuring activities.

Contractual obligations

The following is a schedule of our significant contractual obligations as of January 3, 2020, including those associated with our discontinued operations. The expected timing of payments of the obligations in the following table is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations.

(In millions)	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	Thereafter
Debt	\$ 4,500	\$ 750	\$ 2,200	\$ 450	\$ 1,100
Interest payments on debt ⁽¹⁾	568	159	240	142	27
Purchase obligations ⁽²⁾	523	414	88	15	6
Deemed repatriation taxes ⁽³⁾	694	68	136	299	191
Operating leases ⁽⁴⁾	144	43	56	35	10
Total	\$ 6,429	\$ 1,434	\$ 2,720	\$ 941	\$ 1,334

- (1) Interest payments were calculated based on the contractual terms of the related Senior Notes, Convertible Senior Notes and Senior Term Facilities. Interest on variable rate debt was calculated using the interest rate in effect as of January 3, 2020. See Note 9 to the Condensed Consolidated Financial Statements for further information on the Senior Notes, Convertible Senior Notes and Senior Term Facility.
- (2) These amounts are associated with agreements for purchases of goods or services generally including agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. The table above also includes agreements to purchase goods or services that have cancellation provisions requiring little or no payment. The amounts under such contracts are included in the table above because management believes that cancellation of these contracts is unlikely, and we expect to make future cash payments according to the contract terms or in similar amounts for similar materials.
- (3) These amounts represent the transition tax on previously untaxed foreign earnings of foreign subsidiaries under the Tax Cuts and Jobs Act (H.R.1) which may be paid in installments through July 2025.
- (4) We have entered into various non-cancelable operating lease agreements that expire on various dates through fiscal 2029. See Note 5 to the Condensed Consolidated Financial Statements for further information on leases.

Due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits and other long-term taxes as of January 3, 2020 we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, \$460 million in long-term income taxes payable has been excluded from the contractual obligations table. See Note 12 to the Condensed Consolidated Financial Statements for further information.

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. See Note 17 to the Condensed Consolidated Financial Statements for further information on our indemnifications.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to our market risk exposures during the first nine months of fiscal 2020, as compared to those discussed in Quantitative and Qualitative Disclosures About Market Risk, set forth in Part II, Item 7A, of our Annual Report on Form 10-K for the fiscal year ended March 29, 2019.

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 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 Chief Executive Officer and our interim 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 third quarter of fiscal 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Limitations on Effectiveness of Controls

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to this Item may be found under the heading "Litigation contingencies" in Note 17 to the Condensed Consolidated Financial Statements in this Form 10-Q, which information is incorporated herein by reference.

Item 1A. Risk Factors

A description of the risk factors associated with our business is set forth below. The list is not exhaustive, and you should carefully consider these risks and uncertainties before investing in our common stock.

If we are unsuccessful at executing the transition of the Enterprise Security Business assets we sold to Broadcom Inc. (the Broadcom sale), our business and results of operations may be adversely affected and our ability to invest in and grow our business could be limited.

For the last several years, we have experienced transitions in our business with the integration of two major acquisitions, the completion of several smaller acquisitions, and the divestiture of two businesses, two of which comprised substantially whole operating segments. These transitions have involved significant turnover in management and other key personnel and changes in our strategic direction, as well as resulted in the relocation of our headquarters to Tempe, Arizona. Transitions of this type can be disruptive, result in the loss of focus and employee morale and make the execution of business strategies more difficult. We have made commitments to Broadcom to provide transition services and certain threat intelligence data, which were historically provided to the Enterprise Security business. We may experience delays in the anticipated timing of activities related to such transitions and higher than expected or unanticipated execution costs. If we do not succeed in these efforts, or if these efforts are more costly or time-consuming than expected, our business and results of operations may be adversely affected, which could limit our ability to invest in and grow our business.

We are dependent upon Broadcom for certain engineering services, which are critical to our products and business.

Our endpoint security solution has historically relied upon certain threat analytics software engines and other software (the Engine-Related Services) that have been developed and provided by engineering teams that have transferred to Broadcom as part of the Broadcom sale. The technology, including source code, at issue is shared, and pursuant to the terms of the Broadcom sale, we retain rights to use, modify, enhance and create derivative works from such technology. Broadcom has committed to provide these Engine-Related Services under a transition services agreement, substantially to the same extent and in substantially the same manner, as has been historically provided. As a result, we are dependent on Broadcom for services and technology that are critical to our business, and if Broadcom fails to deliver these Engine-Related Services it would result in significant business disruption, and our business and operating results could be materially and adversely affected.

We may not achieve the intended benefits of the Broadcom sale.

We may not realize some or all of the anticipated benefits from the Broadcom sale. The resource constraints as a result of our focus on completing the transaction, which included the loss of employees, could have a continuing impact on the execution of our business strategy and our overall operating results. Further, our remaining employees may become concerned about the future of our remaining operations and lose focus or seek other employment.

Additionally, in connection with the divestiture, our Board of Directors committed to returning the proceeds of the Broadcom sale to stockholders in the form of a capital return program, including a special dividend of \$12 per share that was paid in January 2020, and the August 2019 increase of our existing share repurchase authorization from \$500 million to \$1.6 billion. The use of proceeds in this manner could impair our future financial growth.

Any cost reduction initiatives that we undertake may not deliver the results we expect, and these actions may adversely affect our business.

In November 2019, our Board of Directors approved a restructuring plan (the November 2019 Plan) in connection with the strategic decision to divest our Enterprise Security business. Actions under this plan include the reduction of our workforce by approximately 3,100 employees, as well as asset write-offs, contract terminations, facilities closures, and the sale of underutilized facilities. We estimate that we will incur total costs of \$800 million in connection with the November 2019 Plan, of which approximately \$330 million are expected to consist of cash expenditures for severance and termination benefits and \$170 million of cash expenditures for contract terminations. These actions are expected to be completed within the next twelve months. This initiative could result in disruptions to our operations. Any cost-cutting measures could also negatively impact our business by delaying the introduction of new products or technologies, interrupting service of additional products, or impacting employee retention. In addition, we cannot assure you that the cost reduction and streamlining initiatives will be as successful in reducing our overall expenses as we expect or that additional costs will not offset any such reductions or streamlining of our operations. If our operating costs are higher than we expect, if the expected proceeds from the sale of under-utilized assets do not meet expectations, or if we do not maintain adequate control of our costs and expenses, our results of operations will suffer.

Our future results of operations are dependent solely on our consumer operations and will differ materially from our previous results.

The Enterprise Security business generated approximately 49% of our total revenue for fiscal 2019, and approximately 53% of our total revenue for fiscal 2018. Accordingly, our future financial results will differ materially from our previous results since our future financial results are dependent solely on our consumer operations. Additionally, our continued success depends on

the continued growth in market demand for and market acceptance of cyber safety solutions (which we refer to herein going forward as “our solutions”) to help consumers protect their devices, online privacy, identities, and home networks. Any downturn in our consumer business could have a material adverse effect on our future operating results and financial condition and could materially and adversely affect the trading price of our outstanding securities. If we are unable to continue to address demands of consumers or market trends and competitive developments or to achieve more widespread market acceptance of our cyber safety solutions, our business, results of operations, and financial condition would be harmed. Changes in demand or preferences of our current or potential customers may have a disproportionately greater impact on us than they would have had in the past when we had a more diverse products and services. If demand for our solutions declines for any reason, our business, results of operations, and financial condition would be adversely affected.

If we are not able to retain and attract consumers for our solutions, our financial performance will be impaired.

We are subject to fluctuations in demand for our solutions due to a variety of factors, including market transitions, general economic conditions, competition, product obsolescence, technological change, shifts in buying patterns, public awareness of security threats to IT systems, and other factors. While such factors may, in some periods, increase revenues, fluctuations in demand can also negatively impact our revenues. Our success is based on our ability to retain current customers and attract new customers. If demand for our solutions declines, whether due to general economic conditions, a shift in buying patterns or otherwise, our revenues and margins would likely be adversely affected.

Fluctuations in our quarterly financial results have affected the trading price of our outstanding securities in the past and could affect the trading price of our outstanding securities in the future.

Our quarterly financial results have fluctuated in the past and are likely to vary in the future due to a number of factors, many of which are outside of our control. If our quarterly financial results or our predictions of future financial results fail to meet our expectations or the expectations of securities analysts and investors, the trading price of our outstanding securities could be negatively affected. Volatility in our quarterly financial results may make it more difficult for us to raise capital in the future or pursue acquisitions. 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 solutions may cause our quarterly financial results to fluctuate, including but not limited to:

- Fluctuations in demand for our solutions;
- Fluctuations in advertising and marketing expense;
- Entry of new competition into our markets;
- Our ability to achieve targeted operating income and margins and revenues;
- Competitive pricing pressure for one or more of our solutions;
- Our ability to timely complete the release of new or enhanced versions of our solutions;
- The number, severity, and timing of threat outbreaks (e.g. worms, viruses, malware, ransomware, and other malicious threats) and cyber security incidents (e.g., large scale data breaches);
- Loss of customers or strategic partners;
- Changes in the mix or type of solutions and subscriptions sold and changes in consumer retention rates;
- The rate of adoption of new technologies and new releases of operating systems, and new business processes;
- Consumer confidence and spending changes, which could be impacted by market changes and general economic conditions, among other reasons;
- The impact of litigation, regulatory inquiries, or investigations;
- The timing and extent of significant restructuring charges;
- The impact of acquisitions and divestitures and our ability to achieve expected synergies or attendant cost savings;
- Disruptions in our business operations or target markets caused by, among other things, terrorism or other intentional acts, outbreaks of disease, or earthquakes, floods, or other natural disasters;
- Fluctuations in foreign currency exchange rates;
- Movements in interest rates; and
- Changes in tax laws, rules, and regulations.

Any of the foregoing factors could cause the trading price of our outstanding securities to fluctuate significantly.

If we are unable to develop new and enhanced solutions that achieve widespread market acceptance, or if we are unable to continually improve the performance, features, and reliability of our existing solutions or adapt our business model to keep pace with industry trends, our competitive position may weaken, and our business and operating results could be adversely affected.

Our future success depends on our ability to effectively respond to the rapidly changing needs of our customers, as well as competitive technological developments and industry changes, by developing or introducing new and enhanced solutions 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. If we are unable to anticipate or react to 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 decline in our revenues that could adversely affect our business and operating results. Additionally, we must continually address the challenges of dynamic and accelerating market trends and competitive developments, such as the emergence of advanced persistent threats in the security space, the continued volatility in the PC market and the continued market shift towards mobility, all of which continue to make it more difficult for us to compete effectively. Customers may require features and capabilities that our current solutions do not have. Our failure to develop new solutions and improve our existing solutions that satisfy customer preferences and effectively compete with other market offerings in a timely and cost-effective manner may harm our ability to retain our customers and to create or increase demand for our solutions, which may adversely impact our operating results. The development and introduction of new solutions involve a significant commitment of time and resources and are subject to a number of risks and challenges including but not limited to:

- Lengthy development cycles;
- Evolving industry standards and technological developments by our competitors and customers;
- Evolving platforms, operating systems, and hardware products, such as mobile devices, and related product and service interoperability challenges;
- Entering into new or unproven markets; and
- Executing new product and service strategies.

If we are not successful in managing these risks and challenges, or if our new or improved solutions are not technologically competitive or do not achieve market acceptance, our business and operating results could be adversely affected.

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 solutions, effectively manage or expand our business, or increase our revenues.

Our future success depends upon our ability to recruit and retain key management, technical (including cyber-security experts), sales, marketing, finance, and other personnel. Our officers and other key personnel are employees-at-will and we generally do not have employment or non-compete agreements with our employees, 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, and we may face new and unexpected difficulties in attracting, retaining, and motivating employees in connection with the relocation of our headquarters to Tempe, Arizona. In connection with the Broadcom sale, we experienced employee attrition and related difficulties and these difficulties may continue or increase.

In order to attract and retain personnel in a competitive marketplace, we must provide competitive pay packages, including cash and equity-based compensation. Additionally, changes in immigration laws could impair our ability to attract and retain highly qualified employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business, results of operations and future growth prospects could suffer. 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 required for issuance under our equity compensation plans. As a result, we may 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.

Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. From time to time, key personnel leave our company and the frequency and number of such departures has widely varied and have resulted in significant changes to our executive leadership team. For example, as previously disclosed, we recently appointed Vincent Pilette as our CEO, Samir Kapuria as our President, and Matt Brown as our interim Chief Financial Officer. Although we strive to reduce the negative impact of changes in our leadership, 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, our internal control over financial reporting, and our results of operations. In addition, hiring, training, and successfully integrating replacement sales and other personnel could be time consuming and expensive, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact future financial results.

We operate in a highly competitive environment, and our competitors may gain market share in the markets for our solutions 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 decline in our revenues that could adversely affect our business and operating results. To compete successfully, we must maintain an innovative research and development effort to develop new solutions and enhance our existing solutions, effectively adapt to changes in the technology or product rights held by our competitors, appropriately respond to competitive strategies, and effectively adapt to technological changes and changes in the ways that our information is accessed, used, and stored by our customers. If we are unsuccessful in responding to our competitors or to changing technological and customer demands, our competitive position and our financial results could be adversely affected.

Our competitors include software vendors that offer solutions that directly compete with our offerings. In addition to competing with these vendors directly for sales to end-users of our solutions, we compete with them for the opportunity to have our solutions bundled with the offerings of our strategic partners, such as computer hardware original equipment manufacturers (OEMs) and internet service providers (ISPs). Our competitors could gain market share from us if any of these strategic partners replace our solutions with those of our competitors or if these partners more actively promote our competitors' solutions than our own. In addition, software vendors who have bundled our solutions with theirs may choose to bundle their solutions with their own or other vendors' solutions or may limit our access to standard interfaces and inhibit our ability to develop solutions for their platform. In the future, further product development by these vendors could cause our solutions to become redundant, which could significantly impact our sales and financial results.

We face growing competition from other technology companies, as well as from companies in the identity threat protection space such as credit bureaus. Many of these competitors are increasingly developing and incorporating into their products data protection software that competes at some levels with our 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 solutions.

Security protection is also offered by some of our competitors at prices lower than our prices or, in some cases is offered free of charge. Some companies offer lower-priced or free security products within their computer hardware or software products. Our competitive position could be adversely affected to the extent that our customers perceive these lower cost or free security products as replacing the need for more effective, full featured solutions, such as those that we provide. The expansion of these competitive trends could have a significant negative impact on our revenues and operating results by causing, among other things, price reductions of our solutions, reduced profitability, and loss of market share.

Many of our competitors have greater financial, technical, marketing, or other resources than we do and consequently, may have the ability to influence customers to purchase their products instead of ours. Further consolidation within our industry or other changes in the competitive environment could result in larger competitors that compete with us on several levels. We also face competition from many smaller companies that specialize in particular segments of the market in which we compete.

We invest in research and development activities in both the short and long term, and these investments may achieve delayed, or lower than expected, benefits which could harm our operating results.

While we continue to focus on managing our costs and expenses, we also continue to invest significantly in research and development activities, in both the short and long term, as we focus on organic growth through internal innovation in each of our business segments. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position, and that the level of these investments will increase in future periods. We recognize the costs associated with these research and development investments earlier than the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results may be adversely affected.

Changes in industry structure and market conditions could lead to charges related to discontinuance of certain of our products or businesses and asset impairments.

In response to changes in industry structure and market conditions and in connection with the Broadcom sale, we may be required to strategically reallocate our resources and consider restructuring, disposing of, or otherwise exiting certain businesses. Any decision to limit investment in or dispose of or otherwise exit businesses may result in the recording of special charges, such as inventory and technology-related write-offs, workforce reduction costs, charges relating to consolidation of excess facilities, or claims from third parties who were resellers or users of discontinued products. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Although in certain instances our vendor agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs, our loss contingencies may include liabilities for contracts that we cannot cancel, reschedule or adjust with suppliers.

Further, our estimates relating to the liabilities for excess facilities are affected by changes in real estate market conditions. Additionally, we are required to evaluate goodwill impairment on an annual basis and between annual evaluations in certain circumstances, and future goodwill impairment evaluations may result in a charge to earnings.

Matters relating to or arising from our completed Audit Committee Investigation, including regulatory investigations and proceedings, litigation matters, and potential additional expenses, may adversely affect our business and results of operations.

As previously disclosed in our public filings, the Audit Committee completed its internal investigation in September 2018. In connection with the Audit Committee Investigation, we voluntarily contacted the SEC. The SEC commenced a formal investigation, and we continue to cooperate with that investigation. The outcome of such an investigation is difficult to predict. If the SEC commences legal action, we could be required to pay significant penalties and become subject to injunctions, a cease and desist order, and other equitable remedies. We can provide no assurances as to the outcome of any governmental investigation.

We have incurred, and will continue to incur, significant expenses related to legal and other professional services in connection with the ongoing SEC investigation, which may continue to adversely affect our business and financial condition. In addition, securities class actions and other lawsuits have been filed against us, our directors, and officers (see also, “We are subject to pending securities class action and stockholder derivative legal proceedings . . .” below). The outcome of the securities class actions and other litigation and regulatory proceedings or government enforcement actions is difficult to predict, and the cost to defend, settle, or otherwise resolve these matters may be significant. Plaintiffs or regulatory agencies or authorities in these matters may seek recovery of very large or indeterminate amounts or seek to impose sanctions, including significant monetary penalties. The monetary and other impact of these litigations, proceedings, or actions may remain unknown for substantial periods of time. Further, an unfavorable resolution of litigations, proceedings or actions could have a material adverse effect on our business, financial condition, and results of operations and cash flows. Any future investigations or additional lawsuits may also adversely affect our business, financial condition, results of operations, and cash flows.

We are subject to pending securities class action and stockholder derivative legal proceedings that may adversely affect our business.

Several securities class action and purported derivative lawsuits have been filed against us arising out of the announcement of the Audit Committee Investigation. In addition, we have received demands from purported stockholders to inspect corporate books and records under Delaware law. No specific amounts of damages have been alleged in these lawsuits. We will continue to incur legal fees in connection with these pending cases, including expenses for the reimbursement of legal fees of present and former officers and directors under indemnification obligations. The expense of continuing to defend such litigation may be significant. We intend to defend these lawsuits vigorously, but there can be no assurance that we will be successful in any defense. If any of the lawsuits related to our Audit Committee Investigation are decided adversely, we may be liable for significant damages directly or under our indemnification obligations, which could adversely affect our business, results of operations and cash flows. Further, the amount of time that will be required to resolve these lawsuits is unpredictable, and these actions may divert management’s attention from the day-to-day operations of our business, which could further adversely affect our business, results of operations, and cash flows.

Our indemnification obligations and limitations of our director and officer liability insurance may have a material adverse effect on our financial condition, results of operations, and cash flows.

Under Delaware law, our certificate of incorporation, our bylaws, and certain indemnification agreements to which we are a party, we have an obligation to indemnify, or we have otherwise agreed to indemnify, certain of our current and former directors and officers with respect to past, current, and future investigations and litigation.

The scope of our indemnification obligations may be broader than the coverage available under our directors’ and officers’ liability insurance, or there may be insufficient coverage available. Further, in the event the directors and officers are ultimately determined not to be entitled to indemnification, we may not be able to recover any amounts we previously advanced to them.

We cannot provide any assurances that future indemnification claims, including the cost of fees, penalties or other expenses, will not exceed the limits of our insurance policies, that such claims are covered by the terms of our insurance policies or that our insurance carrier will be able to cover such claims. Further, should a coverage dispute arise, we may also incur significant expenses in relation to litigating or attempting to resolve any such dispute. Accordingly, we may incur significant unreimbursed costs to satisfy our indemnification obligations, which may have a material adverse effect on our financial condition, results of operations or cash flows.

We may need to change our pricing models to compete successfully.

The intense competition we face, in addition to general and economic business conditions, can put pressure on us to change our prices. If our competitors offer deep discounts on certain solutions or provide offerings that the marketplace considers more valuable, we may need to lower prices in order to compete successfully. Any such changes may reduce margins and could adversely affect our operating results.

In addition, a weakening of economic conditions or significant uncertainty regarding the stability of financial markets could adversely impact our business, financial condition, and operating results in a number of ways. Impacts could include pressure to lower prices for our solutions, a reduction in the rate of adoption of our solutions by new customers, and a lower rate of current customers purchasing.

Any broad-based change to our prices could cause our revenues to decline or be delayed as our customers adjust to new pricing. We or our competitors may bundle solutions for promotional purposes or as a long-term go-to-market or pricing strategy. These practices could, over time, significantly constrain the prices that we can charge for certain of our offerings.

Defects, disruptions or risks related to our offerings could impair our ability to deliver our solutions and could expose us to liability, damage our brand and reputation, or otherwise negatively impact our business.

Our solutions may contain errors or defects that users identify after they begin using them that could result in unanticipated service interruptions, which could harm our reputation and our business. If any such performance problems occur, customers could elect not to renew, we could lose future sales or customers may make warranty or other claims against us, which could result in an increase in the expense and risk of litigation.

We currently serve our customers from hosting facilities, including third-party hosting facilities, located across the globe. Damage to, or failure of, any significant element of these hosting facilities could result in interruptions in our service, which could harm our customers and expose us to liability. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the delivery of our solutions. Global climate change may result in certain natural disasters occurring more frequently or with greater intensity, such as drought, wildfires, storms, sea-level rise, and flooding. Interruptions or failures in our service delivery could cause customers to terminate their subscriptions with us, could adversely affect our renewal rates, and could harm our ability to attract new customers. Our business would also be harmed if our customers believe that our cloud offerings are unreliable.

Our solutions are complex and operate in a wide variety of environments, systems and configurations, which could result in failures of our solutions to function as designed.

Because we offer very complex solutions, undetected errors, failures, delays or bugs may occur, especially when solutions are first introduced or when new versions are released. Despite testing by us and others, errors, failures, delays or bugs may not be found in new solutions or releases until after they are delivered to customers. In the past, we have discovered software errors, failures, delays and bugs in certain of our solutions after their introduction and, in some cases, have experienced delayed or lost revenues as a result of these errors.

Errors, failures, delays or bugs in solutions released by us could result in negative publicity, damage to our brand and reputation, returns, loss of or delay in market acceptance of our products, loss of competitive position, or claims by customers or others. Alleviating any of these problems could be costly and cause interruptions, delays, or cessation of our subscriptions, which could cause us to lose existing or potential customers and could adversely affect our operating results.

Our products, solutions, systems, and website may be subject to intentional disruption that could adversely impact our reputation and future sales.

Despite our precautions and significant ongoing investments to protect against security risks, data protection breaches, cyber-attacks, and other intentional disruptions of our solutions, we expect to be an ongoing target of attacks specifically designed to impede the performance and availability of our offerings and harm our reputation as a company. Similarly, experienced computer programmers or other sophisticated individuals or entities, including malicious hackers, state-sponsored organizations, and insider threats including actions by employees and third-party service providers, may attempt to penetrate our network security or the security of our systems and websites and misappropriate proprietary information or cause interruptions of our services, including the operation of our global civilian cyber intelligence threat network. Such attempts are increasing in number and in technical sophistication, and if successful could expose us and the affected parties, to risk of loss or misuse of proprietary or confidential information or disruptions of our business operations. While we invest and devote significant resources to maintain and continually enhance and update our methods to detect and alert us to such breaches, attacks, and disruptions, these efforts may not be sufficient, even with rapid detection, to prevent the damage such a breach of our products, solutions, systems, and websites may cause.

Our inability to successfully recover from a disaster or other business continuity event could impair our ability to deliver our products and services and harm our business.

We are heavily reliant on our technology and infrastructure to provide our products and services to our customers. For example, we host many of our products using third-party data center facilities, and we do not control the operation of these facilities. These facilities are vulnerable to damage, interruption, or performance problems from earthquakes, hurricanes, floods, fires, power loss, telecommunications failures, and similar events. They are also subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in the delivery of our products and services.

Furthermore, our business administration, human resources, and finance services depend on the proper functioning of our computer, telecommunication, and other related systems and operations. A disruption or failure of these systems or operations because of a disaster or other business continuity event could cause data to be lost or otherwise delay our ability to complete sales and provide the highest level of service to our customers. In addition, we could have difficulty producing accurate financial statements on a timely basis, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results, all of which could adversely affect the trading value of our stock. Although we endeavor to ensure there is redundancy in these systems and that they are regularly backed-up, there are no assurances that data recovery in the event of a disaster would be effective or occur in an efficient manner, including the operation of our global civilian cyber intelligence threat network. If these systems or their functionality do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

Any errors, defects, disruptions, or other performance problems with our products and services could harm our reputation. For example, we may experience disruptions, outages, and other performance problems due to a variety of factors, including

infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our websites simultaneously, fraud, or security attacks. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Interruptions in our products and services, including the operation of our global civilian cyber intelligence threat network, could impact our revenues or cause customers to cease doing business with us. In addition, our business would be harmed if any of the events of this nature caused our customers and potential customers to believe our services are unreliable. Our operations are dependent upon our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose customer data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario.

We collect, use, disclose, store, or otherwise process personal information, which subjects us to privacy and data security laws and contractual commitments, and our actual or perceived failure to comply with such laws and commitments could harm our business.

We collect, use, store or disclose (collectively, process) an increasingly large amount of personal information, including from employees and customers, in connection with the operation of our business, particularly in relation to our identity and information protection offerings. We process an increasingly high volume, variety, and velocity of personal information as a result of our identity and information protection offerings that rely on large data repositories of personal information and consumer transactions. The personal information we process is subject to an increasing number of federal, state, local, and foreign laws regarding privacy and data security, as well as contractual commitments. Any failure or perceived failure by us to comply with such obligations may result in governmental enforcement actions, fines, litigation, or public statements against us by consumer advocacy groups or others and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

Additionally, changes to applicable privacy or data security laws could impact how we process personal information and therefore limit the effectiveness of our solutions or our ability to develop new solutions. For example, the European Union General Data Protection Regulation imposes more stringent data protection requirements and provides for greater penalties for noncompliance of up to the greater of €20 million or four percent of worldwide annual revenues.

Data protection legislation is also becoming increasingly common in the U.S. at both the federal and state level. For example, the California Consumer Privacy Act of 2018 (the CCPA), came into effect on January 1, 2020. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use, and sharing practices, allows consumers to opt out of certain data sharing with third parties, and provides a new cause of action for data breaches. Additionally, the Federal Trade Commission (the FTC) and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data. The burdens imposed by the CCPA and other similar laws that may be enacted at the federal and state level may require us to modify our data processing practices and policies and to incur substantial expenditures in order to comply.

Global privacy and data protection legislation, enforcement, and policy activity are rapidly expanding and evolving, and may be inconsistent from jurisdiction to jurisdiction. We may be or become subject to data localization laws mandating that data collected in a foreign country be processed and stored only within that country. If any country in which we have customers were to adopt a data localization law, we could be required to expand our data storage facilities there or build new ones in order to comply. The expenditure this would require, as well as costs of compliance generally, could harm our financial condition.

Additionally, third parties with whom we work, such as vendors or developers, may violate applicable laws or our policies and such violations can place personal information of our customers at risk. In addition, our customers may also accidentally disclose their passwords or store them on a device that is lost or stolen, creating the perception that our systems are not secure against third-party access. This could have an adverse effect on our reputation and business. In addition, such third parties could be the target of cyberattack and other data breaches which could impact our systems or our customers' records.

Our acquisitions and divestitures create special risks and challenges that could adversely affect our financial results.

As part of our business strategy, we may acquire or divest businesses or assets. For example, we recently completed the Broadcom sale. These activities can involve a number of risks and challenges, including:

- Complexity, time, and costs associated with managing these transactions, including the integration of acquired business operations, workforce, products, IT systems, and technologies;
- Diversion of management time and attention;
- Loss or termination of employees, including costs associated with the termination or replacement of those employees;
- Assumption of liabilities of the acquired business or assets, including pending or future litigation, investigations or claims related to the acquired business or assets;
- The addition of acquisition-related debt;
- Increased or unexpected costs and working capital requirements;
- Dilution of stock ownership of existing stockholders;
- Unanticipated delays or failure to meet contractual obligations; and

- Substantial accounting charges for acquisition-related costs, amortization of intangible assets, and higher levels of stock-based compensation expense.

We have invested and continue to invest and devote significant resources in the integration of businesses we acquire. The success of each acquisition depends in part on our ability to realize the anticipated business opportunities, including certain cost savings and operational efficiencies, or synergies and growth prospects from integrating these businesses in an efficient and effective manner. If integration of our acquired businesses is not successful, we may not realize the potential benefits of an acquisition or suffer other adverse effects. To integrate acquired businesses, we must integrate and manage the personnel and business systems 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. Further, we may need to enter new markets in which we have no or limited experience and where competitors in such markets have stronger market positions. Moreover, to be successful, large complex acquisitions depend on large-scale product, technology, and sales force integrations that are difficult to complete on a timely basis or at all and may be more susceptible to the special risks and challenges described above.

In addition, we have, and may in the future, divest businesses, product lines, or assets, with the Broadcom sale being a recent example. Such initiatives may require significant separation activities that could result in the diversion of management's time and attention, loss of employees, substantial separation costs, and accounting charges for asset impairments.

Any of the foregoing, and other factors, could harm our ability to achieve anticipated levels of profitability or other financial benefits from our acquired or divested businesses, product lines or assets or to realize other anticipated benefits of divestitures or acquisitions.

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

We sell our solutions to customers around the world through multi-tiered sales and distribution networks. Sales through these different channels involve distinct risks, including the following:

Indirect Sales Channels. A portion of our revenues is derived from sales through indirect channels, including, but not limited to, distributors that sell our products to end-users and other resellers. This channel involves a number of risks, including:

- Our resellers and distributors are generally not subject to minimum sales requirements or any obligation to market our solutions to their customers;
- Our reseller and distributor agreements are generally nonexclusive and may be terminated at any time without cause;
- Our resellers and distributors may violate applicable law or regulatory requirements or otherwise cause damage to our reputation through their actions;
- Our resellers and distributors frequently market and distribute competing solutions and may, from time to time, place greater emphasis on the sale of these solutions due to pricing, promotions, and other terms offered by our competitors; and
- Any consolidation of electronics retailers can continue to increase their negotiating power with respect to software providers such as us.

OEM Sales Channels. A 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 volume of products delivered and the timing of such delivery;
- Most of our OEM partners are not subject to minimum sales requirements. Generally, our OEM partners do not have 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 to competitive conditions in our markets and other factors;
- Sales through our OEM partners are subject to changes in general economic conditions, strategic direction, competitive risks, and other issues that could result in a 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 assurance of ever receiving associated revenues;
- The time and expense required for the sales and marketing organizations of our OEM partners to become familiar with our solutions may make it more difficult to introduce those solutions to the market; and
- Our OEM partners may develop, market, and distribute their own solutions 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 because of general economic conditions or for other reasons, these partners may delay paying their obligations to us, and we may have reduced revenues or collections 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 adversely affect our operating results.

Our solutions are highly regulated, which could impede our ability to market and provide our solutions or adversely affect our business, financial position, and results of operations.

Our solutions are subject to a high degree of regulation, including a wide variety of federal, state, and local laws and regulations, such as the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Federal Trade Commission Act (FTC Act), and comparable state laws that are patterned after the FTC Act. LifeLock has previously entered into consent decrees and similar arrangements with the FTC and the attorney generals of 35 states as well as a settlement with the FTC relating to allegations that certain of LifeLock's advertising and marketing practices constituted deceptive acts or practices in violation of the FTC Act, which impose additional restrictions on the LifeLock business, including prohibitions against making any misrepresentation of "the means, methods, procedures, effects, effectiveness, coverage, or scope of" LifeLock's identity theft protection services. Any of the laws and regulations that apply to our business are subject to revision or new or changed interpretations, and we cannot predict the impact of such changes on our business.

Additionally, the nature of our identity and information protection products subjects us to the broad regulatory, supervisory, and enforcement powers of the Consumer Financial Protection Bureau which may exercise authority with respect to our services, or the marketing and servicing of those services, by overseeing our financial institution or credit reporting agency customers and suppliers, or by otherwise exercising its supervisory, regulatory, or enforcement authority over consumer financial products and services.

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.

Much of our software and underlying technology is 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, 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, 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.

From time to time we are a party to lawsuits and investigations, which typically require significant management time and attention and result in significant legal expenses, and which could negatively impact our business, financial condition, results of operations, and cash flows.

We have initiated and been named as a party to lawsuits, including patent litigation, class actions, and governmental claims, and we may be named in additional litigation. For example, the securities class action lawsuit, originally filed on July 22, 2015, against our subsidiary, LifeLock, and other named defendants has been remanded by the Ninth Circuit to the District Court for further proceedings. The expense of initiating and defending, and in some cases settling, such litigation may be costly and divert management'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 result in significant fines, settlements, monetary damages, or injunctive relief that could negatively impact our ability to conduct 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, third parties may claim that we have infringed their intellectual property rights, including claims regarding patents, copyrights, and trademarks. Because of constant technological change in the segments in which we compete, the extensive patent coverage of existing technologies, and the rapid rate of issuance of new patents, it is possible that the number of these claims may grow. In addition, former employers of our former, current, or future employees may assert claims that such employees have improperly disclosed to us 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. We cannot assure you that any royalty or licensing arrangements that we may seek in such circumstances will be available to us on commercially reasonable terms or at all. We have made and expect to continue making significant expenditures to investigate, defend, and settle claims related to the use of technology and intellectual property rights as part of our strategy to manage this risk.

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 delivery delays or other disruptions in our business that could materially and adversely affect our operating results.

Changes to our effective tax rate could increase our income tax expense and reduce (increase) our net income (loss).

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

- Changes to the U.S. federal income tax laws, including impacts of the Tax Cuts and Jobs Act (H.R.1) (the 2017 Tax Act) arising from future interpretations of the 2017 Tax Act;
- Changes to other tax laws, regulations, and interpretations in multiple jurisdictions in which we operate, including actions resulting from the Organisation for Economic Co-operation and Development's base erosion and profit shifting project, proposed actions by international bodies such as digital services taxation, as well as the requirements of certain tax rulings;
- 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;
- 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, that could significantly affect our income tax expense for the period in which the settlements take place; and
- Taxes arising in connection with the Broadcom sale.

We report our results of operations based on our determination of the aggregate amount of taxes owed in the tax jurisdictions in which we operate. From time to time, we receive notices that a tax authority in a particular jurisdiction believes that we owe a greater amount of tax than we have reported to such authority. We are regularly engaged in discussions and sometimes disputes with these tax authorities. 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.

We cannot predict our future capital needs, and we may be unable to obtain financing, which could have a material adverse effect on our business, results of operations, and financial condition.

Adverse economic conditions or a change in our business performance may make it more difficult to obtain financing for our operations, investing activities (including potential acquisitions or divestitures), or financing activities. Any required financing may not be available on terms acceptable to us, or at all. If we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our financial or operational flexibility and would also require us to fund additional interest expense. If additional financing is not available when required or is not available on acceptable terms, we may be unable to successfully develop or enhance our software and services through acquisitions in order to take advantage of business opportunities or respond to competitive pressures, which could have a material adverse effect on our software and services offerings, revenues, results of operations, and financial condition.

Failure to maintain our credit ratings could adversely affect our liquidity, capital position, ability to hedge certain financial risks, borrowing costs, and access to capital markets.

Our credit risk is evaluated by the major independent rating agencies, and such agencies have in the past and could in the future downgrade our ratings. We cannot assure you that we will be able to maintain our current credit ratings, and any additional actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may have a negative impact on our liquidity, capital position, ability to hedge certain financial risks, and access to capital markets. In addition, changes by any rating agency to our outlook or credit rating could increase the interest we pay on outstanding or future debt.

There are risks associated with our outstanding and future indebtedness that could adversely affect our financial condition.

As of January 3, 2020, we had an aggregate of \$4.5 billion of outstanding indebtedness that will mature in calendar years 2020 through 2025, including approximately \$1.75 billion in aggregate principal amount of existing convertible notes, \$2.25 billion of senior notes and \$0.5 billion of outstanding term loans under our senior secured credit facility, and we may incur additional indebtedness in the future and/or enter into new financing arrangements. In addition, as of January 3, 2020, we had \$1.0 billion available for borrowing under our revolving credit facility. Our ability to meet expenses, to remain in compliance with the covenants under our debt instruments, and to pay interest and repay principal for our substantial level of indebtedness depends on, among other things, our operating performance, competitive developments, and financial market conditions, all of which are significantly affected by financial, business, economic, and other factors. We are not able to control many of these factors. Accordingly, our cash flow may not be sufficient to allow us to pay principal and interest on our debt, including the notes, and meet our other obligations.

Our level of indebtedness could have important consequences, including the following:

- We must use a substantial portion of our cash flow from operations to pay interest and principal on the term loans and revolving credit facility, our existing senior notes, and other indebtedness, which reduces funds available to us for other purposes such as working capital, capital expenditures, other general corporate purposes, and potential acquisitions;
- We may be unable to refinance our indebtedness or to obtain additional financing for working capital, capital expenditures, acquisitions, or general corporate purposes;
- We are exposed to fluctuations in interest rates because borrowings under our senior credit facilities bear interest at variable rates;
- Our leverage may be greater than that of some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in responding to current and changing industry and financial market conditions;
- We may be more vulnerable to an economic downturn and adverse developments in our business;
- We may be unable to comply with financial and other covenants in our debt agreements, which could result in an event of default that, if not cured or waived, may result in acceleration of certain of our debt and would have an adverse effect on our business and prospects and could force us into bankruptcy or liquidation; and
- Changes by any rating agency to our outlook or credit rating could negatively affect the value of our debt and/or our common stock, adversely affect our access to debt markets, and increase the interest we pay on outstanding or future debt.

There can be no assurance that we will be able to manage any of these risks successfully.

In addition, we conduct a significant portion of our operations through our subsidiaries, which are generally not guarantors of our debt. Accordingly, repayment of our indebtedness will be dependent in part on the generation of cash flow by our subsidiaries and their ability to make such cash available to us by dividend, debt repayment, or otherwise. In general, our subsidiaries will not have any obligation to pay amounts due on our debt or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity, and under certain circumstances legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions from our subsidiaries, we may be unable to make the required principal and interest payments on our indebtedness.

Changes in the method of determining LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates on our current or future indebtedness and may otherwise adversely affect our financial condition and results of operations.

Certain of our indebtedness is made at variable interest rates that use the London Interbank Offered Rate, or LIBOR (or metrics derived from or related to LIBOR), as a benchmark for establishing the interest rate. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. These reforms may cause LIBOR to cease to exist, new methods of calculating LIBOR to be established, or alternative reference rates to be established. The potential consequences cannot be fully predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows. In addition, any transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR, reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. This could materially and adversely effect our results of operations, cash flows, and liquidity. We cannot predict the effect of the potential changes to LIBOR or the establishment and use of alternative rates or benchmarks.

Our existing credit agreements impose operating and financial restrictions on us.

The existing credit agreements contain covenants that limit our ability and the ability of our restricted subsidiaries to:

- Incur additional debt;
- Create liens on certain assets to secure debt;
- Enter into certain sale and leaseback transactions;
- Pay dividends on or make other distributions in respect of our capital stock or make other restricted payments; and
- Consolidate, merge, sell or otherwise dispose of all or substantially all of our assets.

All of these covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities, react to market conditions, or otherwise restrict activities or business plans. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and, to the extent such indebtedness is secured in the future, proceed against any collateral securing that indebtedness.

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, GNU Lesser General Public License, 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. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software if we combine our proprietary software with open source software in a certain manner. 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.

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

Repurchase of equity securities

Under our stock repurchase programs, shares may be repurchased on the open market and through accelerated stock repurchase transactions. As of January 3, 2020, we have \$1,236 million remaining authorized to be completed in future periods with no expiration date. Stock repurchases during the three months ended January 3, 2020, were as follows:

(In millions, except per share data)	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
October 5, 2019 to November 1, 2019	—	\$ —	—	\$ —
November 2, 2019 to November 29, 2019	—	\$ —	—	\$ —
November 30, 2019 to January 3, 2020	14	\$ 25.79	14	\$ 1,236
Total number of shares repurchased	14	\$ 25.79	14	\$ 1,236

(1) The number of shares purchased is reported on trade date. Repurchases of 1 million shares executed during the three months ended January 3, 2020 settled in the following fiscal quarter.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed with this 10-Q
		Form	File Number	Exhibit	File Date	
3.01	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Symantec Corporation.	8-K	000-17781	3.1	11/4/2019	
3.02	Amended and Restated Bylaws of NortonLifeLock Inc.	8-K	000-17781	3.2	11/4/2019	

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed with this 10-Q
		Form	File Number	Exhibit	File Date	
10.01	Credit Agreement, effective as of November 4, 2019, among NortonLifeLock Inc., the issuing banks and lenders party thereto (the Lenders), Wells Fargo Bank, National Association, as Revolver Administrative Agent and Swingline Lender, JPMorgan Chase Bank, N.A., as Term Loan Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A., Wells Fargo Securities, LLC, BofA Securities, Inc., Mizuho Bank, Ltd., Barclays Bank PLC, and The Bank of Nova Scotia, as Lead Arrangers and Joint Bookrunners, Bank of America, N.A., Mizuho Bank, Ltd., Barclays Bank PLC and The Bank of Nova Scotia, as Syndication Agents and and Goldman Sachs Bank USA, HSBC Securities (USA) Inc., MUFG Bank, Ltd., SunTrust Robinson Humphrey, Inc., Citizens Bank, N.A., BMO Capital Markets Corp., BNP Paribas Securities Corp. and Santander Bank, N.A., as Co-Documentation Agents.	8-K	000-17781	10.01	11/4/2019	
10.02	Third Amendment to Investment Agreement, dated November 11, 2019, by and between NortonLifeLock Inc. and Silver Lake Partners IV Cayman (AIV II), L.P., SLP IV Seal Holdings, L.P. and SLP IV Seal II Holdings, L.P.	8-K	000-17781	10.01	11/12/2019	
10.03	Second Amendment to Investment Agreement, dated November 11, 2019, by and between NortonLifeLock Inc. and BC Bearcat SPV, LP, BCIP Venture Associates, BCIP Venture Associates-B, BCIP Associates IV (US), L.P., BCIP Associates IV-B (US), L.P., BCIP T Associates IV (US), L.P., BCIP T Associates IV-B (US), L.P., Brookside Capital Partners Fund, L.P., FF Bearcat Holdings, LP, Silver Lake Partners IV Cayman (AIV II), L.P. and SLP IV Star Holdings, L.P.	8-K	000-17781	10.02	11/12/2019	
10.04*	Severance Benefit Agreement with Samir Kapuria dated December 5, 2019.	8-K	000-17781	10.01	12/10/2019	
10.05*	Batman Holdings, Inc. 2015 Amended and Restated Equity Incentive Plan.					X
10.06*	NortonLifeLock Inc. 2008 Employee Stock Purchase Plan.					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

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed with this 10-Q
		Form	File Number	Exhibit	File Date	
101.INS	The following financial information from NortonLifeLock Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 3, 2020 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Equity, (vi) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					

* 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.

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.

NORTONLIFELOCK INC.

(Registrant)

By: /s/ Vincent Pilette

Vincent Pilette
Chief Executive Officer

By: /s/ Matthew Brown

Matthew Brown
Vice President and Interim Chief Financial Officer

February 7, 2020

BATMAN HOLDINGS, INC.

2015 AMENDED AND RESTATED EQUITY INCENTIVE PLAN

1. DEFINED TERMS

Exhibit A, which is incorporated by reference, defines the terms used in the Plan and sets forth certain operational rules related to those terms.

2. PURPOSE

The Plan has been established to advance the interests of the Company by providing for the grant to Participants of Stock-based and other incentive Awards.

3. ADMINISTRATION

The Administrator has discretionary authority, subject only to the express provisions of the Plan, to interpret the Plan; determine eligibility for and grant Awards; determine, modify or waive the terms and conditions of any Award; prescribe forms, rules and procedures; and otherwise do all things necessary to carry out the purposes of the Plan. Determinations of the Administrator made under the Plan will be conclusive and will bind all parties.

4. LIMITS ON AWARDS UNDER THE PLAN

(a) **Number of Shares**. Shares may be issued under the Plan pursuant to either Section 4(a)(1) or Section 4(a)(2) as follows:

(1) **General**. Subject to Section 4(a)(2), a maximum of 16,817,000 shares of Stock may be delivered in satisfaction of Awards under the Plan (and all of which may be delivered upon the exercise of ISOs). The number of shares of Stock delivered in satisfaction of Awards, for purposes of the preceding sentence, will be determined net of shares of Stock withheld by the Company in payment of the exercise price of the Award or in satisfaction of tax withholding requirements with respect to the Award and, for the avoidance of doubt, without including any shares of Stock underlying Awards that are settled in cash, that otherwise expire or become unexercisable without having been exercised, or that are forfeited to or repurchased by the Company for cash. To the extent consistent with the requirements of Section 422, to the extent applicable, Stock issued under awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition will not reduce the number of shares available for Awards under the Plan.

(2) **Certain Rollover Options**. Reference is made to the Awards specified on Exhibit B, which represent Stock Options granted in substitution for certain options granted under the Project Barbour Holdings Corporation 2012 Stock Option Plan (collectively, the “Rollover”

Options”). Shares of Stock subject to the Rollover Options will be in addition to the shares specified in Section 4(a)(1), but if any Rollover Option expires unexercised or is satisfied in whole or in part without the issuance of shares, the shares of Stock previously subject to such Award will not be available for future grants.

(b) **Type of Shares**. Stock delivered by the Company under the Plan may be authorized but unissued Stock or previously issued Stock acquired by the Company.

5. ELIGIBILITY AND PARTICIPATION

The Administrator will select Participants from among those key Employees and directors of, and consultants and advisors to, the Company and its subsidiaries who, in the opinion of the Administrator, are in a position to make a significant contribution to the success of the Company and its subsidiaries. Eligibility for ISOs is limited to employees of the Company or of a “parent corporation” or “subsidiary corporation” of the Company as those terms are defined in Section 424 of the Code. Eligibility for Stock Options other than ISOs is limited to individuals described in the first sentence of this Section 5 who are providing direct services on the date of grant of the Stock Option to the Company or to a subsidiary of the Company that would be described in the first sentence of Treas. Regs. §1.409A-1(b)(5)(iii)(E).

6. RULES APPLICABLE TO AWARDS

(a) **All Awards**.

(1) **Award Provisions**. The Administrator will determine the terms of all Awards, subject to the limitations provided herein. By accepting (or, under such rules as the Administrator may prescribe, being deemed to have accepted) an Award, the Participant shall be deemed to have agreed to the terms of the Award and the Plan. Notwithstanding any provision of this Plan to the contrary, awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition may contain terms and conditions that are inconsistent with the terms and conditions specified herein, as determined by the Administrator.

(2) **Term of Plan**. No Awards may be made after the day that immediately precedes the tenth anniversary of the date of the Plan’s adoption, but previously granted Awards may continue beyond that date in accordance with their terms.

(3) **Transferability**. Neither ISOs nor, except as the Administrator otherwise expressly provides in accordance with the second sentence of this Section 6(a)(3), other Awards may be transferred, sold, assigned, pledged, or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, other than by will or by the laws of descent and distribution, and during a Participant’s lifetime ISOs (and, except as the Administrator otherwise expressly provides in accordance with the second sentence of this Section 6(a)(3), other Awards requiring exercise) may be exercised only by the Participant. The Administrator may permit Awards other than ISOs to be transferred by gift, subject to the terms of the Stockholders Agreement, to the extent applicable, and such other limitations as the Administrator may impose. In no event will

transfer to a person or entity that, directly or indirectly, provides services or financial or other support to a competitor of the Company be permitted.

(4) **Vesting, etc.** The Administrator may determine the time or times at which an Award will vest or become exercisable and the terms on which an Award requiring exercise will remain exercisable. Without limiting the foregoing, the Administrator may at any time accelerate the vesting or exercisability of an Award, regardless of any adverse or potentially adverse tax or other consequences resulting from such acceleration. Unless the Administrator expressly provides otherwise, including in an Award agreement, the following rules will apply if a Participant's Employment ceases:

(A) Immediately upon the cessation of the Participant's Employment, each Award requiring exercise that is then held by the Participant or by the Participant's permitted transferees, if any, will cease to be exercisable and will terminate, except to the extent otherwise provided in (B), (C), or (D) below, and all other Awards that are then held by the Participant or by the Participant's permitted transferees, if any, to the extent not already vested will be forfeited.

(B) Subject to (C), (D) and (E) below, all Stock Options and SARs held by the Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment, to the extent then exercisable, will remain exercisable for the lesser of (i) 30 days following the date of Employment cessation and (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

(C) All Stock Options and SARs held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment by reason of the Participant's death or Disability, to the extent then exercisable, will remain exercisable for the lesser of (i) the one-year period ending on the first anniversary of the date of Employment cessation and (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

(D) All Stock Options and SARs held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment by reason of termination of the Participant's Employment by the Company other than for the Participant's death or Disability or for Cause, to the extent then exercisable, will remain exercisable for the lesser of (i) the 90 days following the date of Employment cessation and (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 6(a)(4), and will thereupon immediately terminate.

(E) All Stock Options and SARs (whether or not vested) held by a Participant or the Participant's permitted transferees, if any, immediately prior to the cessation of the Participant's Employment will immediately terminate upon such cessation if the Administrator has reasonably determined in good faith that such cessation of

Employment has resulted in connection with an act or failure to act constituting Cause (or such Participant's Employment could have been terminated for Cause (without regard to the lapsing of any required notice or cure periods in connection therewith) at the time such Participant terminated Employment).

(5) **Competing Activity**. The Administrator may cancel, rescind, withhold or otherwise limit or restrict any Award at any time if the Participant is not in compliance in all material respects with all applicable provisions of the Award agreement and the Plan, or if the Participant breaches any restrictive covenant agreement with the Company or its Affiliates.

(6) **Taxes**. The delivery, vesting and retention of Stock under an Award are conditioned upon full satisfaction by the Participant of all tax withholding requirements (and such other tax obligations, if any, including any social security contributions, as the Administrator may determine) with respect to the Award. The Administrator will prescribe such rules for the payment of withholding or other taxes as it deems necessary. The Administrator may, but need not, hold back shares of Stock from an Award or permit a Participant to tender previously owned shares of Stock in satisfaction of its requirements (but not in excess of the minimum withholding required by law or such greater amount that would not result in adverse accounting consequences to the Company). The Administrator may require the Participant to enter into any tax election it deems necessary in connection with any Award.

(7) **Dividend Equivalents, etc.** The Administrator may provide for the payment of amounts (on terms and subject to conditions established by the Administrator) in lieu of cash dividends or other cash distributions with respect to Stock subject to an Award whether or not the holder of such Award is otherwise entitled to share in the actual dividend or distribution in respect of such Award. Any entitlement to dividend equivalents or similar entitlements shall be established and administered either consistent with an exemption from, or in compliance with, the requirements of Section 409A. In addition, any amounts payable in respect of Restricted Stock or Restricted Stock Units may be subject to such limits or restrictions as the Administrator may impose.

(8) **Rights Limited**. Nothing in the Plan will be construed as giving any person the right to continued employment or service with the Company or its Affiliates, or any rights as a stockholder except as to shares of Stock actually issued under the Plan.

(9) **Coordination with Other Plans**. Awards under the Plan may be granted in tandem with, or in satisfaction of or substitution for, other Awards under the Plan or awards made under other compensatory plans or programs of the Company or its subsidiaries. For example, but without limiting the generality of the foregoing, awards under other compensatory plans or programs of the Company or its subsidiaries may be settled in Stock (including, without limitation, Unrestricted Stock) if the Administrator so determines, in which case the shares delivered will be treated as awarded under the Plan (and will reduce the number of shares thereafter available under the Plan in accordance with the rules set forth in Section 4).

(10) **Section 409A**. Each Award may contain such terms as the Administrator determines, and shall be construed and administered, such that the Award either (i) qualifies for an exemption from the requirements of Section 409A, or (ii) satisfies such requirements.

(11) **Certain Requirements of Corporate Law.** Awards shall be granted and administered consistent with the requirements of applicable law relating to the issuance of stock and the consideration to be received therefor, and with the applicable requirements of the stock exchanges or other trading systems on which the Stock is listed or entered for trading, in each case as determined by the Administrator.

(12) **Fair Market Value.** In determining the fair market value of any share of Stock under the Plan, the Administrator shall make the determination in good faith, consistent with the rules of Section 422 and Section 409A to the extent applicable.

(13) **Stockholders Agreement.** Unless otherwise specifically provided in any agreement evidencing the grant of an Award, all Awards issued under the Plan and all Stock issued thereunder will be subject to the Stockholders Agreement to the extent applicable. Other than as specified by the Administrator, no Award will be granted to a Participant and no Stock will be delivered to a Participant, in either case, until the Participant has executed the Stockholders Agreement.

(b) Awards Requiring Exercise.

(1) **Time And Manner Of Exercise.** Unless the Administrator expressly provides otherwise, an Award requiring exercise by the holder will not be deemed to have been exercised until the Administrator receives a notice of exercise (in form acceptable to the Administrator), which may be an electronic notice, signed (including electronic signature in form acceptable to the Administrator) by the appropriate person and accompanied by any payment required under the Award. If the Award is exercised by any person other than the Participant, the Administrator may require satisfactory evidence that the person exercising the Award has the right to do so.

(2) **Exercise Price.** The exercise price (or the base value from which appreciation is to be measured) of each Award requiring exercise will be 100% (in the case of an ISO granted to a ten-percent shareholder within the meaning of subsection (b)(6) of Section 422, 110%) of the fair market value of the Stock subject to the Award, determined as of the date of grant, or such higher amount as the Administrator may determine in connection with the grant.

(3) **Payment Of Exercise Price.** Where the exercise of an Award is to be accompanied by payment, payment of the exercise price shall be (i) by cash or check acceptable to the Administrator, or, (ii) if so permitted by the Administrator and if legally permissible, (x) by the Administrator's holding back shares otherwise deliverable upon exercise having a fair market value equal to the aggregate exercise price for the portion of the Stock Option being exercised, (y) through the delivery of unrestricted shares of Stock that have a fair market value equal to the exercise price, subject to such minimum holding period requirements, if any, as the Administrator may prescribe or (z) at such time, if any, as the Stock is publicly traded, through a broker assisted exercise program acceptable to the Administrator, (iii) by other means acceptable to the Administrator or (iv) by any combination of the foregoing forms of payment. No Award requiring exercise or portion thereof may be exercised unless, at the time of exercise, the fair market value of the shares of Stock subject to such Award or portion thereof exceeds the exercise price for the Award or such portion. The

delivery of shares of Stock as payment of the exercise price under clause (ii) above may be accomplished either by actual delivery or by constructive delivery through attestation of ownership, subject to such rules as the Administrator may prescribe.

(4) **Maximum Term.** Awards requiring exercise will have a maximum term not to exceed ten (10) years from the date of grant (five (5) years from the date of grant in the case of an ISO granted to a ten-percent shareholder described in Section 6(b)(2) above).

7. EFFECT OF CERTAIN TRANSACTIONS

(a) **Mergers, etc.** Except as otherwise provided in an Award, the Administrator shall, in its sole discretion, determine the effect of a Covered Transaction on Awards, which determination may include, but is not limited to, taking the following actions:

(1) **Assumption or Substitution.** If the Covered Transaction is one in which there is an acquiring or surviving entity, the Administrator may provide for the assumption or continuation of some or all outstanding Awards or for the grant of new awards in substitution therefor by the acquiror or survivor or an affiliate of the acquiror or survivor.

(2) **Cash-Out of Awards.** If the Covered Transaction is one in which holders of Stock will receive upon consummation a payment (whether cash, non-cash or a combination of the foregoing), then subject to Section 7(a)(5) below the Administrator may provide for payment (a “cash-out”), with respect to some or all Awards or any portion thereof, equal in the case of each affected Award or portion thereof to the excess, if any, of (A) the fair market value of one share of Stock (as determined by the Administrator in its reasonable discretion) times the number of shares of Stock subject to the Award or such portion, over (B) the aggregate exercise or purchase price, if any, under the Award or such portion (in the case of an SAR, the aggregate base value above which appreciation is measured), in each case on such payment terms (which need not be the same as the terms of payment to holders of Stock) and other terms, and subject to such conditions, as the Administrator determines; *provided*, that the Administrator may not exercise its discretion under this Section 7(a)(2) with respect to an Award or portion thereof providing for “nonqualified deferred compensation” subject to Section 409A in a manner that would constitute an extension or acceleration of, or other change in, payment terms if such change would be inconsistent with the applicable requirements of Section 409A.

(3) **Acceleration of Certain Awards.** If the Covered Transaction (whether or not there is an acquiring or surviving entity) is one in which there is no assumption, continuation, substitution or cash-out, then subject to Section 7(a)(5) below the Administrator may provide that each Award requiring exercise will become fully exercisable, and the delivery of any shares of Stock remaining deliverable under each outstanding Award of Stock Units (including Restricted Stock Units and Performance Awards to the extent consisting of Stock Units) will be accelerated and such shares will be delivered, prior to the Covered Transaction, in each case on a basis that gives the holder of the Award a reasonable opportunity, as determined by the Administrator, following exercise of the Award or the delivery of the shares, as the case may be, to participate as a stockholder in the Covered Transaction; *provided*, that to the extent acceleration pursuant to this Section 7(a)(3) of an Award subject to Section 409A would cause the Award to fail to satisfy the requirements of Section

409A, the Award may not be accelerated and the Administrator in lieu thereof shall take such steps as are necessary to ensure that payment of the Award is made in a medium other than Stock and on terms that as nearly as possible, but taking into account adjustments required or permitted by this Section 7, replicate the prior terms of the Award.

(4) Termination of Awards Upon Consummation of Covered Transaction. Each Award will terminate upon consummation of the Covered Transaction, other than the following: (i) Awards assumed pursuant to Section 7(a)(1) above; (ii) Awards converted pursuant to the proviso in Section 7(a)(3) above into an ongoing right to receive payment other than in Stock; and (iii) outstanding shares of Restricted Stock (which will be treated in the same manner as other shares of Stock, subject to Section 7(a)(5) below).

(5) Additional Limitations. Any share of Stock and any cash or other property delivered pursuant to Section 7(a)(2) or Section 7(a)(3) above with respect to an Award may, in the discretion of the Administrator, contain such restrictions, if any, as the Administrator deems appropriate to reflect any performance or other vesting conditions to which the Award was subject and that did not lapse (and were not satisfied) in connection with the Covered Transaction. For purposes of the immediately preceding sentence, a cash-out under Section 7(a)(2) above or the acceleration of exercisability of an Award under Section 7(a)(3) above shall not, in and of itself, be treated as the lapsing (or satisfaction) of a performance or other vesting condition. In the case of Restricted Stock that does not vest in connection with the Covered Transaction, the Administrator may require that any amounts delivered, exchanged or otherwise paid in respect of such Stock in connection with the Covered Transaction be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate to carry out the intent of the Plan.

(b) Changes in and Distributions With Respect to Stock.

(1) Basic Adjustment Provisions. In the event of a stock dividend, stock split or combination of shares (including a reverse stock split), recapitalization or other change in the Company's capital structure that constitutes an equity restructuring within the meaning of FASB ASC 718, the Administrator shall make appropriate adjustments to the maximum number of shares specified in Section 4(a) that may be delivered under the Plan and shall also make appropriate adjustments to the number and kind of shares of stock or securities subject to Awards then outstanding or subsequently granted, any exercise prices relating to Awards and any other provision of Awards affected by such change.

(2) Certain Other Adjustments. The Administrator may also make adjustments of the type described in Section 7(b)(1) above to take into account distributions to stockholders other than those provided for in Section 7(a) and 7(b)(1), or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of Awards made hereunder, having due regard for the qualification of ISOs under Section 422 and the requirements of Section 409A, where applicable.

(3) Adjustment upon Extraordinary Cash Dividend. In the event of an extraordinary cash dividend by the Company, the Administrator, in its sole discretion, may, in lieu of any of the methods of adjustments set forth above, determine that the exercise price of outstanding

Stock Options and SARs may be reduced by an amount equal to the per-share extraordinary cash dividend amount, provided, however, that the Administrator may, in its sole discretion, determine that a cash payment shall be made to a Participant holding a Stock Option or SAR partially or entirely in lieu of such a reduction in exercise price on a per-share cent-for-cent basis.

(4) Continuing Application of Plan Terms. References in the Plan to shares of Stock will be construed to include any stock or securities resulting from an adjustment pursuant to this Section 7.

(c) Certain Transactions. Notwithstanding any of the foregoing, in the event of a transaction or reorganization that does not result in a Change in Control, the Board shall negotiate for, in good faith, the assumption, continuation or cash-out of outstanding Awards or for the grant of new awards in substitution therefor to the extent that the Company is not the surviving entity following such transaction or reorganization.

8. LEGAL CONDITIONS ON DELIVERY OF STOCK

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or remove any restriction from shares of Stock previously delivered under the Plan until: (i) the Company is satisfied that all legal matters in connection with the issuance and delivery of such shares have been addressed and resolved; (ii) if the outstanding Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and (iii) all conditions of the Award have been satisfied or waived. If the sale of Stock has not been registered under the Securities Act, the Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of the Securities Act or any applicable state or foreign securities laws. The Company may require that certificates evidencing Stock issued under the Plan bear an appropriate legend reflecting any restriction on transfer applicable to such Stock, and the Company may hold the certificates pending lapse of the applicable restrictions.

9. AMENDMENT AND TERMINATION

The Administrator may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, and may at any time terminate the Plan as to any future grants of Awards; *provided*, that except as otherwise expressly provided in the Plan the Administrator may not, without the Participant's consent, alter the terms of an Award so as to affect materially and adversely the Participant's rights under the Award, unless the Administrator expressly reserved the right to do so at the time the Award was granted. In furtherance of the foregoing, the Administrator may, without stockholder approval, amend any outstanding Award requiring exercise to provide an exercise price (or base value, in the case of an SAR) per share that is lower than the then-current exercise price or base value per share of such outstanding Award (but not lower than the exercise price or base value at which a new Award of the same type could be granted on the date of such amendment). The Board may also, without stockholder approval, cancel any outstanding award (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan covering the same or a different number of shares of Stock, including,

in the case of a Award requiring exercise, a new Award having an exercise price (or base value, in the case of an SAR) per share that is lower than the then-current exercise price or base value per share of such outstanding Award (but not lower than the exercise price or base value at which a new Award of the same type could be granted on the date of such amendment), subject to the requirements of Section 6(b)(2) above. Any amendments to the Plan will be conditioned upon stockholder approval only to the extent, if any, such approval is required by law (including the Code), as determined by the Administrator. This Plan amends and restates in its entirety the 2015 Equity Incentive Plan approved and adopted by the Board on October 30, 2015.

10. OTHER COMPENSATION ARRANGEMENTS

The existence of the Plan or the grant of any Award will not in any way affect the Company's right to Award a person bonuses or other compensation in addition to Awards under the Plan.

11. MISCELLANEOUS

(a) **Waiver of Jury Trial**. By accepting an Award under the Plan, each Participant waives any right to a trial by jury in any action, proceeding or counterclaim concerning any rights under the Plan and any Award, or under any amendment, waiver, consent, instrument, document or other agreement delivered or which in the future may be delivered in connection therewith, and agrees that any such action, proceedings or counterclaim shall be tried before a court and not before a jury. By accepting an Award under the Plan, each Participant certifies that no officer, representative, or attorney of the Company has represented, expressly or otherwise, that the Company would not, in the event of any action, proceeding or counterclaim, seek to enforce the foregoing waivers.

(b) **Limitation of Liability**. Notwithstanding anything to the contrary in the Plan, neither the Company, nor any Affiliate, nor the Administrator, nor any person acting on behalf of the Company, any Affiliate, or the Administrator, will be liable to any Participant or to the estate or beneficiary of any Participant or to any other holder of an Award by reason of any acceleration of income, or any additional tax (including any interest and penalties), asserted by reason of the failure of an Award to satisfy the requirements of Section 422 or Section 409A or by reason of Section 4999 of the Code, or otherwise asserted with respect to the Award.

12. ESTABLISHMENT OF SUB-PLANS

The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable blue sky, securities or tax laws of various jurisdictions. The Board will establish such sub-plans by adopting supplements to the Plan setting forth (i) such limitations on the Administrator's discretion under the Plan as the Board deems necessary or desirable and (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board deems necessary or desirable. All supplements adopted by the Board will be deemed to be part of the Plan, but each supplement will apply only to Participants within the affected jurisdiction and the Company will not be required to provide copies of any supplement to Participants in any jurisdiction that is not affected.

13. GOVERNING LAW

(a) **Certain Requirements of Corporate Law**. Awards will be granted and administered consistent with the requirements of applicable laws of the State of Delaware relating to the issuance of stock and the consideration to be received therefor.

(b) **Other Matters**. Except as otherwise provided by the express terms of an Award agreement or under a sub-plan described in Section 12 or as provided in Section 13(a), the provisions of the Plan and of Awards under the Plan and all claims or disputes arising out of or based upon the Plan or any Award under the Plan or relating to the subject matter hereof or thereof will be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

(c) **Jurisdiction**. By accepting an Award, each Participant will be deemed to (a) have submitted irrevocably and unconditionally to the jurisdiction of the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon the Plan or any Award; (b) agree not to commence any suit, action or other proceeding arising out of or based upon the Plan or an Award, except in the federal and state courts located within the geographic boundaries of the United States District Court for the District of Delaware; and (c) waive, and agree not to assert, by way of motion as a defense or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above- named courts that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that the Plan or an Award or the subject matter thereof may not be enforced in or by such court.

EXHIBIT A

Definition of Terms

The following terms, when used in the Plan, will have the meanings and be subject to the provisions set forth below:

“Administrator”: The Board, except that the Board may delegate its authority under the Plan to a committee of the Board (or one or more members of the Board), in which case references herein to the Board will refer to such committee (or members of the Board). The Board may delegate (i) to one or more of its members such of its duties, powers and responsibilities as it may determine; (ii) to one or more officers of the Company the power to grant rights or options to the extent permitted by applicable law; and (iii) to such Employees or other persons as it determines such ministerial tasks as it deems appropriate. In the event of any delegation described in the preceding sentence, the term “Administrator” will include the person or persons so delegated to the extent of such delegation.

“Affiliate”: Any corporation or other entity that would be treated as an “Affiliate” of the Company under the terms of the Stockholders Agreement.

“Award”: Any or a combination of the following:

- (i) Stock Options;
- (ii) SARs;
- (iii) Restricted Stock;
- (iv) Unrestricted Stock;
- (v) Stock Units, including Restricted Stock Units;
- (vi) Performance Awards; or

(vii) Awards (other than Awards described in (i) through (vi) above) that are convertible into or otherwise based on Stock.

“Board”: The Board of Directors of the Company.

“Cause”: In the case of any Participant who is party to an employment or severance- benefit agreement that contains a definition of “Cause,” the definition set forth in such agreement will apply with respect to such Participant under the Plan for so long as such agreement is in effect. will mean, as determined by the Administrator in its reasonable judgment, (i) a substantial failure of such Participant to perform such Participant’s duties and responsibilities to the Company or subsidiaries or substantial negligence in the performance of such duties and responsibilities; (ii) the commission by such Participant of a felony or of any crime involving moral turpitude; (iii) the commission by such Participant of theft, fraud, embezzlement, material breach of trust or any material act of

dishonesty involving the Company or any of its subsidiaries; (iv) a violation by such Participant of the code of conduct of the Company or its subsidiaries or of any other material policy of the Company or its subsidiaries, or of any statutory or common law duty of loyalty to the Company or its subsidiaries; (v) material breach of any of the terms of any agreement between the Company or subsidiaries and such Participant; or (vi) other conduct by such Participant that could be expected to be harmful to the business, interests or reputation of the Company. Any termination by the Company or its subsidiaries of such Participant Employment under clause (i) above, or under clause (iv) in respect of a breach that is susceptible of cure in the reasonable determination of the Company, shall require that such Participant shall have failed to cure all identified deficiencies and curable breaches to the reasonable satisfaction of the Company within ten (10) business days following written notice from the Company or its subsidiaries identifying such deficiencies and/or breaches; *provided*, that the foregoing notice and cure requirements shall not apply in the case of any termination by the Company or its subsidiaries for Cause that is based in whole or in part on clauses (ii), (iii), (iv) or (v), or on clause (vi) in respect of a breach that in the reasonable determination of the Company is not susceptible of cure.

“Change in Control”: Any transaction or series of transactions pursuant to which any person(s) or entity(ies) acquire(s) (i) capital stock of the Company possessing over 50% of the voting power (other than voting rights accruing only in the event of a default, breach or event of noncompliance) or the power to elect a majority of the Board (whether by merger, consolidation, reorganization, combination, sale or transfer of the Company's capital stock, shareholder or voting agreement, proxy, power of attorney or otherwise); or (ii) over 50% of the Company's assets determined on a consolidated basis; provided, that a Change in Control shall not be deemed to include an equity capital contribution by the Sponsor or its affiliates that causes it or them, in the aggregate, to possess more than 50% of the voting power of the Company after such equity capital contribution if the primary purpose of such equity capital contribution is to maintain the working capital, net worth or solvency of the Company, to effect a refinancing of the Company's debt facility, or to effect the Company's acquisition of the capital stock or assets of a third party.

“Closing Date”: May 22, 2015.

“Code”: The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

“Company”: Batman Holdings, Inc., a Delaware corporation.

“Compensation Committee”: The compensation committee of the Board.

“Covered Transaction”: Any of (i) a consolidation, merger, or similar transaction or series of related transactions, including a sale or other disposition of stock, in which the Company is not the surviving corporation or which results in the acquisition of all or substantially all of the Company's then outstanding common stock by a single person or entity or by a group of persons and/or entities acting in concert, (ii) a sale or transfer of all or substantially all the Company's assets, or (iii) a dissolution or liquidation of the Company. Where a Covered Transaction involves a tender offer that is reasonably expected to be followed by a merger described in clause (i) (as determined

by the Administrator), the Covered Transaction will be deemed to have occurred upon consummation of the tender offer.

“Disability”: In the case of any Participant who is a party to an employment or severance-benefit agreement that contains a definition of “Disability,” the definition set forth in such agreement will apply with respect to such Participant under the Plan for so long as such agreement is in effect. In the case of any other Participant, “Disability” will mean a disability that would entitle a Participant to long-term disability benefits under the Company’s long-term disability plan to which the Participant participates. Notwithstanding the foregoing, in any case in which a benefit that constitutes or includes “nonqualified deferred compensation” subject to Section 409A would be payable by reason of Disability, the term “Disability” will mean a disability described in Treas. Regs. Section 1.409A-3(i)(4)(i)(A).

“Employee”: Any person who is employed by the Company or by a subsidiary of the Company.

“Employment”: A Participant’s employment or other service relationship with the Company and its subsidiaries. Employment will be deemed to continue, unless the Administrator expressly provides otherwise, so long as the Participant is employed by, or otherwise is providing services in a capacity described in Section 5 to the Company or one of its subsidiaries. If a Participant’s employment or other service relationship is with a subsidiary and that entity ceases to be a subsidiary of the Company, the Participant’s Employment will be deemed to have terminated when the entity ceases to be a subsidiary of the Company unless the Participant transfers Employment to the Company or one of its remaining subsidiaries. Notwithstanding the foregoing, in construing the provisions of any Award relating to the payment of “nonqualified deferred compensation” (subject to Section 409A) upon a termination or cessation of Employment, references to termination or cessation of employment, separation from service, retirement or similar or correlative terms shall be construed to require a “separation from service” (as that term is defined in Section 1.409A-1(h) of the Treasury Regulations, after giving effect to the presumptions contained therein) from the Company and from all other corporations and trades or businesses, if any, that would be treated as a single “service recipient” with the Company under Section 1.409A-1(h)(3) of the Treasury Regulations. The Company may, but need not, elect in writing, subject to the applicable limitations under Section 409A, any of the special elective rules prescribed in Section 1.409A-1(h) of the Treasury Regulations for purposes of determining whether a “separation from service” has occurred. Any such written election shall be deemed a part of the Plan.

“ISO”: A Stock Option intended to be an “incentive stock option” within the meaning of Section 422. Each Stock Option granted pursuant to the Plan will be treated as providing by its terms that it is to be a non-incentive Stock Option unless, as of the date of grant, it is expressly designated as an ISO.

“Participant”: A person who is granted an Award under the Plan.

“Performance Award”: An Award subject to specified criteria, other than the mere continuation of Employment or the mere passage of time, the satisfaction of which is a condition for the grant, exercisability, vesting or full enjoyment of the Award.

“Plan”: The Batman Holdings, Inc. 2015 Equity Incentive Plan as from time to time amended and in effect.

“Restricted Stock”: Stock subject to restrictions requiring that it be redelivered or offered for sale to the Company if specified conditions are not satisfied.

“Restricted Stock Unit”: A Stock Unit that is, or as to which the delivery of Stock or cash in lieu of Stock is, subject to the satisfaction of specified performance or other vesting conditions.

“SAR”: A right entitling the holder upon exercise to receive an amount (payable in cash or in shares of Stock of equivalent value) equal to the excess of the fair market value of the shares of Stock subject to the right over the base value from which appreciation under the SAR is to be measured.

“Section 409A”: Section 409A of the Code.

“Section 422”: Section 422 of the Code.

“Securities Act”: Securities Act of 1933, as amended.

“Sponsor”: Bain Capital Partners, LLC, together with its related investment funds and any of their respective affiliates.

“Stock”: Common Stock of the Company, par value \$0.001 per share.

“Stockholders Agreement”: The Stockholders Agreement dated as of May 22, 2015 by and among the Company and certain stockholders and Participants, as amended or modified from time to time.

“Stock Option”: An option entitling the holder to acquire shares of Stock upon payment of the exercise price.

“Stock Unit”: An unfunded and unsecured promise, denominated in shares of Stock, to deliver Stock or cash measured by the value of Stock in the future.

“Unrestricted Stock”: Stock not subject to any restrictions under the terms of the Award.

EXHIBIT B

Rollover Options

Date of Grant of Rollover Option	Shares of Stock Subject to Rollover Option
May 22, 2015	53,333.33
May 22, 2015	22,666.66
May 22, 2015	27,066.20
May 22, 2015	48,335.95
May 22, 2015	7,398.60

NORTONLIFELOCK INC.

2008 EMPLOYEE STOCK PURCHASE PLAN

Effective Date of Plan: September 22, 2008

Amended on September 20, 2010, October 22, 2013, November 2, 2015 and January 30, 2018

1. ESTABLISHMENT AND PURPOSE OF PLAN

(a) NortonLifeLock Inc., a Delaware corporation (the “**Company**”) adopted this 2008 Employee Stock Purchase Plan (the “**Plan**”) to grant options for the purchase of shares (“**Shares**”) of the Company’s Common Stock (“**Common Stock**”) to eligible employees of the Company, its parent corporation, and its Affiliates and Subsidiaries. For purposes of the Plan, “parent corporation” and “Subsidiary” (collectively, “**Subsidiaries**”) shall have the same meanings as “parent corporation” and “subsidiary corporation” in Sections 424(e) and (f), respectively, of the Internal Revenue Code of 1986, as amended (the “**Code**”), and “**Affiliate**” shall mean any entity, other than a Subsidiary, in which the Company has an equity or other ownership interest. Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition in this Plan for purposes of the Statutory Plan (defined below).

(b) The purpose of the Plan is to provide employees of the Company and certain Affiliates and Subsidiaries designated (any such designated Affiliate or Subsidiary, a “**Designated Corporation**”) by the Board of Directors of the Company (the “**Board**”) whose employees are eligible to participate in the Plan with a convenient means to acquire at a discount to market value an equity interest in the Company through payroll deductions, to enhance such employees’ sense of participation in the affairs of the Company and its Affiliates and Subsidiaries, and to provide an incentive for continued employment.

2. STRUCTURE OF THE PLAN AND SUB-PLANS

(a) This Plan document is an omnibus document which includes a sub-plan (the “**Statutory Plan**”) designed to permit offerings of grants to employees of the Company and certain Subsidiaries that are Designated Corporations (defined below) where such offerings are intended to satisfy the requirements of Section 423 of the Code (although the Company makes no undertaking nor representation to obtain or maintain qualification under Section 423 for any Subsidiary, individual, offering or grant) and also separate sub-plans (each a “**Non-Statutory Plan**”) which permit offerings of grants to employees of certain Designated Corporations that are not intended to satisfy the requirements of Section 423 of the Code.

(b) A total of seventy million (70,000,000) Shares may be issued under the Plan. Such number shall be subject to adjustments effected in accordance with Section 14 of the Plan.

(c) The Statutory Plan shall be a separate and independent plan from the Non-Statutory Plans, provided, however, that the total number of shares authorized to be issued under the Plan applies in the aggregate to both the Statutory Plan and the Non-Statutory Plans. Offerings under the Non-Statutory Plans may be made to achieve desired tax or other objectives in particular locations outside the United States of America or to comply with local laws applicable to offerings in such foreign jurisdictions.

(d) The terms of the Statutory Plan shall be those set forth in this Plan document to the extent such terms are consistent with the requirements for qualification under Code Section 423. The Board may adopt Non-Statutory Plans applicable to particular Designated Corporations or locations that are not participating in the Statutory Plan, which shall be designed to achieve tax, securities law or other Company compliance objectives in particular locations outside the United States. The terms of each Non-Statutory Plan may take precedence over other provisions in this document, with the exception of Section 2(b) of the Plan with respect to the total number of shares available to be offered under the Plan for all sub-plans. Unless otherwise superseded by the terms of such Non-Statutory Plan, the provisions of this Plan document shall govern the operation of such Non-Statutory Plan. Except to the extent expressly set forth herein or where the context suggests otherwise, any reference herein to “Plan” shall be construed to include a reference to the Statutory Plan and any Non-Statutory Plans.

3. ADMINISTRATION

(a) The Plan is administered by the Board or by a committee designated by the Board (in which event all references herein to the Board shall be to the committee). 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 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.

(b) The Board (or the committee) shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine when and how options to purchase Shares shall be granted and the provisions of each Offering Period (which need not be identical).

(ii) To designate from time to time an Affiliate or Subsidiary as a Designated Corporation whose employees shall be eligible to participate in the Statutory Plan or a Non-Statutory Plan. For purposes of participation in the Statutory Plan, only Subsidiaries shall be considered Designated Corporations, and the Board shall designate from time to time which Subsidiaries will be Designated Corporations in the Statutory Plan. The Board shall designate from time to time which Subsidiaries and Affiliates shall be Designated Corporations in particular Non-Statutory Plans, provided, however, that at any given time, a Subsidiary that is a Designated Corporation in the Statutory Plan shall not be a Designated Corporation in a Non-Statutory Plan. The foregoing designations and changes in designations by the Board from time to time shall not require stockholder approval.

(iii) To determine from time to time the method for allocating the number of total shares to be offered under each sub-plan, which determination shall not require stockholder approval.

(iv) To construe and interpret the Plan and rights to purchase (options on) Shares, and to establish, amend and revoke rules and procedures for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(v) To amend or terminate the Plan as provided in Section 24 below.

(vi) To adopt rules and procedures and/or special provisions relating to the operation and administration of the Statutory Plan (subject to the limitations of Section 423 of the Code or any successor provision in the Code) and any Non-Statutory Plan, as appropriate, to permit or facilitate participation in the

Statutory Plan or a particular Non-Statutory Plan by employees who are foreign nationals or employed or resident outside the United States or as designed to achieve tax, securities law or other Company compliance objectives in particular locations outside the United States.

(vii) Generally, to exercise such powers and to perform such acts it deems necessary, desirable, convenient or expedient to promote the best interests of the Company and its Subsidiaries and to carry out that intent that the Statutory Plan be treated as an “employee stock purchase plan” under Section 423 of the Code.

(c) Subject to the limitations of Section 423 of the Code or any successor provision in the Code with respect to the Statutory Plan, 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 persons.

4. ELIGIBILITY

Any employee of the Company or any Designated Corporation is eligible to participate in an Offering Period (as hereinafter defined) under the Plan except the following unless otherwise required under applicable local law:

(a) employees who are not employed by the Company or a Designated Corporation on the third (3rd) 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 five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Subsidiaries; and

(e) individuals who provide services to the Company or any Designated Corporation 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; AND PURCHASE DATES

(a) Each Offering Period under the Plan (each an “Offering Period”) shall be of the duration provided for or permitted herein. The first trading day (day on which the exchange or system on which the Common Stock is trading is open) of each Offering Period is referred to as the “Offering Date.” The Board may but need not provide for multiple purchases within a single Offering Period. The Board shall have the power to change the duration of Offering Periods without stockholder approval. The last trading day of each Offering Period (or in the case of an Offering Period encompassing multiple purchases, each such purchase period) is hereinafter referred to as the “Purchase Date.”

(b) Subject to Section 5(c) below, each Offering Period shall be of twelve (12) months’ duration commencing February 16 and August 16 of each year and ending no later than the next and February 15 and August 15, respectively, thereafter, and each Offering Period shall consist of two purchase periods (each a “Purchase Period”).

(c) Notwithstanding 5(b) above and the other provisions of the Plan, the Board of Directors may, but need not, vary the terms and structure of the Offering Periods under this Plan, on such basis as it shall determine in its sole discretion (including without limitation, the length of each Offering Period and each Purchase Period, and the formula(s) for calculating the price(s) at which Shares may be purchased during such Offering Period or Purchase Period including a formula under which such price is calculated with reference to the fair market value (as provided for in Section 8 below) of the Common Stock as of the Offering Date or Purchase Period for the Offering Period); provided, however, that no Offering Period under the Plan shall have a duration in excess of twenty-seven (27) months (or such period as may be permitted under Code Section 423).

6. PARTICIPATION IN THE PLAN

An eligible employee may become a participant in an Offering Period under the Plan if (a) as of the Offering Date with respect to the Offering Period he or she satisfies the eligibility requirements set forth above, and (b) not later than the third (3rd) business day prior to such Offering Date (at such time and in such manner as may be specified with respect to such Offering Period) he or she delivers to the Company or its authorized representative a subscription agreement indicating his or her desire to enroll in the Offering Period and authorizing payroll deductions in a manner consistent with Section 9 below. An eligible employee who does not timely deliver a subscription agreement by the date specified in advance of the applicable Offering Date shall not participate in that Offering Period and shall not participate in any subsequent Offering Period unless such employee enrolls in the Plan by timely delivering a subscription agreement to the Company or its representative prior to 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 that 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 with respect to subsequent Offering Periods. Any participant 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.

7. GRANT OF OPTION

(a) Each employee enrolled in an Offering Period will be granted on the Offering Date an option to purchase on each Purchase Date for a particular Purchase Period up to that number of Shares determined by dividing the amount accumulated in such employee's payroll deduction account during such Purchase Period by the Purchase Price applicable to that Purchase Period (as defined in Section 8 below).

(b) In no event, however, shall the number of Shares subject to any option granted pursuant to this Plan exceed the limitations set forth in Section 10 below. The purchase price and fair market value of a Share shall be determined as provided in Section 8 below.

8. PURCHASE PRICE

(a) Unless otherwise determined by the Board in its discretion, the purchase price per Share at which a Share of Common Stock will be sold in any Offering Period (the "Purchase Price") shall be the lesser of (i) eighty-five percent (85%) of the fair market value of a Share on the Offering Date or (ii) eighty-five percent (85%) of the fair market value of a Share on the Purchase Date. The fair market value of a Share shall be as determined in good faith by the Board. If the Common Stock is listed on a national or regional securities exchange or market system, including without limitation the Nasdaq Stock Market, the fair market value of a Share shall be the closing sales price for such stock, as quoted on such exchange or market

constituting the primary market for the Common Stock on the date of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable. If the relevant date does not fall on a day on which the Common Stock has traded on such securities exchange or market system, the date on which the fair market value shall be established shall be the last day on which the Common Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its discretion.

(b) The Board may in its discretion, and without stockholder approval, change the Purchase Price from the formula set forth above, provided that the Purchase Price may not be less than the lesser of (a) eighty-five percent (85%) of the Offering Date fair market value of a Share and (b) eighty-five percent (85%) of the Purchase Date fair market value of a Share.

9. PAYMENT OF PURCHASE PRICE; PAYROLL DEDUCTIONS; ISSUANCE OF SHARES

(a) The Purchase Price shall be accumulated by regular payroll deductions made during each Purchase Period, unless payroll deductions are not permitted under a statute, regulation, rule of a jurisdiction, in which case such other payments as may be approved by the Board (or committee) subject to this Section 9. The deductions are made as a percentage of the employee's compensation in one percent (1%) increments not less than two percent (2%) nor greater than ten percent (10%). For purposes of the Statutory Plan, "compensation" shall mean all compensation, including, but not limited to base salary, wages, commissions, overtime, shift premiums and bonuses, plus draws against commissions, but excluding amounts related to Company equity compensation; 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. For purposes of any Non-Statutory Plan, "compensation" shall mean base salary. Payroll deductions shall commence on the first payroll date following the Offering Date and shall continue immediately preceding the last Purchase Date in 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 (including to zero) during an Offering Period by filing with the Company's designated stock plan administrator (the "Administrator") (which may also be the ESPP Broker, as defined below) a new authorization for payroll deductions, in which case the new rate shall become effective for the next payroll period commencing more than thirty (30) days after the Administrator'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 (1) change may be made effective during any Offering Period. A participant may increase or lower the rate of payroll deductions for any subsequent Offering Period by filing with the Administrator a new authorization for payroll deductions during the open enrollment period beginning on the first (1st) day of the month and ending three business days before the Offering Date.

(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 (unless required by applicable local law). 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 (unless required by applicable local law).

(d) On each Purchase Date, so long as the Plan remains in effect and provided that the participant has not withdrawn from the Plan in accordance with the provisions of Section 11 of the Plan before that date, the Company shall apply the funds then in the participant's account to the purchase of whole Shares 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 (without interest except to the extent necessary to comply with local legal requirements outside the United States). In the event that the Plan has been oversubscribed as provided in Section 10(c), all funds not used to purchase Shares on the Purchase Date shall be returned to the participant (without interest except to the extent, otherwise required by applicable local law). No Shares shall be purchased on a Purchase Date on behalf of any employee whose participation in the Plan has terminated prior to such Purchase Date, except to the extent required due to local legal requirements outside the United States.

(e) As promptly as practicable after the Purchase Date, the number of Shares purchased by each participant upon exercise of each participant's option shall be deposited into an account established in the participant's name at the stock brokerage or other third party service provider designated by the Company (the "**ESPP Broker**"), as nominee holding the Shares for the benefit of the participant. In the event participant requests the receipt of certificated shares, the Company shall arrange the delivery to such participant of a certificate representing the Shares purchased on the Purchase Date; 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 or in the name of the ESPP Broker, as nominee holding the Shares for the benefit of the participant.

(g) To the extent required by applicable federal, state, local or foreign law, a participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company or any Subsidiary or Affiliate, as applicable, may withhold, by any method permissible under the applicable law, the amount necessary for the Company or Subsidiary or Affiliate, as applicable, to meet applicable withholding obligations, including any withholding required to make available to the Company or Subsidiary or Affiliate, as applicable, any tax deductions or benefits attributable to the sale or early disposition of Shares by a participant. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied.

10. LIMITATIONS ON SHARES TO BE PURCHASED

(a) No employee shall be entitled to purchase Shares under the Plan at a rate which, when aggregated with his or her rights to purchase Shares of Common 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) Subject to Sections 9(a), 10(a) and 14(a) of the Plan, the maximum number of Shares that a participant may purchase on any single Purchase Date shall not exceed 10,000 Shares (the "**Maximum Share Amount**"); provided that prior to the commencement of any Offering Period, the Board may, in its sole discretion and without stockholder approval, change the Maximum Share Amount with respect to that Offering Period. If a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount prior to the commencement of the next Offering Period. Once a Maximum Share Amount is set, it shall continue to apply in respect of all succeeding Purchase Dates and Offering Periods unless revised by the Board as set forth above.

(c) If a participant is precluded by the limitations of Sections 10(a) or 10(b) from purchasing additional Shares under the Plan, then his or her payroll deductions shall automatically be discontinued and shall resume at the beginning of the next Purchase Period in which such participant is eligible to participate.

(d) 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. Any payroll deductions accumulated in such participant's account which are not used to purchase Shares due to the limitations in this Section 10(d) shall be returned to the participant (without interest, unless required by applicable local law) as soon as practicable after the end of the applicable Purchase Period.

11. WITHDRAWAL

(a) Each participant may withdraw from an Offering Period under the Plan by signing and delivering to the Administrator notice on a form provided for such purpose. Such withdrawal may be elected at any time at least fifteen (15) days prior to the end of an Offering Period, or such shorter period of time as may be required in certain jurisdictions outside the United States as determined by the Board.

(b) Upon withdrawal from the Plan, the accumulated payroll deductions shall be returned to the withdrawn employee (without interest, unless required by applicable local law) and his or her interest in the Plan shall terminate. In the event a participant 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 in Section 6 above for initial participation in the Plan. To the extent applicable, if the fair market value on the first day of the current Offering Period in which a participant is enrolled is higher than the fair market value on the first day of any subsequent Offering Period, the Company will automatically enroll such participant in the subsequent Offering Period. Any funds accumulated in a participant's account prior to the first day of such subsequent Offering Period will be applied to the purchase of Shares on the Purchase Date immediately prior to the first day of such subsequent Offering Period, if any.

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 as set forth in Section 4, 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, if such leave is longer than ninety (90) days, reemployment upon the expiration of such leave is guaranteed by contract or statute. The Company will have sole discretion to determine whether a participant has terminated employment and the effective date on which the participant terminated employment, regardless of any notice period or garden leave required under local law.

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. Unless otherwise required by applicable local law, no interest shall accrue on the payroll deductions of a participant in the Plan.

14. ADJUSTMENTS UPON CAPITAL CHANGES; CORPORATE TRANSACTIONS

(a) Subject to any required action by the stockholders of the Company, the number of Shares covered by each option under the Plan which has not yet been exercised, the Maximum Share Amount set forth in Section 10(b) above, and the number of Shares 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 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 resulting from 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) or any other increase or decrease in the number of Shares 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 subject to an option.

In the event of an extraordinary cash dividend by the Company, the Board (or the committee) may, subject to any required action by the stockholders of the Company and in lieu of any of the methods of adjustments set forth above, determine that the Purchase Price for each Share covered by an option under the Plan which has not yet been exercised may be reduced by an amount equal to the per-Share extraordinary cash dividend amount.

(b) 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. In such event, 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 Shares.

(c) In the event of a Corporate Transaction (defined below), 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 Shares. If the Board makes an option exercisable in lieu of assumption or substitution in the event of a Corporate Transaction, the Board shall notify the participant that the option shall be fully exercisable on a date specified in such notice, and the option will terminate upon the expiration of such period. For purposes of the Plan, a “**Corporate Transaction**” means (i) 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 options granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all participants), (ii) 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, (iii) the sale of substantially all of the assets of the Company, or (iv) 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).

(d) 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 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 a Corporate Transaction.

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 any other reports required by applicable law.

17. NOTICE OF DISPOSITION

Each participant under a Statutory Plan 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 (2) years from the Offering Date or within one (1) year 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 participants in an Offering Period under the Statutory Plan shall have the same rights and privileges with respect to their participation in the Statutory Plan for that Offering Period, in accordance

with Section 423 of the Code and the related regulations (and any successor provisions) except for differences that may be mandated by local law and are consistent with the requirements of Code Section 423(b)(5). Any provision of the Statutory Plan, a specific Offering Period or an option granted under the Statutory Plan which is inconsistent with this Section 19 shall without further act or amendment by the Company or the Board be reformed, if possible, to the extent necessary to render such provision in compliance with the requirements of Section 423 of the Code, or shall otherwise be deleted, and the remainder of the terms of the Statutory Plan, an Offering Period and/or an option shall not be affected.

20. NOTICES; ELECTRONIC DELIVERY

(a) 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.

(b) Any reference in the Plan to subscription agreements, enrollment forms, authorizations or any other document in writing shall include any agreement or document delivered electronically, including through the Company's intranet.

21. DESIGNATION OF BENEFICIARY.

(a) Unless otherwise determined by the Committee, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under this Plan in the event of such participant's death prior to a Purchase Date. Such form shall be valid only if it was filed with the Company at the prescribed location before the participant's death.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice filed with the Company at the prescribed location before the participant's death. In the event of the death of a participant and in the absence of a beneficiary validly designated under this Plan who is living at the time of such participant's death, the Company shall deliver such 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 cash to the spouse or, if no spouse is known to the Company, then 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.

22. 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 Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed exchange control restrictions and/or securities laws outside the United States, and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall have no liability for failure to issue any Shares under this Plan in the event that such issuance cannot be accomplished in compliance with all applicable laws.

23. APPLICABLE LAW

The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of Delaware.

24. EFFECTIVE DATE; TERM OF THE PLAN

The Plan shall become effective upon approval of the Plan by the stockholders of the Company, and shall continue until the earliest to occur of (i) termination of the Plan by the Board, (ii) issuance of all of the Shares reserved for issuance under the Plan, or (iii) January 30, 2028.

25. AMENDMENT OR TERMINATION OF THE PLAN

The Board of Directors of the Company may at any time amend or terminate the Plan. Termination of the Plan shall not affect options previously granted under the Plan, nor shall any amendment make any change in an option previously granted which would adversely affect the right of any participant (unless mutually agreed otherwise between the participant and the Company, which agreement must be in writing and signed by the participant and the Company); 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. Any amendment of the Plan shall be subject to approval of the stockholders of the Company in the manner and to the extent required by applicable law. In addition, without limiting the foregoing, the Board may not amend the Plan without approval of the stockholders of the Company if such amendment would: (i) increase the number of Shares that may be issued under the Plan; or (ii) expand the designation of the employees (or class of employees) eligible for participation in the Plan.

Certification

I, Vincent Pilette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NortonLifeLock Inc.;
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.

/s/ Vincent Pilette
Vincent Pilette
Chief Executive Officer

Date: February 7, 2020

Certification

I, Matthew Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NortonLifeLock Inc.;
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.

/s/ Matthew Brown
Matthew Brown
Vice President and Interim Chief Financial Officer

Date: February 7, 2020

**Certification Pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Vincent Pilette, Chief Executive Officer of NortonLifeLock Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (i) the Company's quarterly report on Form 10-Q for the period ended January 3, 2020, to which this Certification is attached (the "Form 10-Q"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Vincent Pilette
Vincent Pilette
Chief Executive Officer

Date: February 7, 2020

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

**Certification Pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Matthew Brown, Vice President and Interim Chief Financial Officer of NortonLifeLock Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (i) the Company's quarterly report on Form 10-Q for the period ended January 3, 2020, to which this Certification is attached (the "Form 10-Q"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew Brown

Matthew Brown

Vice President and Interim Chief Financial Officer

Date: February 7, 2020

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