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CENTRAL INDEX KEY: 0000849399
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STATE OF INCORPORATION: DE
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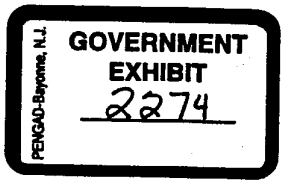
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE



SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JANUARY 1, 1999.

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 0-17781

- ---

SYMANTEC CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	77-0181864
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
10201 TORRE AVENUE, CUPERTINO, CALIFORNIA	95014-2132
(Address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: (408) 253-9600

- ---

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 [X] NO [ ]

Indicate the number of shares outstanding of each of the registrant's classes of common stock, including 1,739,880 shares of Delrina exchangeable stock, as of February 1, 1999

COMMON STOCK, PAR VALUE $0.01 PER SHARE	55,656,505 SHARES

==========

SYMANTEC CORPORATION
FORM 10-Q
QUARTERLY PERIOD ENDED JANUARY 1, 1999
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SYMANTEC CORPORATION
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(In thousands)	December 1998
ASSETS	(unaudite
<S>	<C>
Current assets:	
Cash and short-term investments	$ 182,77
Trade accounts receivable	61,58
Inventories	6,89
Deferred income taxes	23,85
Other	15,35
Total current assets	290,45
Long-term investments	8,58
Restricted investments	68,87
Equipment and leasehold improvements	53,83
Purchased product rights and capitalized software	30,85
Goodwill	47,05
Other	5,65
	$ 505,31
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 48,15
Accrued compensation and benefits	20,62
Other accrued expenses	106,86
Income taxes payable	11,31
6% convertible senior subordinated notes	25,00
Current portion of 7.75% convertible subordinated debentures	8,33
Total current liabilities	220,29

7.75% convertible subordinated debentures and other	5,95
Long-term obligations	1,45
Total long-term liabilities	7,40
Commitments and contingencies	
Stockholders' equity:	
Preferred stock (authorized: 1,000; issued and outstanding: none)	-
Common stock (authorized: 100,000; issued and outstanding: 55,509 and 57,109 shares)	55
Capital in excess of par value	292,93
Minority interest in Quarterdeck	(8,13
Notes receivable from stockholders	(14
Retained earnings	11,13
Accumulated other comprehensive loss	(18,73
Total stockholders' equity	277,61
	$ 505,31

</TABLE>

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SYMANTEC CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

(In thousands, except per share data; unaudited)	Three Months Ended December 31, 1998	1997
<S>	<C>	<C>
Net revenues	$ 165,056	$ 148,240
Cost of revenues	26,637	22,591
Gross margin	138,419	125,649
Operating expenses:		
Research and development	24,407	21,907
Sales and marketing	71,883	68,161
General and administrative	9,745	9,505
In-process research and development	7,560	--
Litigation judgment	--	--
Restructuring and other expenses	--	--
Total operating expenses	113,595	99,573
Operating income	24,824	26,076
Interest income	2,676	3,290
Interest expense	(475)	(318)
Other income, net	420	67
Income before income taxes	27,445	29,115
Provision for income taxes	11,202	7,279
Net income	$ 16,243	$ 21,836
Net income per share - basic	$ 0.29	$ 0.39
Net income per share - diluted	$ 0.28	$ 0.37

Shares used to compute net income per share - basic	55,531	56,277
Shares used to compute net income per share - diluted	57,633	60,100

</TABLE>

SYMANTEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW

<TABLE>
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(In thousands; unaudited)	19
<S>	<C>
Operating Activities:	
Net income	$ 1
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization of equipment and leasehold improvements	1
Amortization and write-off of purchased product rights and capitalized software	
Amortization of goodwill	
Write-off of in-process research and development	4
Write-off of equipment and leasehold improvements	
Deferred income taxes	(
Net change in assets and liabilities, excluding effects of acquisitions:	
Trade accounts receivable	1
Inventories	(
Other current assets	
Capitalized software development costs	
Other assets	
Accounts payable	
Accrued compensation and benefits	(
Other accrued expenses	1
Income taxes payable	(1
Net cash provided by operating activities	8
Investing Activities:	
Capital expenditures	(1
Purchased intangibles	(
Purchase of IBM's anti-virus business	(
Purchase of Binary Research Limited's operations	(2
Purchase of majority interest in Quarterdeck Corporation	(3
Purchase of Intel's anti-virus business	(1
Purchases of marketable securities	(12
Proceeds from sales of marketable securities	21
Purchases of long-term, restricted investments	(
Net cash used in investing activities	(2
Financing Activities:	
Repurchase of common stock	(5
Net proceeds from sales of common stock and other	1

Net cash provided by (used in) financing activities	(3
Effect of exchange rate fluctuations on cash and cash equivalents	(
Increase in cash and cash equivalents	1
Beginning cash and cash equivalents	13
Ending cash and cash equivalents	$ 15

</TABLE>

SYMANTEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The consolidated financial statements of Symantec Corporation ("Symantec" or the "Company") as of December 31, 1998 and for the three and nine month periods ended December 31, 1998 and 1997 are unaudited and, in the opinion of management, contain all adjustments, consisting of only normal recurring items, necessary for the fair presentation of the financial position and results of operations for the interim periods. These consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in Symantec's Annual Report on Form 10-K for the year ended March 31, 1998. The results of operations for the three and nine month periods ended December 31, 1998 are not necessarily indicative of the results to be expected for the entire year. All significant intercompany accounts and transactions have been eliminated. Certain previously reported amounts have been reclassified to conform to the current presentation format.

During the December 1998 quarter, the Company acquired a 63% interest in Quarterdeck Corporation ("Quarterdeck"). Under purchase accounting rules, Symantec's operations have been combined with Quarterdeck's from the point the equity interest was acquired. Symantec's equity section of the balance sheet includes a minority interest line, which represents 37% of Quarterdeck's net deficit. (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q). During the September 1998 quarter, the Company acquired Intel Corporation's ("Intel") anti-virus business (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q). During the June 1998 quarter, the Company acquired International Business Machine's ("IBM") anti-virus business and Binary Research Limited's ("Binary") operations (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q). Each of these acquisitions was accounted for as a purchase and, accordingly, their operating results have been included in the Company's consolidated financial statements since the date of acquisition.

On January 6, 1999, the Company received a comment letter from the Securities and Exchange Commission with respect to its Form 10-K for the fiscal year ended March 31, 1998 and Form 10-Q for the quarter ended October 2, 1998. The comment letter contained questions related to accounting for certain acquisitions, including questions relating to the write-off of associated in-process research and development costs. The Company is in the process of re-evaluating the Binary and IBM transactions and the related in-process research and development costs as well as the other questions raised in the comment letter. As a result, final operating results for the quarters ended June, September and December, 1998 and the related year-to-date amounts may be restated.

In October 1997 and March 1998, the Accounting Standards Executive Committee ("AcSEC") issued Statements of Position ("SOP") 97-2, "Software Revenue Recognition," and SOP 98-4, "Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition," respectively, which provide guidance on applying generally accepted accounting principles in recognizing revenue on

software transactions and were effective for Symantec beginning with the June 30, 1998 quarter. In December 1998, AcSEC issued SOP 98-9, which amends certain provisions of SOP 97-2 and extends the deferral of the application of certain passages of SOP 97-2 provided by SOP 98-4 until the beginning of Symantec's fiscal year 2000. Symantec plans early adoption of SOP 98-9 on its financial statements and related disclosures beginning in the March 1999 quarter. This early adoption is not expected to have a material impact on its financial condition or results of operations.

Symantec has a 52/53-week fiscal accounting year. Accordingly, all references as of and for the periods ended December 31, 1998, March 31, 1998 and December 31, 1997 reflect amounts as of and for the periods ended January 1, 1999, April 3, 1998 and January 2, 1998, respectively. The nine months ended December 31, 1998 comprised 39 weeks of revenue and expense activity, while the comparable prior year period comprised 40 weeks.

SYMANTEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

NOTE 2. BALANCE SHEET INFORMATION

<TABLE>
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(In thousands)	December 31, 1998	M
	(unaudited)	
<S>	<C>	<
Cash, cash equivalents and short-term investments:		
Cash	$ 52,886	$
Cash equivalents	97,265	
Short-term investments	32,625	
	$ 182,776	$
Trade accounts receivable:		
Receivables	$ 67,414	$
Less: allowance for doubtful accounts	(5,828)	
	$ 61,586	$
Inventories:		
Raw materials	$ 2,043	$
Finished goods	4,847	
	$ 6,890	$
Equipment and leasehold improvements:		
Computer hardware and software	$ 130,110	$
Office furniture and equipment	33,225	
Leasehold improvements	24,376	
	187,711	
Less: accumulated depreciation and amortization	(133,880)	
	$ 53,831	$
Purchased product rights and capitalized software:		
Purchased product rights and technologies	$ 40,085	$
Capitalized software development costs	2,363	
Less: accumulated amortization of purchased product rights and technologies	(9,391)	

Less: accumulated amortization of capitalized software development costs	(2,203)	
	$ 30,854	$
Other accrued expenses:		
Deferred revenue	$ 46,090	$
Marketing development funds	10,545	
Current obligations related to the purchase of Quarterdeck	9,000	
Current obligations related to the purchase of IBM anti-virus business	8,000	
Other	33,233	
	$ 106,868	$
Accumulated other comprehensive income loss:		
Unrealized gain (loss) on available-for-sale investments	$ (625)	$
Cumulative translation adjustment	(18,110)	
	$ (18,735)	$

</TABLE>

NOTE 3. NET INCOME PER SHARE

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," which was required to be adopted by Symantec for the fiscal period ending December 31, 1997. The following table sets forth the calculations underlying Symantec's basic and diluted net income per share for the periods presented.

<TABLE>
<CAPTION>

(In thousands, except per share data; unaudited)	Three Months Ended December 31, 1998	1997	Ni 19
<S>	<C>	<C>	<C>
BASIC NET INCOME PER SHARE			
Net income	$ 16,243	$ 21,836	$ 13
Weighted average number of common shares outstanding during the period	55,531	56,277	56
Basic net income per share	$ 0.29	$ 0.39	$
DILUTED NET INCOME PER SHARE			
Net income	$ 16,243	$ 21,836	$ 13
Interest on convertible subordinated debentures, net of income tax effect	169	169	
Net income, as adjusted	$ 16,412	$ 22,005	$ 13
Weighted average number of common shares outstanding during the period	55,531	56,277	56
Shares issuable from assumed exercise of options	912	2,633	1

Shares issuable from assumed conversion of convertible subordinated debentures	1,190	1,190	
Total shares for purpose of calculating diluted net income per share	57,633	60,100	58
Diluted net income per share	$ 0.28	$ 0.37	$

</TABLE>

For the nine months ended December 31, 1998, 1,190,000 shares issuable upon conversion of convertible subordinated debentures and $507,000 of interest expense were excluded from the computation of diluted net income per share because the effect would have been anti-dilutive.

NOTE 4. RESTRUCTURING AND OTHER EXPENSES

Restructuring and other expenses consisted of the following:

<TABLE>
<CAPTION>

	Three Months Ended December 31,		Nine Month Decembe
(In thousands; unaudited)	1998	1997	1998
<S>	<C>	<C>	<C>
Personnel severance	$ --	$ --	$ 3,800
Planned abandonment of manufacturing facility lease	--	--	1,305
Total restructuring and other expenses	$ --	$ --	$ 5,105

</TABLE>

During the quarter ended September 30, 1998, the Company implemented a plan to restructure certain of its operations, which included outsourcing its domestic manufacturing operations. As a result, it recorded $3.8 million for personnel severance to reduce the workforce by approximately 5% in both domestic and international operations and $1.3 million for the planned abandonment of a manufacturing facility lease. As of December 31, 1998, $3.1 million of the $5.1 million had been incurred. These activities will be substantially completed by the end of March 1999.

As of December 31, 1998, total accrued acquisition, restructuring and other expenses were approximately $4.3 million and include approximately $1.6 million for the elimination of duplicative and excess facilities, $0.9 million for personnel severance and $1.8 million for other expenses.

NOTE 5. COMPREHENSIVE INCOME

The Company has adopted SFAS No. 130, "Reporting Comprehensive Income," beginning with the quarter ended June 30, 1998. SFAS No. 130 establishes new

rules for the reporting and disclosure of comprehensive income and its components; however, it has no impact on net income or stockholders' equity. The components of comprehensive income, net of tax, are as follows:

<TABLE>
<CAPTION>

(In thousands; unaudited)	Three Months Ended December 31, 1998	1997
<S>	<C>	<C>
Net income	$ 16,243	$ 21,836
Other comprehensive income (loss):		
Add: change in unrealized gain (loss) on available-for-sale investments, net of a tax provision (benefit) of ($125), $35, ($250) and $65	(267)	117
Less: reclassification adjustment for gains included in net income, net of a tax provision of $0, $0, $146 and $0	--	--
Add: change in cumulative translation adjustment ("CTA"), net of a tax benefit of ($42), ($547), ($1,726) and ($1,033)	(89)	(1,830)
Less: reclassification adjustment for CTA included in net income, net of a tax provision of $0, $0, $604 and $0	--	--
Total other comprehensive loss	(356)	(1,713)
Comprehensive income	$ 15,887	$ 20,123

</TABLE>

NOTE 6. LITIGATION AND CONTINGENCIES

On March 18, 1996, a class action complaint was filed by the law firm of Milberg, Weiss, Bershad, Hynes & Lerach in Superior Court of the State of California, County of Santa Clara, against the Company and several of its current and former officers and directors. The complaint alleges that Symantec insiders inflated the stock price and then sold stock based on inside information that sales were not going to meet analysts' expectations. The complaint seeks damages in an unspecified amount. The complaint has been refiled twice in state court, most recently on January 13, 1997, following Symantec's demurrers directed to previous complaints. The parties are currently conducting discovery. On January 7, 1997, the same plaintiffs filed a complaint in the United States District Court, Northern District of California, based on the same facts as the state court complaint, for violation of the Securities Exchange Act of 1934. The district court dismissed that complaint, and plaintiffs served an amended complaint in April 1998. Symantec's motion to dismiss the new federal complaint is currently pending. Symantec believes that neither the state court complaint nor the federal court complaint has any merit and will vigorously defend itself against both complaints.

On April 23, 1997, Symantec filed a lawsuit against McAfee Associates, Inc., which pursuant to a merger has become Network Associates, Inc. ("Network

Associates"), in the United States District Court, Northern District of California, for copyright infringement and unfair competition. On October 6, 1997, the court found that Symantec had demonstrated a likelihood of success on the merits of certain copyright claims, and issued a preliminary injunction (i) prohibiting Network Associates from infringing Symantec's rights in specified materials by marketing, selling, transferring or directly or indirectly copying into any new Network Associates product or new version of an existing product that has Symantec code, (ii) requiring Network Associates to notify distributors who are still selling versions of PC Medic 97 that have Symantec's code to tell customers that they should upgrade to versions that do not contain Symantec code, and (iii) requiring Network Associates to provide Symantec and the court with a sample of the notice to be used. On October 17, 1997, Symantec amended its complaint to include additional claims for copyright infringement and misappropriation of trade secrets, based on additional evidence found in the discovery process. On April 1, 1998, Symantec amended its complaint to add claims for misappropriation of trade secrets, RICO (Racketeer Influenced and Corrupt Organizations Act) and related claims based on additional evidence uncovered in the litigation. Following motions by Network Associates, the court dismissed Symantec's unfair competition and trade secret claims regarding the copyrighted code and its RICO and interference claims. On October 22, 1998, the court consolidated this case with the case against Network Associates and the case brought by CyberMedia, both of which are described below.

On September 4, 1998, Symantec filed a new lawsuit against Network Associates in the United States District Court, Northern District of California, for copyright infringement, trade secret misappropriation and unfair competition. Symantec continues to investigate the extent to which Network Associates may have misappropriated Symantec's intellectual property, and plans to aggressively pursue its remedies under this lawsuit, which include both injunctive relief and monetary damages.

On September 15, 1997, Hilgraeve Corporation ("Hilgraeve") filed a lawsuit in the United States District Court, Eastern District of Michigan, against Symantec, alleging that unspecified Symantec products infringe a patent owned by Hilgraeve. The lawsuit requests damages, injunctive relief and costs and attorney fees. Symantec believes this claim has no merit and intends to defend the action vigorously.

On February 4, 1998, CyberMedia, Inc. ("CyberMedia,"), which in September 1998 was acquired by Network Associates, filed a lawsuit in the United States District Court, Northern District of California, against Symantec, ZebraSoft Inc., and others, alleging that Symantec's Norton Uninstall Deluxe infringes CyberMedia's copyright, and asserting related state law claims. The suit requests damages, injunctive relief, costs and attorneys fees. In May 1998, CyberMedia filed a motion seeking a preliminary injunction prohibiting sale or development of the challenged code, which preliminary injunction was granted with respect to Symantec's domestic activities in September 1998. Subsequently, Symantec ceased selling the Norton Uninstall Deluxe product. Symantec believes

it has meritorious defenses to this claim and intends to defend the action vigorously.

On February 19, 1998, a class action complaint was filed by the Milberg, Weiss, Bershad, Hynes & Lerach law firm in Santa Clara County Superior Court, on behalf of a class of purchasers of pre-version 4.0 Norton AntiVirus products. A similar complaint was filed in the same court on March 6, 1998 by an Oregon law firm. Those actions were consolidated, and a consolidated amended complaint was filed in late October 1998. The complaint purports to assert claims for breach of implied warranty, fraud, unfair business practices and violation of California's

Consumer Legal Remedies Act, among others, arising from the alleged inability of earlier versions of Norton AntiVirus to function properly after the year 2000. The complaint seeks unspecified damages and injunctive relief. Symantec believes that these actions have no merit and intends to defend itself vigorously.

In connection with the May 1998 asset purchase agreement with IBM (see Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q), claims of patent infringement previously asserted by IBM with respect to certain of the Company's products were resolved. The terms of resolution were not material to Symantec.

In July 1998, the Ontario Court of Justice (General Division) ruled that Symantec should pay a total of approximately $6.8 million for damages and legal costs to Triolet Systems, Inc. and Brian Duncombe in a decade-old copyright action, for damages arising from the grant of a preliminary injunction against the defendant. The damages were awarded following the court's ruling that evidence presented later in the case showed the injunction was not warranted. Symantec inherited the case through its 1995 acquisition of Delrina Corporation, which was the plaintiff in this lawsuit. Symantec has appealed the decision. Symantec recorded a charge of $5.8 million in June 1998 representing the unaccrued portion of the judgment plus costs.

In March 1997, a class action complaint was filed against Quarterdeck in San Diego County Superior Court. The case was later transferred to and is currently pending in Los Angeles County Superior Court. The complaint, purportedly on behalf of a class of purchasers of Quarterdeck's MagnaRAM2 product, seeks damages and injunctive relief under the Consumers Legal Remedies Act and Business and Professions Code sections beginning with 17200 and 17500. Symantec believes these claims to be without merit and intends to defend itself vigorously. This case was inherited by Symantec as a result of its recent acquisition of a majority interest in Quarterdeck (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q).

In October 1997, a complaint was filed in the United States District Court for the District of Utah on behalf of PowerQuest Corporation against Quarterdeck. The complaint alleges that Quarterdeck's partitioning software (included in Partition-It and Partition-It Extra Strength) violates a patent held by PowerQuest. In January 1998, PowerQuest obtained a second patent relating to partitioning and has amended its complaint to allege infringement of that patent as well. The plaintiff seeks an injunction against distribution of Partition-It and Partition-It Extra Strength and monetary damages. Symantec believes this action has no merit and intends to defend the lawsuit vigorously. This lawsuit was inherited by Symantec as a result of its recent acquisition of a majority interest in Quarterdeck . (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q).

On July 30, 1998, a class action complaint was filed against Quarterdeck in the Supreme Court of the State of New York, County of New York, on behalf of a purported class of purchasers of Procomm Plus version 4.0 for Windows product (the "Product"). The complaint purports to assert claims for breach of warranty and violation of New York's Consumer Protection From Deceptive Acts and Practices Act arising from the Product's inability to process dates containing the year 2000. The complaint seeks unspecified damages. Symantec believes these claims to be without merit and intends to defend the lawsuit vigorously. This lawsuit was inherited by Symantec as a result of its recent acquisition of a majority interest in Quarterdeck. (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q).

Over the past few years, it has become common for software companies, including Symantec, to receive claims of patent infringement. Symantec is currently evaluating claims of patent infringement asserted by several parties, with respect to certain of the Company's products. While the Company believes that it has valid defenses to these

claims, the outcome of any related litigation or negotiation could have a material adverse impact on the Company's future results of operations or cash flows.

Symantec is involved in a number of other judicial and administrative proceedings incidental to its business. The Company intends to defend all of the aforementioned pending lawsuits vigorously, and although adverse decisions (or settlements) may occur in one or more of the cases, the final resolution of these lawsuits, individually or in the aggregate, is not expected to have a material adverse affect on the financial condition of the Company, although it is not possible to estimate the possible loss or losses from each of these cases. Depending, however, on the amount and timing of an unfavorable resolution of these lawsuits, it is possible that the Company's future results of operations or cash flows could be materially adversely affected in a particular period. The Company has accrued certain estimated legal fees and expenses related to certain of these matters; however, actual amounts may differ materially from those estimated amounts.

NOTE 7. STOCK REPURCHASE

On June 9, 1998, the Board of Directors of Symantec authorized the repurchase of up to 5% of Symantec's outstanding common stock before December 31, 1998. Among other purposes, repurchased shares are used for employee stock purchase programs and option grants. The Company completed the repurchase as of October 30, 1998, repurchasing a total of 2.875 million shares at prices ranging from $13.10 to $27.21, for an aggregate amount of approximately $56.3 million. Of the $56.3 million, approximately $20.8 million was charged to retained earnings after appropriate amounts were deducted from common stock and capital in excess of par.

NOTE 8. ACQUISITIONS

Effective May 18, 1998, Symantec entered into a Master Agreement with IBM to acquire rights to IBM's digital immune technology. In addition, Symantec assumed the majority of IBM's license arrangements with customers of IBM anti-virus. In return for the various rights acquired by Symantec from IBM, Symantec agreed to pay $16 million in installments over a specified period as well as pay royalties on revenues received by Symantec from distribution of immune-enabled Symantec products and immune services provided by Symantec using the digital immune technology. The royalties are subject to specified maximums and vary by time periods with ultimate termination of royalties as of a specified date. Symantec also entered into a patent cross-licensing agreement under which the parties licensed to each other their respective patent portfolios. The transaction was accounted for as a purchase. Symantec assumed liabilities of $3.0 million and incurred additional expenses of approximately $1.3 million as part of the transaction. As of December 31, 1998, Symantec paid IBM $8.0 million in cash with the remaining $8.0 million payable in two equal installments in August 1999 and November 1999. Under the transaction, Symantec recorded approximately $16.0 million for in-process research and development, $3.0 million for goodwill and $1.3 million for certain prepaid research and development and other assets. The amount of in-process research and development was established by a valuation specialist based on management's estimates. Goodwill and intangibles will be amortized over 5 years. As of December 31, 1998, the Company incurred approximately $0.3 million in goodwill amortization expense related to this asset.

On June 24, 1998, Symantec entered into an agreement whereby Symantec purchased the operations of Binary, an Auckland, New Zealand based company, for $27.5 million. Symantec also incurred $0.7 million of acquisition related costs. The transaction was accounted for as a purchase. Under the transaction, Symantec recorded approximately $13.3 million for in-process research and development and

$14.2 million for capitalized software technology, with the remainder of the purchase price allocated to net tangible and intangible assets. The amount of in-process research and development was established by a valuation specialist based on management's estimates. The capitalized software and intangibles are being amortized over a 3 year period. As of December 31, 1998, the Company has incurred approximately $2.8 million of amortization expense related to this asset.

On September 28, 1998, Symantec entered into an agreement whereby it purchased Intel Corporation's anti-virus business for approximately $16.5 million. Symantec also licensed Intel systems management technology, which it will combine with its own anti-virus technology to create improved anti-virus management solutions for corporate organizations. As part of the agreement, Intel will continue to support its anti-virus customers and will transition responsibility for support to Symantec by June 1999. In addition, Intel will promote Norton AntiVirus through its worldwide reseller channels. As of December 31, 1998, Symantec had paid approximately $11.9 million under the agreement. The transaction was accounted for as a purchase. Under the transaction, Symantec recorded approximately $5.0 million for in-process research and development, $10.7 million for capitalized software technology and $0.8 million for certain intangible assets. The amount of in-process research and development was established by a valuation specialist based on management's estimates. The capitalized software and intangibles are being amortized over a 5 year period. As of December 31, 1998, the Company has incurred approximately $0.5 million of amortization expense related to this asset.

On October 15, 1998, Symantec signed a definitive merger agreement to acquire Quarterdeck. On November 17, 1998, Symantec completed its tender offer for the common stock of Quarterdeck acquiring an approximately 63% interest. Symantec intends to acquire Quarterdeck's remaining shares through a cash merger at the tender offer price of $0.52 per share in accordance with the definitive merger agreement signed on October 15, 1998. The transaction was accounted for as a purchase. Under the transaction, Symantec recorded approximately $7.6 million of acquired in-process research and development, $4.4 million of capitalized software technology, $45.6 million of goodwill and $1.8 million was allocated to other intangibles. The amounts included in the Company's financial statements represent approximately 63% of the total amount Symantec will ultimately record once the merger is completed. The amount of in-process research and development was established by a valuation specialist based on management's estimates. As of December 31, 1998, the Company incurred approximately $0.1 million of capitalized software amortization expense and $1.1 million of goodwill amortization expense related to this acquisition. The workforce in place is being amortized over 2 years. The capitalized software, goodwill and other intangibles will be amortized over a 5 year period. (See Agreement and Plan of Merger, dated October 15, 1998, among Symantec, Purchaser, and Quarterdeck filed with Symantec's Schedule 14D-1 on October 19, 1998). Through its acquisition of a majority interest in Quarterdeck, Symantec inherited Quarterdeck's 6% convertible senior subordinated notes("Notes"). Quarterdeck issued $25 million principal amount of Notes, due 2001, to an institutional investor in a private placement pursuant to the terms of a Note Agreement dated March 1, 1996. The Notes are required to be paid in full without any premium upon the earlier of consummation of the Merger or March 31, 1999.

PRO FORMA. The following unaudited pro forma results of operations for the three and nine month periods ended December 31, 1998 and 1997 are as if the acquisition of Binary and Quarterdeck had occurred at the beginning of each period presented. The pro forma information excludes approximately $7.6 million and $20.9 million of in-process research and development for the three month and nine month periods ended December 31, 1998, respectively. The pro forma

information has been prepared for comparative purposes only and is not indicative of what operating results would have been if the acquisition had taken place at the beginning of each period presented or of future operating results.

<TABLE>
<CAPTION>

(In thousands, except per share data; unaudited)	Three Months Ended December 31, 1998	1997	Ni 19
<S>	<C>	<C>	<C>
Net revenues	$165,331	$171,971	$478
Net income	$ 17,753	$ 21,714	$ 8
Basic net income per share	$ 0.32	$ 0.39	$
Diluted net income per share	$ 0.31	$ 0.36	$

</TABLE>

NOTE 9. SUPPLEMENTAL CASH FLOWS INFORMATION

<TABLE>
<CAPTION>

(In thousands; unaudited)	December 31, 1998
<S>	<C>
Binary	
Fair value of assets acquired	$ 27,500
Cash paid	$ 27,500
IBM Immune System Technology and anti-virus business	
Fair value of assets acquired	$ 20,250
Expenses incurred	$ 1,250
Liabilities assumed	3,000
Current obligation	8,000
Cash paid	8,000
Total	$ 20,250
Intel's anti-virus business	
Fair value of assets acquired	$ 16,525
Current obligations	$ 3,181
Long-term obligations	1,455
Cash paid	11,889
Total	$ 16,525
Majority Interest in Quarterdeck	
Majority Interest in Quarterdeck	$ 59,347

Expenses incurred	$ 518
Net liabilities assumed	28,551
Cash paid	30,278
Total	$ 59,347

</TABLE>

NOTE 10. ADOPTION OF STOCKHOLDER RIGHTS PLAN

On August 11, 1998, Symantec's Board of Directors adopted a stockholder rights plan designed to ensure orderly consideration of any future unsolicited acquisition attempt to ensure fair value of the Company for its stockholders.

In connection with the plan, the Board declared a dividend of one preferred share purchase right for each share of the Company's common stock outstanding on August 21, 1998 (the "Record Date"). The Board further directed the issuance of one such right with respect to each share of the Company's common stock that is issued after the Record Date, except in certain circumstances. The rights will expire on August 12, 2008.

The rights are initially attached to the Company's common stock and will not trade separately. If a person or a group (an "Acquiring Person") acquires 20% or more of the Company's common stock, or announces an intention to make a tender offer for 20% or more of the Company's common stock, the rights will be distributed and will thereafter trade separately from the common stock. Each right will be exercisable for 1/1000th of a share of a newly designated Series A Junior Participating Preferred Stock at an exercise price of $150.00. The preferred stock has

been structured so that the value of 1/1000th of a share of such preferred stock will approximate the value of one share of common stock. Upon a person becoming an Acquiring Person, holders of the rights (other than the Acquiring Person) will have the right to acquire shares of the Company's common stock at a substantially discounted price.

If a person becomes an Acquiring Person and the Company is acquired in a merger or other business combination, or 50% or more of its assets are sold to an Acquiring Person, the holder of rights (other than the Acquiring Person) will have the right to receive shares of common stock of the acquiring corporation at a substantially discounted price. After a person has become an Acquiring Person, the Company's Board of Directors may, at its option, require the exchange of outstanding rights (other than those held by the Acquiring Person) for common stock at an exchange ratio of one share of the Company's common stock per right.

The Board may redeem outstanding rights at any time prior to a person becoming an Acquiring Person at a price of $0.001 per right. Prior to such time, the terms of the rights may be amended by the Board. In addition, the Board also amended the Company's bylaws to: permit only the Chairman, President or the Board to call a special meeting of the stockholders; require that the Board be given prior notice of a stockholder proposal to take action by written consent so that a record date for such action can be established; require advance notice to the Board of stockholder-sponsored proposals for consideration at annual meetings and for stockholder nominations for the election of directors; permit the Board to meet on one- rather than two-day advance notice; and conform the bylaws to applicable provisions of Delaware law regarding the inspection of elections at stockholder meetings.

NOTE 11. LEASED BUILDINGS

In fiscal 1997, Symantec entered into lease agreements for two existing office buildings (Cupertino City Center One or "CCC1" and World Head Quarters or "WHQ"), one parcel of land and one office building under construction (Cupertino City Center Five or "CCC5") in Cupertino, California. In connection with these leases, the Company is required to maintain a restricted cash balance invested in U.S. treasury securities with maturities not to exceed three years. In accordance with the lease terms, these funds are not available to meet operating cash requirements. In addition, the Company is obligated to comply with certain financial covenants. Future acquisitions may cause the Company to be in violation of these financial covenants, at which time the Company will need to have the covenants amended or waived. On September 22, 1998, an agreement was entered into, subject to certain closing conditions, whereby the landlord intends to exchange CCC5 for another leased building (Cupertino City Center Two or "CCC2") both located in Cupertino, California. If this transaction is consummated, Symantec would move both personnel and equipment into CCC2 once certain tenant improvements are completed. In conjunction with this move, Symantec would be relieved of responsibility for its lease of WHQ. Due diligence for the aforementioned exchange was completed on December 15, 1998 and the parties completed the transaction on February 10, 1999.

NOTE 12. RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS No. 133 will be effective for Symantec at the beginning of the June 2000 quarter for both annual and interim reporting periods. Symantec is evaluating the potential impact of this accounting pronouncement on required disclosures and accounting practices.

NOTE 13. SUBSEQUENT EVENTS

CONVERSION OF OUTSTANDING 7.75% CONVERTIBLE SUBORDINATED DEBENTURES. During the first week of February 1999, the holders of Symantec's 7.75% convertible subordinated debentures converted the entire remaining $14.3 million principal amount into 1,190,332 shares of Symantec common stock. The conversion of these shares of

common stock were issued in a transaction which was exempt from registration under the Securities Act of 1933.

LINE OF CREDIT AMENDMENT. As of January 26, 1999, certain covenants under the Company's $10 million bank line of credit were amended. The line of credit is available for general corporate purposes. The amendments were effective January 1, 1999. As of January 1, 1999, the Company is in compliance with all covenants under the Credit Agreement and there were no borrowings and less than $1 million in standby letters of credit outstanding under this line. Future acquisitions by the Company may cause the Company to be in violation of the line of credit covenants. However, the Company believes that if the line of credit were canceled or amounts were not available under the line, there would not be a material adverse impact on the financial results, liquidity or capital resources of the Company.

OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The following discussion contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. These forward-looking statements are subject to significant risks and uncertainties, including those identified in the section "Factors That May Affect Future Results" and in the Company's annual report on Form 10-K for the year ended March 31, 1998, that may cause actual results to differ materially from those discussed in such forward-looking statements. The forward-looking statements within this Form 10-Q are typically identified by words such as "believes," "anticipates," "expects," "intends," "may" and other similar expressions, and include the statements of future estimates under "Year 2000 - Product Liability" and "Year 2000 - Corporate Systems" below. However, these words are not the exclusive means of identifying such statements. In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances occurring subsequent to the filing of this Form 10-Q with the Securities and Exchange Commission. Readers are urged to carefully review and consider the various disclosures made by the Company in this report and in the Company's other reports filed with the Securities and Exchange Commission, including its Form 10-K, that attempt to advise interested parties of the risks and factors that may affect the Company's business.

FACTORS THAT MAY AFFECT FUTURE RESULTS

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS AND STOCK PRICE. Due to the factors noted below, the Company's earnings and stock price have been and may continue to be subject to significant volatility, particularly on a quarterly basis. Symantec has previously experienced shortfalls in revenue and earnings from levels expected by securities analysts and investors, which has had an immediate and significant adverse affect on the trading price of the Company's common stock. This may occur again in the future.

RAPID TECHNOLOGICAL CHANGE AND DEVELOPMENT RISKS. The Company participates in a highly dynamic industry characterized by rapid change and uncertainty related to new and emerging technologies and markets. The recent trend toward server-based applications in networks and applications distributed over the Internet could have a material adverse affect on sales of the Company's products. Future technology or market changes may cause certain of Symantec's products to become obsolete more quickly than expected.

The use of a Web browser (running on either a PC or network computer) to access client/server systems is emerging as an alternative to traditional desktop access through operating systems that are resident on personal computers. Should the functionality associated with such system access reduce the need for Symantec's products, the Company's future net revenues and operating results could be adversely affected.

OPERATING SYSTEM. The release and subsequent customer acceptance of current or enhanced operating systems are particularly important events that increase the uncertainty and volatility of Symantec's results. Should the Company be unable to successfully and timely develop products that operate under existing or new operating systems, or should pending or actual releases of the new operating systems delay the purchase of Symantec's products, the Company's future net revenues and operating results could be materially adversely affected.

Microsoft has incorporated advanced utilities including telecommunications, facsimile and data recovery utilities in Windows 95 and has included additional product features in Windows 98, including enhanced disk repair, defragmentation, system file maintenance, ISDN support and PPTP virtual private networking, that

may decrease the demand for certain of the Company's products, including those currently under development. Fax capabilities were dropped from Windows 98. Microsoft may also include additional features in new versions of Windows 2000 that could decrease demand for certain of the Company's products intended for Windows 2000, including those currently under development.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

Additionally, as hardware vendors incorporate additional server-based network management and security tools into network operating systems, the demand may decrease for certain of the Company's products, including those currently under development. Moreover, functionality previously provided only by software may be incorporated directly into hardware, potentially reducing demand for Symantec's products. Also, Symantec's competitors may license certain of their products to Microsoft and OEMs for inclusion with their operating systems, add-on products or hardware, which may also reduce the demand for certain of the Company's products.

PERSONAL COMPUTERS, HARDWARE AND MICROSOFT WINDOWS 98. Shifts in customer spending from software to hardware as the result of technological advancements in hardware or price reductions of hardware have in the past, and may in the future, result in reduced revenues which have had and would have a material adverse affect on operating results.

Microsoft's Windows 98 operating system was introduced during the June 1998 quarter. The Company's ability to generate revenue from many of its current products, and products currently under development, could be less than anticipated in future periods due to reported incompatibilities by end-users, and delays in the purchase of Symantec's products as end-users first deploy Windows 98. The Company believes that weak retail software sales during the June and September 1998 quarters compared to the March 1998 quarter were due, in part, to the release of Windows 98 at the end of the June 1998 quarter. In addition, the Company may face declining sales following Microsoft's introduction of Windows 2000 (formerly known as Windows NT 5.0) currently scheduled for 1999.

Symantec's stock price declined significantly within approximately 6 months after the releases of Windows 3.1 and Windows 95, which in some cases also caused the additional requirement for hardware upgrades. While there were a variety of reasons for these declines in the stock price, Symantec's recent stock price decline may have been due, in part, to the release of Windows 98. Symantec could face additional stock price declines following the introduction of Windows 2000 by Microsoft.

CONSOLIDATION IN THE INDUSTRY. Consolidation in the software industry continues to occur, with competing companies merging or acquiring other companies in order to capture market share or expand product lines. As this consolidation occurs, the nature of the market may change as a result of fewer players dominating particular markets, potentially providing consumers with fewer choices. Also, certain of these companies offer a broader range of products than Symantec, ranging from desktop to enterprise solutions, and Symantec may not be able to compete effectively against certain competitors. Any of these changes may have a significant adverse affect on Symantec's future revenues and operating results.

DEPENDENCE ON THE INTERNET. Critical issues concerning the commercial use of the Internet, including security, reliability, cost, ease of use, accessibility, quality of service, or potential tax or other government regulation, remain unresolved and may affect the use of the Internet as a medium to support the functionality of certain of the Company's products, or to distribute software. Should the Company be unsuccessful in timely assimilating changes in the Internet environment into its business operations and product development

efforts, the Company's future net revenues and operating results could be adversely affected.

PRICE COMPETITION. Price competition is often intense in the microcomputer software market, especially in regards to utility and anti-virus products, and may continue to increase and become even more significant in the future, resulting in reduced profit margins. Should competitive pressures in the industry continue to increase in regards to utility and anti-virus products, Symantec may be required to reduce prices and/or increase its spending on sales, marketing and research and development of these products as a percentage of net revenues, resulting in lower profit margins. These actions may not be sufficient to offset the impact of price competition on the Company's business and net revenues, resulting in adverse impacts on revenue, income and cash flow.

Many of the Company's competitors have significantly reduced the price of utility and anti-virus products. These practices may have a material adverse impact on revenue in future periods.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

INTEGRATED SUITES. Symantec and its competitors are now providing integrated suites of utility products. With the shift to integrated utility suites, price competition is likely to be intense, and cannibalization of Symantec's existing utility and anti-virus products may occur. The price of integrated utility suites is significantly less than the total price of individual products included in these utility suites when such products are sold separately. As a result, there may be a negative impact to Symantec's revenue and operating income from selling integrated utility suites rather than individual products, as the lower price of integrated utility suites may not be offset by increases in the total volume of utility suites sold. Additionally, the Company's products may not compete effectively with competitors' products or integrated utility suites introduced in the future.

QUARTERLY BUYING PATTERNS; ABSENCE OF BACKLOG. Most resellers tend to make a majority of their purchases at the end of the fiscal quarter, in part because they are able, or believe that they are able, to negotiate lower prices and more favorable terms. This is also true of corporate customers that negotiate site licenses near the end of each quarter. This end-of-period buying pattern means that forecasts of quarterly and annual financial results are particularly vulnerable to the risk that they will not be achieved, either because expected sales do not occur or because they occur at lower prices or on less favorable terms to the Company.

A significant proportion of the Company's revenues are generated during the last month of the quarter. The reliance on a large proportion of revenue occurring at the end of the quarter and the increase in the dollar value of transactions that occur at the end of the quarter result in increased uncertainty relating to quarterly revenues, and increase the chances that the Company's results could diverge from the expectations of investors and analysts.

The Company operates with relatively little backlog; therefore, if near-term demand for the Company's products weakens in a given quarter, there could be an immediate, material adverse effect on net revenues and on the Company's operating results, which would likely result in a significant and precipitous drop in the Company's stock price.

RETAIL DISTRIBUTION CHANNEL. A large portion of the Company's sales are made through the retail distribution channel, which is subject to events that create unpredictable fluctuations in consumer demand. The Company's retail distribution customers also carry the products of Symantec's competitors. These retail distributors may have limited capital to invest in inventory, and their

decisions to purchase the Company's products is partly a function of pricing, terms and special promotions offered by Symantec, as well as by its competitors over which the Company has no control and which it cannot predict.

Agreements with distributors are generally nonexclusive and may be terminated by either party without cause. Certain distributors and resellers have experienced financial difficulties in the past. Distributors that account for significant sales of the Company may experience financial difficulties in the future, which could lead to reduced sales or write-offs and could adversely affect operating results of the Company. When this has occurred in the past, the Company has successfully moved these inventories to other distributors. The Company may not be able to do so in the future.

NEW DISTRIBUTION CHANNELS. Symantec may not be able to develop an effective method of distributing its software products utilizing the rapidly evolving software distribution channels that leverage the use of the Internet. The presence of new channels could adversely impact existing channels and/or product pricing, which could have a material adverse impact on the Company's future revenues and profitability. Symantec currently offers a broad range of products and services over the Internet.

CHANNEL FILL. The Company's pattern of net revenues and earnings may be affected by "channel fill." Distributors may fill their distribution channels in anticipation of price increases, sales promotions or incentives. Distributor inventories may decrease between the date Symantec announces a new version or new product and the date of release, because distributors, dealers and end users often delay purchases, cancel orders or return products in anticipation of the availability of the new version or new product. The impact of channel fill is somewhat mitigated by the Company's deferral of revenue associated with distributor and reseller inventories estimated to be in excess of appropriate levels; however, net revenues may still be materially affected favorably or adversely by the effects of channel fill, particularly in periods where a large number of new products are simultaneously introduced.

Channels may also become filled simply because the distributors do not sell their inventories to retail distribution or retailers to end users as anticipated. If sell-through does not occur at a sufficient rate, distributors will delay purchases or cancel orders in later periods or return prior purchases in order to reduce their inventories.

While such order delays or cancellations can cause fluctuations in net revenues from one quarter to the next, the impact is substantially mitigated by the Company's deferral of revenue associated with inventories estimated to be in excess of appropriate levels in the distribution and retail channels. A material adverse impact on revenue, however, can occur.

SITE LICENSES. Symantec sells volume license programs (corporate site licenses) through the distribution channel and through corporate resellers. If the corporate marketplace grows and becomes a bigger component of the overall marketplace, the Company may not be successful in expanding this growing corporate segment.

RELIANCE ON JOINT BUSINESS ARRANGEMENTS. Symantec has entered into various development or joint business arrangements for the purpose of developing new software products and enhancements to existing software products and gaining presence in new markets, and Symantec may continue to do this in the future. Depending on the nature of each such arrangement, the development, distribution, sale or marketing of the resulting product may be controlled either by Symantec or its business partner. Products resulting from joint business arrangements may

not be technologically successful, may not achieve market acceptance and/or may not be able to compete with products either currently in the market or introduced in the future.

Symantec distributes certain of its products through value-added resellers ("VARs") and independent software vendors ("ISVs") whereby Symantec's products are included with hardware products prior to sale through retail channels. These licensing agreements are generally non-exclusive and do not require the VAR or ISV to make minimum purchases. If the Company is not successful in maintaining its current relationships and securing license agreements with additional VARs and ISVs, or if the Company's VAR and ISV customers are not successful in selling their products, the Company's future net revenues and operating results may be adversely affected.

ACQUISITIONS. Symantec has completed a number of acquisitions and may acquire other companies and technology in the future. Acquisitions involve a number of special risks, including the diversion of management's attention to integrate the operations and personnel of the acquired companies in an efficient and timely manner, the retention of key employees, the burden of presenting a unified corporate image and the integration of acquired products and of research and development and sales efforts. In addition, because the employees of acquired companies have frequently remained in their existing geographically diverse locations, the Company has not achieved certain economies of scale that might otherwise have been realized. Such economies of scale may not be realized in the future.

Symantec typically incurs significant expenses in connection with its acquisitions, which have a significant adverse impact on the Company's profitability and financial resources. Future acquisitions may have a significant adverse impact on the Company's future profitability and financial resources. (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q).

PRODUCT RETURNS. Product returns can occur when the Company introduces upgrades and new versions of products or when distributors or retailers have excess inventories. Symantec's return policy allows its distributors, subject to certain limitations, to return purchased products in exchange for new products or for credit towards future purchases. End users may return products through dealers and distributors within a reasonable period from the date of purchase for a full refund, and retailers may return older versions of the Company's products. The Company estimates and maintains reserves for product returns. However, future returns could exceed the reserves established by the Company, which could have a material adverse affect on the operating results of the Company.

FOREIGN OPERATIONS. A significant portion of Symantec's revenues, manufacturing costs and operating expenses are transacted outside of the United States and in foreign currencies. As a result, the Company's results may be materially and adversely affected by fluctuations in currency exchange rates, as well as increases in duty rates, exchange or price controls or other restrictions on foreign currencies. Symantec utilizes natural hedging to mitigate

Symantec's foreign currency transaction exposure and hedges certain residual balance sheet positions through the use of one-month forward contracts. These strategies may not continue to be effective, and the Company may not be successful in accurately forecasting transaction gains or losses. The Company expects that its non-U.S. dollar denominated activities may increase in the future. Continued fluctuations in the currency markets could materially and adversely impact Symantec's revenues.

The Company's international operations are also subject to other risks common to international operations, such as political and economic instability, government regulations, import restrictions, economic volatility, repatriation restrictions and, in certain jurisdictions, reduced protection for the Company's copyrights and trademarks, all of which could have an adverse affect on the Company's operating results.

TECHNICAL SUPPORT. Consistent with many companies in the software industry, technical support costs comprise a significant portion of the Company's operating costs and expenses. The Company's technical support levels are based, in a large part, on projections of future sales levels. Over the short term, the Company may not be able to respond to fluctuations in customer demand for support services or modify the format of the Company's support services to compete with changes in support services provided by competitors. While the Company performs extensive quality control review over its technical support services provided by corporate personnel and, to a lesser extent, over support services outsourced to third-party vendors, customer satisfaction with the services rendered may not be favorable. In the event of customer dissatisfaction, future product and upgrade sales to that customer base may be negatively impacted. Fee-based technical support services did not generate material revenues in any fiscal period presented and are not expected to generate material revenues in the near future.

UNCERTAINTY OF RESEARCH AND DEVELOPMENT EFFORTS. Symantec believes significant research and development expenditures will be necessary in order to remain competitive. While the Company performs extensive usability and beta testing of new products, any products currently being developed by Symantec may not be technologically successful, resulting products may not achieve market acceptance, and the Company's products may not compete effectively with competitors' products either currently in the market or introduced in the future.

LENGTH OF PRODUCT DEVELOPMENT CYCLE. The length of Symantec's product development cycle has generally been greater than Symantec originally expected. Although such delays have undoubtedly had a material adverse affect on Symantec's business, Symantec is not able to quantify the magnitude of net revenues that were deferred or lost as a result of any particular delay because Symantec is not able to predict the amount of net revenues that would have been obtained had the original development expectations been met. Delays in future product development are likely to occur and could have a material adverse affect on the amount and timing of future revenues. Due to the inherent uncertainties of software development projects, Symantec does not generally disclose or announce the specific expected shipment dates of the Company's product introductions.

OPERATING LEVERAGE. Consistent with the experience of many companies in the software industry, Symantec's employee and facility related expenditures comprise a significant portion of the Company's operating expenses. The Company's expense levels are based, in a large part, on projections of future revenue levels. Given the fixed nature of these expenses over the short term, if revenue levels fall below expectations, Symantec's operating results are likely to be significantly and adversely affected.

MANAGEMENT OF EXPANDING OPERATIONS. Symantec continually evaluates its product and corporate strategy and has in the past and will in the future undertake organizational changes and/or product and marketing strategy modifications which are designed to maximize market penetration, maximize use of limited corporate resources and develop new products and product channels. These organizational changes increase the risk that objectives will not be met due to the allocation of valuable limited resources to implement changes. Further, due to the uncertain nature of any of these undertakings, these efforts may not be successful, and the Company may not realize any benefit from these efforts.

EMPLOYEE RISK. Competition in recruiting personnel in the software industry is intense. Symantec believes that its future success will depend in part on its

ability to recruit and retain highly skilled management, marketing and

technical personnel. Symantec believes that it must provide personnel with a competitive compensation package, which necessitates the continued availability of stock options which, in turn, requires ongoing stockholder approval.

BUSINESS DISRUPTION. A disruption in communications between the Company's geographically dispersed order entry and product shipping centers, particularly at the end of a fiscal quarter, would likely result in an unexpected shortfall in net revenues and could result in an adverse impact on operating results. Disruptions in communications and Internet connectivity may also cause delays in customer access to Symantec's Internet-based services or product sales. A business disruption could occur as a result of natural disasters or the interruption in service by communications carriers, and may cause delays in product development that could adversely impact future net revenues of the Company.

LITIGATION. Symantec is involved in a number of judicial and administrative proceedings incidental to its business. The Company intends to defend and/or pursue all of these lawsuits vigorously and, although an unfavorable outcome could occur in one or more of the cases, the final resolution of these lawsuits, individually or in the aggregate, is not expected to have a material adverse affect on the financial position of the Company. However, depending on the amount and timing of an unfavorable resolution of these lawsuits, it is possible that the Company's future results of operations or cash flows could be materially adversely affected in a particular period. (See Note 6 of Notes to Consolidated Financial Statements in this Form 10-Q).

INTELLECTUAL PROPERTY RIGHTS. Symantec regards its software as proprietary and relies on a combination of copyright, patent and trademark laws, non-disclosure agreements and license agreements in an attempt to protect its rights. Despite these precautions, it may be possible for unauthorized third parties to copy aspects of Symantec's products or to obtain and use information that Symantec regards as proprietary. All of Symantec's products are protected by copyright, and Symantec has a number of patents and patent applications pending. However, existing patent and copyright laws afford limited practical protection. In addition, the laws of some foreign countries do not protect Symantec's proprietary rights in its products to the same extent as do the laws of the United States. Symantec's products are not copy protected.

As the number of software products in the industry increases and the functionality of these products further overlap, Symantec believes that software developers will become increasingly subject to infringement claims. This risk is potentially greater for companies, such as Symantec, that obtain certain of their products through publishing agreements or acquisitions, since they have less direct control over the development of those products.

In addition, an increasing number of patents are being issued that are potentially applicable to software, and allegations of patent infringement are becoming increasingly common in the software industry. It is impossible to ascertain all possible patent infringement claims because new patents are being issued continually, the subject of patent applications is confidential until a patent is issued, and it may not be apparent even from a patent that has already been issued whether it is potentially applicable to a particular software product. This increases the risk that Symantec's products may be subject to claims of patent infringement. Although such claims may ultimately prove to be without merit, they are time consuming and expensive to defend. Symantec has been involved in disputes claiming patent infringement in the past, is currently involved in a number of such disputes and litigation, and may be involved in

such disputes and/or litigation in the future. If Symantec is alleged to infringe one or more patents, it may choose to litigate the claim and/or seek an appropriate license. If litigation were to commence and a license were not available on reasonable terms or if another party were found to have a valid patent claim against Symantec, such a result could have a material adverse affect on Symantec's business, operating results and financial condition (See Note 6 of Notes to Consolidated Financial Statements in this Form 10-Q).

SOFTWARE DEFECTS AND PRODUCT LIABILITY. Software products frequently contain errors or defects, especially when first introduced or when new versions or enhancements are released. In the past, for example, Symantec's anti-virus software products have incorrectly detected viruses that do not exist. Although the Company has not experienced any material adverse effects resulting from any such defects or errors to date, defects and errors could be found in current versions, future upgrades to current products or newly developed and released products, despite testing prior

to release. Software defects could result in delays in market acceptance or unexpected reprogramming costs, which could have a material adverse affect on the Company's operating results. While Symantec has not been the target of software viruses specifically designed to impede the performance of the Company's products, such viruses could be created and deployed against Symantec's products in the future.

Most of the Company's license agreements with its customers contain provisions designed to limit the exposure to potential product liability claims. It is possible, however, that the limitation of liability provisions contained in such license agreements may not be valid as a result of federal, state, local or foreign laws or ordinances or unfavorable judicial decisions. A successful product liability claim could have a material adverse affect on the Company's business, operating results and financial condition.

EUROCURRENCY CONVERSION. On January 1, 1999 the euro became the common currency of 11 of the 15 member countries of the European Union. The national currencies of these 11 countries will coexist with the euro at fixed exchange rates through December 31, 2001. Euro denominated bills and coins will be introduced on January 1, 2002, and by July 1, 2002 the national currencies will no longer be legal tender.

Symantec established a euro task force to address the business implications of the euro. The task force implemented changes to its system and processes in order to be euro ready on January 1, 1999. The Company will continue to evaluate the impact of the euro and expects to make further changes to accommodate doing business in the euro.

The Company expects the euro will dictate changes in its foreign exchange hedging program, and this may lead to increased fluctuations in foreign currency hedging results. Based on current information, the Company does not believe the euro will have a material adverse impact on its operations or financial condition.

YEAR 2000 - PRODUCT LIABILITY. While the Company believes that most of its currently developed and actively marketed products are Year 2000 compliant for significantly all functionality, these software products could contain errors or defects related to the Year 2000. Versions of the Company's products that are not the most currently released or that are not currently being developed may not be Year 2000 compliant. The Company sells some of its older product lines, which are not being actively developed and updated, and such products are also not necessarily Year 2000 compliant. Symantec is currently party to a lawsuit

related to the alleged inability of pre-version 4.0 Norton AntiVirus products to function properly in respect to Year 2000. Symantec believes that this lawsuit has no merit and intends to defend itself vigorously. The final resolution of this lawsuit is not expected to have a material adverse affect on the results of operations and financial condition of the Company . Depending, however, on the amount and timing of an unfavorable resolution of this lawsuit, it is possible that the Company's future results of operations or cash flows could be materially adversely affected in a particular period (See Note 6 of Notes to Consolidated Financial Statements in this Form 10-Q).

YEAR 2000 - PRODUCT DEMAND. With the emerging requirements on Year 2000 compliance and functionality, many enterprise customers may use their Information Technology (IT) budgets in 1999 to focus on Year 2000 issues and thus IT organizations may be unwilling to deploy new software until after the Year 2000. Either of these factors could reduce sales of Symantec products and could have an adverse affect on revenues.

YEAR 2000 - CORPORATE SYSTEMS. The Company has recently completed a major evaluation of its applications systems and databases and is modifying or replacing portions of its hardware and associated software to enable its operational systems and networks to function properly with respect to dates leading up to January 1, 2000 and thereafter. The Company continues to evaluate system interfaces with third-party systems, such as those of key suppliers, distributors and financial institutions, for Year 2000 functionality. The Company expects the process of evaluating third-party Year 2000 compliance to be an ongoing process through the Year 2000. The Company is evaluating Year 2000 exposures of its key suppliers, as well as those of company buildings and related facilities. The costs to complete the Year 2000 project are expected to be approximately $2 million and will be expensed as incurred.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

The Year 2000 Project is divided into several phases:

Assessment - where the vulnerability of the hardware, software, process or service element is identified.

Planning - where corrective action is determined for each vulnerable element.

Remediation and Unit Test - where the corrective action is taken and initial testing is performed.

Limited System Test - where related elements are tested together, using dates in the vulnerable range.

Project progress is tracked on a sub-project level as noted below. The following table summarizes the completion status and currently expected completion date for each phase for each sub-project. The expected completion dates are forward-looking statements that are subject to the risks and uncertainties of locating and correcting errors in complex computer systems, and actual dates of completion may vary significantly.

<TABLE>
<CAPTION>

	PHASE AND STATUS OR DUE DATE		
SUB-PROJECT	Assessment	Planning	Remediation
<S>	<C>	<C>	<C>
Business Systems	Complete	Complete	Complete

Networks, Servers & Communications			
Americas and EMEA	Complete	Complete	Jan-Jun 1999
Japan & Asia/Pacific	March 1999	March 1999	Jan-Jun 1999
Desktop and Mobile Computers	Jan-Jun 1999	Jan-Jun 1999	Jan-Jun 1999
Buildings and Related Facilities	Jan-Mar 1999	Mar 1999	Jan-Jun 1999
Suppliers and Outside Services	Jan-Mar 1999	Mar 1999	Jan-Jun 1999

</TABLE>

The Company believes that, with its conversions to new software and modifications to existing computer hardware and software, the Year 2000 issue will not pose significant operational problems for its computer systems. However, if remaining modifications and conversions are not made, or are not completed in a timely manner, the Year 2000 issue could have a material adverse impact on the operations of the Company.

Additionally, the systems of other companies with which Symantec does business may not address Year 2000 problems on a timely basis, which could have an adverse effect on Symantec's systems or business transactions.

As testing of Year 2000 functionality of the Company's systems must occur in a simulated environment, the Company will not be able to test fully all Year 2000 interfaces and capabilities prior to the Year 2000. The Company believes that its exposure on Year 2000 issues is not material to its business as a whole and has not deferred any other information systems projects as a result of its focus on Year 2000 compliance issues. Periodic updates regarding the Year 2000 status are provided to both the Executive Staff and Board of Directors.

If certain key suppliers or distributors should suffer business interruptions due to Year 2000 problems, the Company could be forced to delay product shipments. If there should be significant periods of electric power or telephone service interruptions, some of the Company's facilities might be unable to operate. The Company maintains Business Recovery Plans for its major locations to provide for orderly response to various disaster scenarios. These will be reviewed and augmented to provide contingency plans for potential Year 2000 related problems, both internal and external. Completion of the analysis and the associated contingency plans is scheduled for June 1999.

RISK OF ACCOUNTING TREATMENT. The Company has received requests from the staff of the Securities and Exchange Commission for additional information regarding the accounting for certain of its acquisitions, including questions relating to the write-off of associated in-process research and development costs. The Company cannot determine at this time the effect, if any, that the outcome of this matter will have on its reported financial position or results of operations. However, should the staff of the Securities and Exchange Commission require the Company to

retroactively record any adjustments, the effect could have an adverse impact on the future trading prices of the Company's common stock.

OVERVIEW

Symantec develops utility software for business and personal computing. Symantec's business strategy is to satisfy customer needs by developing and marketing products that make customers productive and keep their computers safe and reliable - anywhere, anytime. These products are developed for multiple operating platforms.

Founded in 1982, the Company has offices in the United States, Canada, Mexico, Asia, Australia, New Zealand, Europe, Africa and South America.

Symantec has a 52/53-week fiscal accounting year. The nine months ended December 31, 1998 comprised 39 weeks of revenue and expense activity, while the comparable prior year period comprised 40 weeks.

RESULTS OF OPERATIONS

During the December 1998 quarter, the Company acquired a majority interest in Quarterdeck Corporation ("Quarterdeck") (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q). During the September 1998 quarter, the Company acquired Intel Corporation's ("Intel") anti-virus business (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q). During the June 1998 quarter, the Company acquired International Business Machine's ("IBM") anti-virus business and the operations of Binary Research Limited ("Binary") (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q). The results of operations from these acquisitions have been included in Symantec's results of operations from the date of acquisition.

On January 6, 1999, the Company received a comment letter from the Securities and Exchange Commission with respect to its Form 10-K for the fiscal year ended March 31, 1998 and Form 10-Q for the quarter ended October 2, 1998. The comment letter contained questions related to accounting for certain acquisitions, including questions relating to the write-off of associated in-process research and development costs. The Company is in the process of re-evaluating the Binary and IBM transactions and the related in-process research and development costs as well as the other questions raised in the comment letter. As a result, final operating results for the quarters ended June, September and December, 1998 and the related year-to-date amounts may be restated.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

The following table sets forth each item from the consolidated statements of operations as a percentage of net revenues and the percentage change in the total amount of each item for the periods indicated.

<TABLE>
<CAPTION>

(Unaudited)	Three Months Ended December 31, 1998	1997	Percent Change in Dollar Amounts	N 19
<S>	<C>	<C>	<C>	<C
Net revenues	100%	100%	11%	1
Cost of revenues	16	15	(18)	
Gross margin	84	85	10	
Operating expenses:				
Research and development	15	15	11	
Sales and marketing	43	46	5	

General and administrative	6	6	3	
In-process research and development	5	--	--	
Litigation judgment	--	--	--	
Restructuring and other expenses	--	--	--	
Total operating expenses	69	67	14	--
Operating income	15	18	(5)	
Interest income	2	2	(19)	
Interest expense	--	--	49	
Other income, net	--	--	527	--
Income before income taxes	17	20	(6)	
Provision for income taxes	7	5	54	--
Net income	10%	15%	(26)	==

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

NET REVENUES.

Net revenues were approximately $165 million in the December 1998 quarter, an increase of 11% from $148 million in the December 1997 quarter. Net revenues increased 9% to $458 million in the nine-month period ended December 31, 1998 from $422 million in the nine-month period ended December 31, 1997.

Revenues from corporate sales were higher for both the three and nine-month periods ended December 31, 1998 when compared to the same periods ended December 31, 1997. In addition, revenues were higher in both the three and nine month periods ended December 31, 1998 over the same periods ended December 31, 1997 due to Symantec's sales growth in Europe. Revenues from retail sales were somewhat lower in both the three and nine month periods ended December 31, 1998 in comparison to the three and nine month periods ended December 31, 1997, primarily due to a general softness in the retail markets in the United States.

BUSINESS UNITS. The Security and Assistance business unit is dedicated to assisting in customers' daily use of computers by increasing productivity and keeping computers safe and reliable. The Security and Assistance business unit comprised approximately 57% and 51% of the Company's total net revenues in the quarters ended December 31, 1998 and 1997, respectively. The Security and Assistance business unit comprised approximately 52% and 49% of the Company's total net revenues in the nine-month periods ended December 31, 1998 and 1997, respectively. Increased net revenues for the business unit in the comparable three and nine month periods were primarily related to increased revenues for two new products, Norton Ghost and the new utility suite, Norton SystemWorks. In addition, increased sales of Norton AntiVirus for Windows and Norton AntiVirus for the Macintosh were partially offset by decreases in Norton Utilities for Windows. The Norton Ghost product was acquired as part of the purchase of Binary operations in the June 1998 quarter (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q).

The Remote Productivity Solutions business unit helps remote professionals remain productive and work reliably, anywhere, anytime. The Remote Productivity Solutions business unit comprised approximately 35% and 37% of the Company's total net revenues in the quarters ended December 31, 1998 and 1997, respectively, and it comprised approximately 36% and 38% of the Company's total

net revenues for the nine months ended December 31, 1998 and 1997, respectively. Net revenues for the business unit increased in the December 1998 quarter over the December 1997 quarter, with increases in pcANYWHERE for Windows 95 partially offset by decreased revenues for ACT! For Windows. Net revenues for the business unit increased for the nine months ended December 1998, with increases in pcANYWHERE for Windows 95 and Talkworks being partially offset by decreases in revenues for ACT! for Windows, WinFax PRO and WinFax Lite.

Internet tools, royalties and other, which includes products providing an easy to use Java development environment, as well as revenue streams from the sale of certain of the Company's other software product lines and technologies, and revenues from products nearing the end of their life cycles, comprised approximately 8% and 12% of the Company's total net revenues in the quarters ended December 31, 1998 and 1997, respectively and 12% and 13% for the nine month periods ended December 31, 1998 and 1997, respectively. This business unit's net revenues decreased in the quarter ended December 31, 1998 over the quarter ended December 31, 1997 due to reductions in revenues from products in Internet Tools, royalties and from products nearing the end of their life cycles. The business unit's net revenues increased in the comparable nine month December periods due to increased product sales in Internet Tools and increased royalties, partially offset by decreased revenues from products nearing the end of their life cycles.

Included in Internet tools, royalties and other are royalties and other revenue of approximately $10 million recorded in both the quarters ended December 31, 1998 and 1997, and $36 million and $38 million in the nine month periods ended December 31, 1998 and 1997, respectively. These royalties and other revenues primarily relate to the sale of certain software products, technologies and tangible assets to JetForm Corporation ("JetForm") and the Hewlett-

Packard Company ("Hewlett-Packard") during fiscal 1997. Royalties from Hewlett-Packard concluded in the December 1998 quarter.

Payments from JetForm were higher in the three and nine-month periods ended December 31, 1998 over the three and nine-month periods ended December 31, 1997 primarily due to an amendment to the JetForm agreement accelerating the payment schedule. JetForm has the option to tender payment in either cash or in registered JetForm common stock, within a contractually defined quantity threshold. Due to the uncertainty regarding the ultimate collectibility of these installments, Symantec is recognizing the revenue as payments are due and collectibility is assured from JetForm. In addition, JetForm payments were approximately the same for both the three month periods ended December 31, 1998 and September 30, 1998. Both December 1998 and September 1998 were lower as compared to the three month period ended June 30, 1998 and payments are expected to decline in future periods through the conclusion of the contract in the June 2000 quarter.

INTERNATIONAL. Net revenues from sales outside of North America were $65 million and $51 million and represented 40% and 34% of total net revenues in the quarters ended December 31, 1998 and 1997, respectively. The increase in net revenues was the result of sales growth in Europe, Middle East and Africa ("EMEA") and Japan.

Net revenues from sales outside of North America were $160 million and $132 million and represented 35% and 31% of net revenues in the nine-month periods ended December 31, 1998 and 1997, respectively. The increase in net revenues was the result of sales growth in EMEA and Japan.

Foreign exchange rate fluctuations during the three and nine month periods ended

December 31, 1998 compared to the three and nine month periods ended December 31, 1997 did not materially affect revenue for either period.

GROSS MARGIN.

Gross margin represents net revenues less cost of revenues. Cost of revenues consists primarily of manufacturing expenses, costs of producing manuals, packaging costs, royalties paid to third parties under publishing contracts and amortization and write-off of capitalized software. During the quarter ended September 30, 1998, the Company implemented a plan to restructure certain of its operations, which included outsourcing its domestic manufacturing operations. This outsourcing should be complete by the end of March 1999, and the Company does not expect any significant impact to its gross margins. (See Note 5 of Notes to Consolidated Financial Statements).

Gross margin decreased to 84% of net revenues in the three-month period ended December 31, 1998 from 85% in the three-month period ended December 31, 1997. Gross margin increased to 85% from 84% in the nine-month periods ended December 31, 1998 and 1997, respectively.

Factors contributing to a decrease in gross margin percentage during the three month period ended December 31, 1998 compared to the three month period ended December 31, 1997 include an increase in purchased product rights and capitalized software amortization from acquisitions and increases in obsolescence reserves in anticipation of new product releases. Factors contributing to an increase in gross margin percentage during the nine month period ended December 31, 1998 compared to the nine month period ended December 31, 1997 include a product mix favoring the Company's higher margin site license and OEM business and a reduction in royalty expense.

PURCHASED PRODUCT RIGHTS AND CAPITALIZED SOFTWARE. During the December 1998 quarter, Symantec acquired a majority interest in Quarterdeck and recorded approximately $4 million of purchased product rights and technology as a result of the transaction. (See Note 8 of Notes to Consolidated Financial Statements). During the September 1998 quarter, Symantec recorded approximately $11 million of purchased product rights and technology acquired as part of the Company's acquisition of Intel's Anti-virus business (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q). During the June 1998 quarter, Symantec recorded approximately $14 million of purchased product rights and technology acquired as part of the Company's acquisition of Binary's operations (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

Amortization of purchased product rights and capitalized software expense, totaled approximately $2 million in the three month periods ended December 31, 1998. In addition, amortization of purchased product rights and capitalized software expenses totaled approximately $4 million and $1 million for the nine month periods ended December 31, 1998 and 1997, respectively. The increases for the 1998 periods over the 1997 periods are primarily due to additional amortization related to the purchase of Intel's anti-virus business, and the acquisitions of Binary and Quarterdeck. Symantec expects purchased product rights and capitalized software amortization to increase in future periods through March 31, 1999. The amortization will occur over the next 3 to 5 years. (See Note 8 of Notes to Consolidated Financial Statements in this Form 10-Q).

RESEARCH AND DEVELOPMENT EXPENSES.

Research and development expenses were 15% of net revenues for both the three month periods ended December 31, 1998 and 1997 and 17% and 16% of net revenues for the nine month periods ended December 31, 1998 and 1997. Research and

development expenses are charged to operations as incurred.

Research and development expenses increased 11% to $24 million in the December 1998 quarter from $22 million in the December 1997 quarter and increased 12% to $75 million in the nine month period ended December 31, 1998 from $67 million in the nine month period ended December 31, 1997. For both the three and nine month periods the increase was primarily due to legal expenses related to product claims (See Note 6 of the Notes to Consolidated Financial Statements in this Form 10-Q) and growth in employee related expenses.

SALES AND MARKETING EXPENSES.

Sales and marketing expenses were 43% and 46% of net revenues in the three month periods ended December 31, 1998 and 1997 and 46% and 45% of net revenues in the nine month periods ended December 31, 1998 and 1997, respectively. Sales and marketing expenses were approximately $72 million and $68 million for the three months ended December 31, 1998 and 1997, respectively, and $212 million and $191 million for the nine months ended December 31, 1998 and 1997. The increase in sales and marketing expenses in both the three and nine month comparable December periods is due to increases in employee related expenses and advertising and promotion expenditures.

GENERAL AND ADMINISTRATIVE EXPENSES.

General and administrative expenses were 6% of net revenues for both the three month periods ended December 31, 1998 and 1997 and were approximately 7% and 6% of net revenues for the nine month periods ending December 31, 1998 and 1997, respectively. General and administrative expenses were approximately $10 million for both three month periods ended December 31, 1998 and 1997. General and administrative expenses increased 6% to approximately $29 million in the nine month period ended December 31, 1998 from $28 million in the nine month period ended December 31, 1997. The increase in general and administrative expenses is primarily related to employee related expenses.

IN-PROCESS RESEARCH AND DEVELOPMENT EXPENSES.

In May 1998, the Company entered into an agreement with IBM for their immune system technology and related anti-virus patents. The agreement was accounted for as a purchase and paid for with cash. The Company recorded intangible assets of prepaid research and development, customer base, goodwill, and in-process research and development. The company wrote-off the in-process research and development as of the date of the purchase and is amortizing the value of prepaid R&D over 1 year. The value of both the goodwill and customer base is being amortized over 5 years. (See Note 8 of the Notes to Consolidated Financial Statements in this Form 10-Q).

In June 1998 the Company acquired the operations of Binary. The acquisition was accounted for as a purchase and paid for with cash. The Company recorded intangible assets of developed software, workforce in place and in-

process research and development as of the date of the acquisition. The Company wrote off the in-process research and development at the time of the purchase, and the value of the workforce in place and developed software is being amortized over 3 years. (See Note 8 of the Notes to Consolidated Financial Statements in this Form 10-Q).

In September 1998 the Company entered into an agreement with Intel to purchase their anti-virus business, as well as license their systems management technology. The agreement was accounted for as a purchase and paid for with

cash. The Company recorded intangible assets of developed software, customer base and in-process research and development as of the date of the acquisition. The Company wrote off the in-process research and development at the time of the purchase, and the value of the customer base and developed software is being amortized over 5 years. (See Note 8 of the Notes to Consolidated Financial Statements in this Form 10-Q).

In November 1998 the Company successfully completed a tender offer for the common stock of Quarterdeck and obtained 63% of the outstanding shares. The Company expects to acquire the remaining shares through a cash merger at a future date during a Quarterdeck shareholders' meeting. The acquisition is being accounted for as a purchase and the Company intends to pay cash for the remaining interest. The Company recorded intangible assets of developed software, tradename, customer base, goodwill, workforce in place, and in-process research and development. The Company wrote off the in-process research and development at the time of the purchase and is amortizing the value of the workforce in place over 2 years. The value of the remaining intangibles, developed software, tradename, customer base and goodwill are all to be amortized over 5 years. (See Note 8 of the Notes to Consolidated Financial Statements in this Form 10-Q).

The following table outlines the value of the above referenced intangible assets (in thousands):

<TABLE>
<CAPTION>

	Allocated Purchase Price Components					
	Purchase Price	In-Process R&D	Developed Software	Goodwill	Customer Base	Wc
<S>	<C>	<C>	<C>	<C>	<C>	<C
IBM	$20,250	$16,000	--	$ 2,950	$100	
Binary	$27,871	$13,325	$14,435	--	--	
Intel	$16,525	$ 5,017	$10,697	--	$811	
Quarterdeck	$59,347	$ 7,560	$ 4,410	$45,588	$882	

</TABLE>

The Company wrote-off $41.9 million in in-process research and development associated with the IBM, Binary, Intel and Quarterdeck purchases. These write-offs were necessary because the acquired technologies had not yet reached technological feasibility and had no future alternative uses. The Company is using the acquired in-process research and development associated to create new anti-virus products and enhanced management and administrative capabilities to be integrated into the Company's suite of anti-virus offerings and other corporate products over the next 2 years. The in-process technology will also be used to create new Uninstall and Disk Cloning products.

The nature of the efforts required to develop the purchased in-process technology principally relate to the completion of all planning, designing, development and testing activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions and performance. The Company expects the acquired in-process technology to be developed into commercially feasible products, however , there are no assurances that this will occur. Failure to complete these products in their entirety, or in a timely manner could have a material adverse impact on the Company's operating results, financial condition and results of operations. Additionally, the value of the other intangible assets may become impaired.

The fair value of the in-process technology for each of the purchases was determined by estimating the projected cash flows related to such projects, including cost to complete the development of in-process technology and future revenues to be earned upon commercialization of the products. The resulting cash flows were discounted back to

their net present values. The net cash flows from such projects were based on management's analysis of the respective markets, and estimates of revenues and operating profits related to such projects.

IBM

The in-process technology acquired in the IBM purchase primarily consisted of the IBM immune system technology and related anti-virus patents. This technology will detect previously unknown viruses, analyze them, and distribute a cure, all automatically and faster than existing methods. The technology is to be integrated into the Company's suite of anti-virus products throughout 1999, along with a considerable amount of infrastructure enhancement required for deployment.

Revenue attributable to the in-process technology was assumed to increase substantially during the first year, and then decrease at rates of 35% to 8% during the remaining three years of the four year projection. Projected annual revenues range from $38.1 million to $19.5 million over the term of the projection. These projections were based on penetration into Symantec's and IBM's existing installed base of customers, anticipated growth rates of the anti-virus markets, an accelerated growth of new customers during the first year of delivering immune system technology, and the estimated life of the underlying technologies.

Marketing and sales expenses, expressed as a percentage of revenue, for the in-process technology, were estimated to be 40% throughout the valuation period based on the Company's historical experience with similar products. General and administrative expenses were estimated to be 7% throughout the period of analysis and are supported by the Company's historical general and administrative expenses.

Operating profit was projected to increase from a loss of $1.8 million during 1998 to income of $13.9 million in 1999, the first year revenue is earned on the technology. Operating profits then decrease at rates of 4% to 35% over the remaining three years resulting in operating profits of $13.3 million to $7.4 million. Operating profit declines less than revenue in the early years of the projection because most product development costs were assumed to be incurred in the first year, reducing operating expenses as a percentage of revenue in later years. To date, operating expenses and revenues attributable to in-process technologies associated with the IBM purchase are consistent with management's projections.

The Company used a discount rate of 30% for valuing the in-process technology from IBM, which the Company believes reflected the risk associated with the completion of these research and development projects and the estimated future economic benefits to be generated subsequent to their completion. This discount rate is higher than Symantec's Weighted Average Cost of Capital ("WACC") of 17% due to the fact that the technology had not reached technological feasibility as of the date of the valuation.

BINARY

The in-process technology acquired in the Binary acquisition primarily consisted of disk cloning technologies associated with Ghost, the flagship product of Binary. Ghost software can create a complete image of a hard drive in the form of a single file, which can be copied to another computer connected via a network.

Revenue attributable to Binary's in-process technology was assumed to increase

in the first three years of the five year projection period at annual rates ranging from 724% to 65%, decreasing at rates of 3% to 70% over the remaining periods as other technologies enter the marketplace. Projected annual revenues range from $2.4 million to $33.1 million over the projected period. These estimates were based on aggregate growth rates for the business on a whole, individual product revenues, anticipated product development cycles, and the life of the underlying technology.

Marketing and sales expenses, expressed as a percentage of revenue, for the in-process technology, were estimated to be 30% throughout the valuation period for the disk cloning products, and 40% for other revenue streams which is based on the Company's historical experience with similar products. General and administrative expenses were

estimated to be 7% throughout the period of analysis and are supported by the Company's historical general and administrative expenses.

Operating profit was projected to increase from a loss of $1.2 million during the first year to a profit of $15.9 million during the third year. Operating profits then decrease from 3% to 70% during the remaining two years resulting in profits of $15.3 million and $4.7 million. Operating profit increases faster than revenue in the early years because most product development costs were assumed to be incurred in the first year, reducing operating expenses as a percentage of revenue in later years. To date, operating expenses and revenues attributable to in-process technologies associated with the Binary purchase are consistent with management's projections.

The Company used a discount rate of 30% for valuing the in-process technologies from Binary, which the Company believes reflected the risk associated with the completion of these research and development projects and the estimated future economic benefits to be generated subsequent to their completion. This discount rate is higher than Symantec's WACC of 17% due to the fact that the technology had not reached technological feasibility as of the date of the valuation.

INTEL

The in-process technology acquired in the Intel purchase consists of the LANDesk anti-virus technology which resides in the LANDesk virus protect product line, LDVP. The LDVP product offers centrally managed virus protection to computer networks. The Company intends to initially sell the next version of LDVP software on a standalone basis. During 1999 the Company anticipates the technology will be integrated into the Company's suite of corporate anti-virus offerings, in addition to future corporate products.

Revenue attributable to Intel's in-process technology was assumed to be $12.2 million during the first year, increasing to $12.7 million during the second year, and declining at annual rates ranging from 35% to 77% during the remaining three years of the five year projection as other technologies enter the marketplace. Projected annual revenues range from $12.7 million to $0.8 million over the projected period. These estimates were based on revenue estimates of the acquired LDVP business, aggregate growth rates for the anti-virus business on a whole, anticipated revenue to be earned from future corporate product offerings, anticipated product development cycles, and the life of the underlying technology.

Marketing and sales expenses, expressed as a percentage of revenue, for the in-process technology, were estimated to be 43% throughout the valuation period based on the Company's historical experience with similar products. General and administrative expenses were estimated to be 8% throughout the period of

analysis and are supported by the Company's historical general and administrative expenses.

Operating profit was assumed to be $4.9 million during the first year, increasing by 7% during the second year, and declining at annual rates ranging from 34% to 77% during the remaining periods, resulting in annual operating profits ranging between $5.3 million and $0.3 million. The operating profit projections during the early years assumed a growth rate slightly higher than revenue projections. The higher growth rate is attributable to the increase in revenues discussed above as the technology is integrated more deeply into the Company's product offerings, while research costs remain constant. To date, operating expenses and revenues attributable to in-process technologies associated with the Intel purchase are consistent with management's projections.

Estimated costs to be incurred to reach technological feasibility of in-process technologies from Intel as of the date of the product being delivered to Symantec totaled $0.5 million. The in-process technology was estimated to be 88.1% complete at this time. The projected introduction dates of acquired in-process technologies is early/mid 1999.

The Company used a discount rate of 30% for valuing the in-process technology from Intel, which the Company believes reflected the risk associated with the completion of these research and development projects and the estimated future economic benefits to be generated subsequent to their completion. This discount rate is higher than

Symantec's WACC of 17% due to the fact that the technology had not reached technological feasibility as of the date of the valuation.

QUARTERDECK

The in-process technology acquired with Quarterdeck consisted of projects related to Quarterdeck's CleanSweep product line. The CleanSweep product line is designed to enhance the performance of the Windows operating system by finding and removing outdated, unnecessary, or unwanted files, applications, and system components, thereby freeing up disk space.

Revenue attributable to the in-process technology was assumed to be $23.7 million during the first year and declining at annual rates of 5% to 65% during the remaining periods of the six year projection period as other technologies are released into the marketplace. Projected annual revenues range from $23.7 million to $2.9 million over the projected period. These projections were based on aggregate revenue estimates for the business as a whole, anticipated revenue derived from the Company being able to increase our penetration in the uninstall market, anticipated growth rates in the utilities suites markets, anticipated product development cycles, and the life of the underlying technology.

Overall sales, marketing, and general and administrative expenses were estimated to be 30% throughout the valuation period based on indications from similar companies.

Operating profit was assumed to be $10.9 million during the first year, increasing by 1% during the second year, and declining at annual rates ranging from 17% to 69% during the remaining periods, resulting in annual operating profits ranging between $11 million and $1.4 million. Operating profit in early years increases as revenue declines because most product development costs were assumed to be incurred in the first year, reducing operating expenses as a percentage of revenue in later years.

Estimated costs to be incurred to reach technological feasibility as of the date of acquisition for Quarterdeck in-process technologies totaled $0.7 million. The in-process technology was estimated to be 80% complete as of the date of the acquisition. The projected introduction dates of acquired in-process technologies is early/mid 1999.

The Company used a discount rate of 20% for valuing the in-process technology from Quarterdeck, which the Company believes reflected the risk associated with the completion of these research and development projects and the estimated future economic benefits to be generated subsequent to their completion. This discount rate reflects a premium above that of the risk associated with the acquired developed technology, and is higher than the Company's WACC.

LITIGATION JUDGMENT.

Litigation judgment expenses totaled approximately $6 million in the nine month period ended December 31, 1998. These expenses related to a judgment by a Canadian court on a decade-old copyright action assumed by Symantec as a result of the acquisition of Delrina Corporation (See Note 6 of Notes to Consolidated Financial Statements in this Form 10-Q).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

RESTRUCTURING AND OTHER EXPENSES.

During the quarter ended September 30, 1998, the Company implemented a plan to restructure certain of its operations, which included outsourcing its domestic manufacturing operations. As a result, it recorded approximately $4 million for personnel severance to reduce the workforce by approximately 5% in both domestic and international operations and approximately $1 million for the planned abandonment of a manufacturing facility lease. As of December 31, 1998, approximately $3 million of the $5 million had been incurred. These activities will be substantially completed by the end of March 1999.

INTEREST INCOME, INTEREST EXPENSE AND OTHER INCOME.

Interest income was approximately $2.7 million and $3.3 million for the three month periods ended December 31, 1998 and 1997, respectively. Interest income decreased 19% in the three month period ended December 31, 1998 over the three month period ended December 31, 1997 primarily due to a lower average invested cash balance and losses on the sale of investments.

Interest income was approximately $11 million and $9 million in the nine month periods ended December 31, 1998 and 1997, respectively. Interest income increased 18% in the nine month period ended December 31, 1998 over the nine month period ended December 31, 1997 primarily due to a higher average invested cash balance, gains on the sale of investments and interest income received with income tax refunds.

Interest expense was approximately $0.5 million and $0.3 million in the three month periods ended December 31, 1998 and 1997, and $1.1 million and $0.9 million for the nine month periods ended December 31, 1998 and 1997, respectively. Interest expense principally relates to Symantec's and Quarterdeck's convertible subordinated debentures.

Other income was approximately $0.4 million and $0.1 million in the three month periods ended December 31, 1998 and 1997, respectively, and $2.5 million and $0.7 million in the nine month periods ended December 31, 1998 and 1997, respectively. Other income increased in the three month period ended December 31, 1998 compared to the three month period ended December 31, 1997 due to foreign currency exchange gains from fluctuations in currency exchange rates.

Other income increased in the nine month period ended December 31, 1998 compared to the nine month period ended December 31, 1997 primarily due to a foreign exchange gain realized during the June 1998 quarter as a result of the paydown of an intercompany loan.

INCOME TAX PROVISION.

The effective tax rate on income before income taxes, excluding charges for acquired in-process research and development expenses, for the three and nine months periods ended December 31, 1998 was 32%. This rate is lower than the U.S. federal statutory tax rate primarily due to a lower statutory tax rate on the Company's Irish operations. The effective tax rate for the three and nine months periods ended December 31, 1997 were 25% and 24%, respectively.

The tax provision for the nine month period ended December 31, 1998 consists of two items: 1) a $24 million (or 32% effective tax rate) provision on income before income taxes of $75 million (which excludes a $42 million charge for acquired in-process research and development expenses) and 2) a $5 million tax benefit on the $42 million charge for acquired in-process research and development. A valuation allowance has been established for the portion of the deferred tax asset attributable to the acquired in-process research and development charges that is not expected to be realized within five years.

LIQUIDITY AND CAPITAL RESOURCES.

Cash, short-term investments and long-term investments decreased $69 million to $191 million at December 31, 1998 from $260 million at March 31, 1998. This decrease was largely due to the repurchase of approximately 2.9 million shares of Symantec common stock for approximately $56 million during the September and December 1998

quarters. In addition, portions of the decrease were due to the acquisition of Binary for approximately $28 million, an $8 million payment to IBM during the quarter ended June 30, 1998, an approximately $12 million payment to Intel and a $30 million payment for the tendered shares of Quarterdeck during the quarter ended December 31, 1998 (See Notes 8 of Notes to Consolidated Financial Statements in this Form 10-Q).

In addition to cash, short-term investments and long-term investments of $192 million, the Company has $69 million of restricted investments related to collateral requirements under certain lease agreements entered into during fiscal 1997. In accordance with the lease terms, these funds are not available to meet operating cash requirements. Symantec is obligated under these lease agreements for two existing office buildings (Cupertino City Center One or "CCC1" and World Head Quarters or "WHQ"), one parcel of land and one office building (Cupertino City Center Five or "CCC5") under construction in Cupertino, California to maintain a restricted cash balance invested in U.S. treasury securities with maturities not to exceed three years. In addition, the Company is obligated to comply with certain financial covenants. Future acquisitions may cause the Company to be in violation of these financial covenants, at which the time the Company will need to have the covenants amended or waived. On September 22, 1998, an agreement was entered into, subject to certain closing conditions, whereby the landlord intends to exchange CCC5 for another leased building (Cupertino City Center Two or "CCC2") both located in Cupertino, California. If this transaction is consummated, Symantec would move both personnel and equipment into CCC2 once certain tenant improvements are completed. In conjunction with this move, Symantec would be relieved of responsibility for its lease of WHQ. Due diligence for the aforementioned exchange was completed on December 15, 1998 and the parties completed the transaction on February 10,

1999.

On October 15, 1998, Symantec signed a definitive merger agreement to acquire Quarterdeck. On November 17, 1998, Symantec completed its tender offer for the common stock of Quarterdeck acquiring approximately 63% interest. Symantec intends to acquire Quarterdeck's remaining shares through a cash merger at the tender offer price of $0.52 per share in accordance with the definitive merger agreement signed on October 15, 1998. The transaction was accounted for as a purchase. Under the transaction, Symantec recorded approximately $7.6 million of acquired in-process research and development, $4.4 million of capitalized software technology, $45.6 million of goodwill and $1.8 million was allocated to other intangibles. The amounts included in the Company's financial statements represent approximately 63% of the total amount Symantec will ultimately record once the merger is completed. The amount of in-process research and development was established by a valuation specialist based on management's estimates. As of December 31, 1998, the Company incurred approximately $0.1 million of capitalized software amortization expense and $1.1 million of goodwill amortization expense related to this acquisition. The capitalized software and goodwill will amortized over a 5 year period. (See Agreement and Plan of Merger, dated October 15, 1998, among Symantec, Purchaser, and Quarterdeck filed with Symantec's Schedule 14D-1 on October 19, 1998).

Through its acquisition of a majority interest in Quarterdeck, Symantec inherited Quarterdeck's 6% convertible senior subordinated notes. Quarterdeck issued $25 million principal amount of 6% convertible senior subordinated notes, due 2001 ("Notes"), to an institutional investor in a private placement pursuant to the terms of a Note Agreement dated March 1, 1996. The Notes are required to be paid in full without any premium upon the earlier of consummation of the Merger or March 31, 1999.

Net cash provided by operating activities was approximately $86 million for the nine months ended December 31, 1998 and was comprised of the Company's net income of approximately $13 million, offset by non-cash related expenses of approximately $63 million and a net decrease in assets and liabilities, excluding effects of acquisitions, of approximately $10 million.

Net trade accounts receivable decreased $3 million to $62 million at December 31, 1998 from $65 million at March 31, 1998. Days sales outstanding was 34 days at December 31, 1998 and 38 days at March 31, 1998. The decrease in days sales outstanding is due to an increase in quarter end collections in the December 1998 quarter.

On June 9, 1998, the Board of Directors of Symantec authorized the repurchase of up to 5% of Symantec's

outstanding common stock before December 31, 1998. Among other purposes, repurchased shares are used for employee stock purchase programs and option grants. The Company completed the repurchase as of October 31, 1998, repurchasing a total of 2.875 million shares at prices ranging from $13.10 to $27.21, for an aggregate amount of approximately $56.3 million. Of the $56.3 million, approximately $20.8 million was charged to retained earnings after appropriate amounts were deducted from common stock and capital in excess of par.

Effective January 1, 1999, certain covenants under the $10 million line of credit agreement were amended. As of January 1, 1999, the Company is in compliance with all covenants under the Credit Agreement and there were no borrowings and less than $1 million of standby letters of credit outstanding under this line. Future acquisitions by the Company may cause the Company to be

in violation of the line of credit covenants. However, the Company believes that if the line of credit were canceled or amounts were not available under the line, there would not be a material adverse impact on the financial results, liquidity or capital resources of the Company.

If Symantec were to sustain significant losses, the Company could be required to reduce operating expenses, which could result in product delays; reassess acquisition opportunities, which could negatively impact the Company's growth objectives; and/or pursue further financing options. The Company believes existing cash and short-term investments and cash generated from operating results will be sufficient to fund operations for the next year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information with respect to this item is incorporated by reference to Note 6 of Notes to Consolidated Financial Statements included herein on page 11 of this Form 10-Q.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits. The following exhibits are filed as part of this Form 10-Q or are incorporated by reference:

10.01 Amendment No. 1 of Agreement for exchange and purchase and escrow instructions, dated as of November 4, 1998 between Symantec Corporation and TST Development, L.L.C.

10.02 Amendment No. 2 of Agreement for exchange and purchase and escrow instructions, dated as of November 20, 1998 between Symantec Corporation and TST Development, L.L.C.

10.03 Amendment No. 3 of Agreement for exchange and purchase and escrow instructions, dated as of December 4, 1998 between Symantec Corporation and TST Development, L.L.C.

10.04 Amendment No. 4 of Agreement for exchange and purchase and escrow instructions, dated as of December 15, 1998 between Symantec Corporation and TST Development, L.L.C.

27.01 Financial Data Schedule for the Nine Months Ended December 31, 1998.

(b) Reports on Form 8-K

A report on Form 8-K was filed by the Company on December 1, 1998, reporting the merger agreement on October 15, 1998 between Symantec Corporation and Quarterdeck Corporation, which includes as Exhibit 2.01 the Agreement and Plan of Merger dated as of October 15, 1998 by among Symantec Corporation, Oak Acquisition Corporation and Quarterdeck Corporation.(incorporated by reference to Exhibit c(1) to the Registrant's Schedule 14D-1 (Commission File No. 5-45153) initially filed on October 19, 1998).and Exhibit 99.01 the license agreement dated as of October 15, 1998 by and between Symantec Corporation and Quarterdeck Corporation. (incorporated by reference to Exhibit c(2) to the Registrant's Schedule 14D-1 (Commission File No. 5-45153) initially filed on October 19, 1998).

ITEMS 2, 3 AND 5 ARE NOT APPLICABLE AND HAVE BEEN OMITTED.

SIGNATURES

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

Date: February 12, 1999 SYMANTEC CORPORATION

By /s/ GORDON E. EUBANKS, JR.

Gordon E. Eubanks, Jr.
President and Chief Executive Officer
(duly authorized officer)

/s/ GREGORY E. MYERS

Gregory E. Myers
Vice President Finance
(duly authorized officer)

INDEX TO EXHIBITS

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EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10.01	Amendment No. 1 of Agreement for exchange and purchase and escrow instructions, dated as of November 4, 1998 between Symantec Corporation and TST Development, L.L.C.
10.02	Amendment No. 2 of Agreement for exchange and purchase and escrow instructions, dated as of November 20, 1998 between Symantec Corporation and TST Development, L.L.C.
10.03	Amendment No. 3 of Agreement for exchange and purchase and escrow instructions, dated as of December 4, 1998 between Symantec Corporation and TST Development, L.L.C.
10.04	Amendment No. 4 of Agreement for exchange and purchase and escrow instructions, dated as of December 15, 1998 between Symantec Corporation and TST Development, L.L.C.
27.01	Financial Data Schedule for the Nine Months Ended December 31, 1998.

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EXHIBIT 10.01

AMENDMENT NO. 1
TO
AGREEMENT FOR EXCHANGE AND PURCHASE AND ESCROW
INSTRUCTIONS

This AMENDMENT NO. 1 TO AGREEMENT FOR EXCHANGE AND PURCHASE AND ESCROW INSTRUCTIONS ("Amendment No. 1") is made as of November 4, 1998 by and between SYMANTEC CORPORATION, a Delaware corporation ("Symantec") and TST DEVELOPMENT, L.L.C., a Delaware limited liability company ("TST") with reference to the following:

A. Symantec and TST are parties to that certain Agreement for Exchange and Purchase and Escrow Instructions dated as of September 22, 1998 (the "Agreement").

B. The parties now desire to amend the Agreement to extend the end of the Feasibility Period.

C. All capitalized terms used in this Amendment No. 1 shall have the same meaning as defined in the Agreement unless separately defined herein.

AGREEMENT

1. Notwithstanding anything to the contrary in the Agreement the end of the Feasibility Period is hereby extended to 5:00 p.m. PST on November 20, 1998.

2. This Amendment may be executed in one or more counterparts pursuant to the Agreement.

3. Except as herein amended, the Agreement remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 as of November 4, 1998.

"Symantec"	"TST"
SYMANTEC CORPORATION, A Delaware corporation	TST DEVELOPMENT, L.L.C., a Delaware limited liability company
By: /s/ DEREK WHITE	By: /s/ ANDREW J. NATHEN
NAME: Derek White	NAME: Andrew J. Nathen
Its:	Its: Vice President

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Exhibit 10.02

AMENDMENT NO. 2
TO
AGREEMENT FOR EXCHANGE AND PURCHASE AND ESCROW
INSTRUCTIONS

This AMENDMENT NO. 2 TO AGREEMENT FOR EXCHANGE AND PURCHASE AND ESCROW INSTRUCTIONS ("Amendment No. 2") is made as of November 20, 1998 by and between SYMANTEC CORPORATION, a Delaware corporation ("Symantec") and TST DEVELOPMENT, L.L.C., a Delaware limited liability company ("TST") with reference to the following:

A. Symantec and TST are parties to that certain Agreement for Exchange and Purchase and Escrow Instructions dated as of September 22, 1998 (the "Agreement").

B. The Agreement was amended pursuant to that certain Amendment No. 1 dated as of November 4, 1998 ("Amendment No. 1").

C. The parties now desire to further amend the Agreement to further extend the end of the Feasibility Period.

D. All capitalized terms used in this Amendment No. 2 shall have the same meaning as defined in the Agreement unless separately defined herein.

AGREEMENT

1. Notwithstanding anything to the contrary in the Agreement or Amendment No. 1, the end of the Feasibility Period is hereby extended to 5:00 p.m. PST on December 4, 1998.

2. Except as herein amended, the Agreement remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 as of November 20, 1998.

"SYMANTEC"	"TST"
SYMANTEC CORPORATION,	TST DEVELOPMENT, L.L.C.,
a Delaware corporation	a Delaware limited liability company
By: /s/ HOWARD BAIN	By: /s/ BRUCE D. SABER
Name: Howard Bain	Name: Bruce D. Saber
Its	Its Vice President

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EXHIBIT 10.03

AMENDMENT NO. 3
TO
AGREEMENT FOR EXCHANGE AND PURCHASE AND ESCROW
INSTRUCTIONS

This AMENDMENT NO. 3 TO AGREEMENT FOR EXCHANGE AND PURCHASE AND ESCROW INSTRUCTIONS ("Amendment No. 3") is made as of December 4, 1998 by and between SYMANTEC CORPORATION, a Delaware corporation ("Symantec") and TST DEVELOPMENT, L.L.C., a Delaware limited liability company ("TST") with reference to the following:

A. Symantec and TST are parties to that certain Agreement for Exchange and Purchase and Escrow Instructions dated as of September 22, 1998 ("the "Agreement").

B. The Agreement was amended pursuant to that certain Amendment No. 1 dated as of November 4, 1998 ("Amendment No. 1").

C. The Agreement was amended pursuant to that certain Amendment No. 2 dated as of November 20, 1998 ("Amendment No. 2").

D. The parties now desire to further amend the Agreement to further extend the end of the Feasibility Period.

E. All capitalized terms used in this Amendment No. 3 shall have the same meaning as defined in the Agreement unless separately defined herein.

AGREEMENT

1. Notwithstanding anything to the contrary in the Agreement, Amendment No. 1 or Amendment No. 2, the end of the Feasibility Period is hereby extended to 5:00 p.m. PST on December 15, 1998.

2. Except as herein amended, the Agreement remains unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 as of December 4, 1998.

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"Symantec"	"TST"
<S>	<C>
SYMANTEC CORPORATION, A Delaware corporation	TST DEVELOPMENT, L.L.C., a Delaware limited liability company
By: Derek Witte	By: /s/ Steven R. Weckster
Name: /s/ Derek Witte	Name: Steven R. Weckster
Its	Its Vice President

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EXHIBIT 10.04

AMENDMENT NO. 4
TO
AGREEMENT FOR EXCHANGE AND PURCHASE AND ESCROW INSTRUCTIONS

This AMENDMENT NO. 4 TO AGREEMENT FOR EXCHANGE AND PURCHASE AND ESCROW

INSTRUCTIONS ("Amendment No. 4") is made as of December 15, 1998 by and between SYMANTEC CORPORATION, a Delaware corporation ("Symantec") and TST DEVELOPMENT, L.L.C., a Delaware limited liability company ("TST") with reference to the following:

A. Symantec and TST are parties to that certain Agreement for Exchange and Purchase and Escrow Instructions dated as of September 22, 1998 (the "Agreement").

B. The parties amended the Agreement to extend the end of the Feasibility Period pursuant to Amendment No. 1 made as of November 4, 1998 ("Amendment No. 1").

C. The parties further amended the Agreement to extend the end of the Feasibility Period pursuant to Amendment No. 2 made as of November 20, 1998 ("Amendment No. 2").

D. The parties further amended the Agreement to extend the end of the Feasibility Period pursuant to Amendment No. 3 made as of December 4, 1998 ("Amendment No. 3").

E. The parties now desire to further amend the Agreement as forth below.

F. All capitalized terms used in this Amendment No. 4 shall have the same meaning as defined in the Agreement unless separately defined herein.

AGREEMENT

1. ELECTION TO PROCEED. By executing this Amendment No. 4: (i) Symantec shall be deemed to have given its Election to Proceed with respect to CCC2 in satisfaction of the condition set forth in Section 5.4.1.1 of the Agreement, and (ii) TST shall be deemed to have given its Election to Proceed with respect to CCC5 and WHQ pursuant to Section 5.3.1.1 of the Agreement.

1.1. INVESTIGATION. In giving such Elections to Proceed, each of Symantec and TST acknowledge that, pursuant to the Agreement, each of them has had the right to acquire the respective Property since the Agreement Date and during the Feasibility Period, each of them has been permitted to inspect conditions with regard to such Property by reviewing matters affecting entitlements to develop the Property and by conducting such feasibility investigations, studies and analyses thereon or thereabout as each of them, in their sole discretion has deemed appropriate and, without limiting the generality of the foregoing, the condition of title of the Property.

1.2. PROCEED PURSUANT TO AGREEMENT. Based upon all such review and such feasibility investigations, studies and analyses conducted by the respective parties, Symantec hereby elects to proceed with the acquisition of CCC2 and TST hereby elects to proceed with the acquisition of CCC5 and WHQ, each in accordance with and subject to the terms of the Agreement as amended.

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2. TITLE. Symantec (as to CCC2) and TST (as to CCC5 and WHQ) agree at the First Closing with respect to CCC2 and CCC5 and at the Second Closing with respect to WHQ, subject to the terms of the Agreement as amended, to accept title to the Property in the condition of the following Pro Forma Title Policies issued by First American Title Insurance Company under the following order numbers pertaining to the particular Property identified below, copies of each of which are attached hereto:

CCC2: 515343 dated December 10, 1998 (the "CCC2 Pro Forma");

CCC5: 515342 dated November 2, 1998 (the "CCC5 Pro Forma");

WHQ: 515341 dated November 2, 1998 (the "WHQ Pro Forma").

3. ADDITIONAL DEPOSIT FIRST. Section 2.2.20.1.2 "Additional Deposit First CCC5 and CCC2" is hereby amended to increase the amount of Additional Deposit First with respect to each of CCC5 and CCC2 to Nine Hundred Fifty Thousand Dollars ($950,000) making the total Deposit for each of CCC5 and CCC2 equal to One Million Dollars ($1,000,000). Section 4.2.1.2 is likewise hereby amended to increase the respective amounts payable as Additional Deposits.

4. PURCHASE PRICE CCC5.

4.1. EXCHANGE VALUE. The Basic Information in Article 1 of the Agreement is amended for the Item designated as "Exchange Value/Purchase Price" for the column headed "CCC5" to read as follows:

"Fee title to CCC2 plus $1,325,000"

4.2. SECTION 4.2.1.3 "CLOSING". Section 4.2.1.3 of the Agreement is hereby amended to amend subsection (iii) and add subsection (iv) to read as follows:

"(iii) (a) The Initial Deposit and the Additional Deposit with respect to CCC2 together with any interest earned thereon shall be returned to the party designated by Symantec and (b) the Initial Deposit and the Additional Deposit with respect to CCC5 together with any interest earned thereon shall be applied in partial satisfaction of TST's obligation in subsection (iv) immediately following; and

(iv) TST shall deposit for release to the party designated by Symantec immediately following the Closing the sum of One Million Three Hundred Twenty-Five Thousand Dollars ($1,325,000) less the Deposit amounts identified in subsection (iii)(b) immediately preceding."

4.3. SECTION 2.2.20.2.2 "ADDITIONAL DEPOSIT FIRST WHQ". Section 2.2.20.2.2 of the Agreement is hereby deleted.

5. WHQ PRICE AND LIQUIDATED DAMAGES.

5.1. PURCHASE PRICE.

5.1.1. BASIC INFORMATION. The Basic Information in Article 1 of the Agreement is amended for the Item designated as "Exchange Value/Purchase Price" for the column headed "WHQ" to read as follows:

"$16,175,000", and

for the Item designated as "Additional Deposit First: for the column header "WHQ" to read as follows:

"0"

5.1.2. SECTION 2.2.29 WHQ PURCHASE PRICE. Section 2.2.29 of the Agreement is hereby amended to read as follows:

"Sixteen Million One Hundred Seventy-Five Thousand Dollars ($16,175,000)."

5.1.3. SECTION 4.2.2.1 DEPOSIT.

Section 4.2.2.1 of the Agreement is hereby amended to delete the second sentence thereof (regarding the requirement for Additional Deposit WHQ).

5.2. LIQUIDATED DAMAGES. Section 8.6 of the Agreement (Default by TST As to WHQ) is hereby amended to delete subsection B of said Section 8.6

6. ESCROW AND CLOSING.

6.1. ESCROW. Section 2.2.22 is hereby amended to read as follows:

"2.2.22 "Escrow". The following Escrows have been opened with Escrow Holder:

2.2.22.1 "Escrow Exchange". The Escrow opened for the exchange of CCC5 and CCC2 under Escrow Numbers: 515342 and 515343.

2.2.22.2 "Escrow WHQ." The Escrow opened for the sale of WHQ under Escrow Number: 515341.

2.2.23 "Escrow Holder". First American Title Guaranty Company, 1737 N. First Street, San Jose, CA 95112, Attention: Carol Weir ("Escrow Officer").

6.2. FIRST CLOSING SCHEDULED DATE. Section 2.2.31.1 is hereby amended to provide that the date of the First Closing shall be February 2, 1999.

7. CONDITION OF BUILDING CCC5. The Certificate of Substantial Completion has been received from the Building CCC5 Architect and the Building CCC5 Contractor, and a Temporary Certificate of Occupancy for Building CCC5 has been issued by the City. Copies of the Certificate of Substantial Completion have been delivered to TST.

7.1. PRELIMINARY ACCEPTANCE OF BUILDING CCC5. In lieu of delivering the Building CCC5 Preliminary Acceptance in the form of Exhibit M to the Agreement as

contemplated by Sections 5.3.2.1 and 5.4.13 of the Agreement, TST hereby acknowledges as follows:

Following notice from Symantec that Substantial Completion of Building CCC5 occurred, TST has (i) reviewed the Certificate of Substantial Completion including the Punchlist attached thereto, and (ii) walked through and otherwise investigated the condition of Building CCC5 utilizing such personnel and consultants as TST has deemed appropriate. Based upon such review and investigation, TST hereby acknowledges TST's acceptance of Building CCC5 subject to Final Completion.

7.2. BUILDING CCC5 FINAL COMPLETION. Section 2.2.9 of the Agreement is hereby modified to read as follows:

2.2.9. "Building CCC5 Final Completion." As a result of the Preliminary Acceptance acknowledgement set forth in Section 7.1 of this Amendment No. 4, TST and Symantec have agreed that with respect to the First Closing Condition required by Section 5.4.2.2 of the Agreement, Building CCC5 Final Completion shall have occurred when all of the following have

occurred:

(i) Symantec Completion Covenant. At the expense of Symantec or parties other than TST, Symantec agrees to use its diligent efforts to cause the completion (the "Symantec Completion Covenant") prior to the First Closing Scheduled Date the construction items specified in subsection (ii) below (the "Remaining Construction Items"). In order to satisfy the Symantec Completion Covenant either (a) or (b) below of this subsection (i) shall have occurred:

(a) The Remaining Construction Items have been completed to TST's reasonable satisfaction or

(b) if TST reasonably believes that one or more of such construction items have not been properly completed, TST has

(1) given notice to Symantec not later than five (5) business days prior to the First Closing Scheduled Date specifying as follows: (x) with particularity which items TST believes have not been properly completed, (y) the reasons for such belief and (z) the amount TST estimates should be reserved not to exceed Thirty Five Thousand Dollars ($35,000) (the "Completion Reserve) in order to properly complete such items, and

(2) Symantec or its designee has instructed Escrow Holder to disburse to TST from funds otherwise payable to Symantec or its designee a sum equal to the Completion Reserve.

(ii) Remaining Construction Items. The following are the Remaining Construction Items which are the subject of the Symantec Completion Covenant:

(a) only those items shown on Schedule 1 to this Amendment No. 4, and

(b) TST agrees that unless a construction item is identified on Schedule 1 (even if such item is otherwise shown on the Punchlist attached to the Certificate of Substantial Completion), the completion of such item shall

not be a condition to achieving Building CCC5 Final Completion even if such items are shown on the Building CCC5 Plans or covered by the Building CCC5 General Contract; provided that nothing set forth in this Subsection (i) shall be deemed a waiver by TST of any warranty claims against the Building CCC5 General Contractor.

(iii) Payment of Subcontractors. All subcontractors and material suppliers with respect to portions of the "Work" (as defined in the CCC5 General Contract) completed prior to the date hereof or required to be completed pursuant to Subsection (i) above, have been paid (or, in the event of a dispute over such payment, an appropriate bond has been posted or funds set aside in a manner

reasonably acceptable to TST and the Title Company for payment to such subcontractors and material suppliers when such dispute in finally resolved);

(iv) Certificate of Payment. A final "Certificate of Payment" (as defined in Section 9.10 of the General Conditions to the Building CCC5 General Contract) has been issued by the Building CCC5 Architect with respect to the portions of the Work described in Subsection (ii) above; and

(v) Lien Waivers. Copies of those final waivers and releases of mechanics liens then having been obtained by Symantec from subcontractors and material suppliers are furnished to TST.

(vi) Completion of Remaining Construction Items Not a Condition to First Closing. Although Symantec has given the Symantec Completion Covenant, TST agrees that completion of the Remaining Construction Items shall not be a condition to the First Closing so long as either (a) or (b) of subsection (i) above has been satisfied.

(vii) Completion Reserve. In the event a Completion Reserve is established, Symantec shall have no further responsibility for completion of any of the Remaining Construction Items whether or not TST believes they have been properly completed prior to the First Closing Scheduled Date, and TST shall accept the Completion Reserve as TST's sole remedy on account of such alleged failure to properly complete. If Symantec disagrees with TST as to whether any particular Remaining Construction Items were properly completed, then following the First Closing, Symantec and TST agree to attempt to reach agreement with regard to such disagreement and the amount, if any, to be retained by TST out of the Completion Reserve. If Symantec and TST are unable to reach agreement within sixty (60) days following the First Closing, then either of them may submit the issue to binding arbitration pursuant to the applicable rules of the American Arbitration Association with the venue for any arbitration proceeding to be within either San Francisco or Santa Clara County, California.

8. APPLE LEASE TERMINATION. With regard to that certain Lease Termination Agreement dated as of November 20, 1998 which has been previously executed by Apple Computer, as soon as possible following the execution hereof, Symantec will deliver a copy of such Lease Termination Agreement executed by Symantec and Apple and TST will deliver a copy of such Lease Termination Agreement executed by Travelers. It is intended that such Lease Termination Agreement be delivered to the parties thereto, including, without limitation, Apple, following the execution of this Amendment No. 4 in

order to create a binding agreement between the parties thereto. TST has been a party to the negotiation and preparation of such Lease Termination Agreement in conformance with Section 5.2.1.8.2 of the Agreement, and TST hereby approves the terms and conditions of the Lease Termination Agreement. Each of Symantec and TST hereby confirm their agreement set forth in Section 5.2.1.8.2 of the Agreement to contribute at the First Closing Two Hundred Thousand Dollars ($200,000) each toward the total Termination Payment of Four Hundred Thousand Dollars ($400,000) to be paid to Apple Computer pursuant to the Lease Termination Agreement.

9. SERVICE CONTRACTS. Attached hereto are Schedules 4, 5 and 6 dealing with

Service Contracts. With respect to each of such Schedules, the applicable Transferor Party has listed each of those Service Contracts existing as of the date of this Amendment No. 4. In turn and pursuant to Section 7.3.4.1 of the Agreement, each Transferee Party has indicated as to each listed Service Contract whether such Transferee Party desires that such Service Contract be assigned to and be assumed by such Transferee party as of the applicable Closing or that the applicable Transferor Party agree to either terminate such Service Contract or be responsible for any such Service Contract not assumed and not terminated at no cost to the applicable Transferee Party. Those Service Contracts to be assigned to and assumed by a Transferee Party shall be enumerated on Schedule A to the Assignment and Assumption of Obligations (Exhibit I to the Agreement) as of the applicable Closing.

10. PARKING RELOCATION-CCC5. TST is aware of that certain Parking Easement and Relocation Agreement recorded February 5, 1997 as Instrument No. 13602281 that encumbers CCC5 and identified as item 21 in the Proforma Schedule B to the CCC5 Pro Forma (the "Parking Easement and Relocation Agreement"). Pursuant to Section 3a of the Parking Easement and Relocation Agreement, upon completion of the "Symantec Parking Facilities" (as therein defined), the owner of the "Lot 5 Property" (as therein defined) shall give written notice to the "Permittees" and others as defined and specified therein specifying the date upon which such relocation to the Symantec Parking Facilities shall be effective, and setting forth the identification numbers and floor location of the parking spaces in the Symantec Parking Facilities initially allocated to the "Benefited Property" (as therein defined), if only assigned spaces are to be used by such Permitees. The completion of the Symantec Parking Facilities as defined in the Parking Easement and Relocation Agreement is close at hand and is likely to occur prior to the First Closing. Symantec hereby agrees that if Symantec intends to give notice of the relocation to the Symantec Parking Facilities pursuant to such Section 3a prior to the First Closing, TST shall have the right to approve any such notice, which approval shall not be unreasonably withheld. If such notice is not given by Symantec prior to the First Closing, TST agrees that a notice shall be given by TST concurrently and as a condition to the First Closing.

11. CREDITS AND ADJUSTMENTS. During the Feasibility Period, each of Symantec and TST, as a result of their respective investigations of the Properties, have asserted that the other should be responsible for one or more items or repair or construction with respect to the Properties. Each of Symantec and TST have now agreed that neither of them shall have any responsibility prior to or after Closing to undertake any repair or construction except (i) as specifically set forth in Schedule 1 to this Amendment No. 4, or (ii) as

necessary to comply with the requirements of Section 7.3 of the Agreement ("Operations of the Projects"). Without limiting the generality of the foregoing, Symantec and TST specifically agree that Symantec shall have no responsibility for any public art requirement imposed by the City with respect to Building CCC5 and TST hereby agrees to assume such public art requirement. In consideration therefor, at the First Closing, Symantec shall fund One Hundred Thousand Dollars ($100,000.00) of TST's Apple termination payment.

12. CITY ISSUES. From time to time during the Feasibility Period, TST or its consultants have raised certain concerns relating to City entitlements and approvals relating to the CCC5 Building, including, without limitation, issues relating to (i) an alleged requirement that Symantec occupy the CCC5 Building in light of the special square footage allocations granted by the City for the CCC5 Building (the "Occupancy Issue"), (ii) the adequacy of parking within the CCC5 Building (the "Parking Issue"), and (iii) any requirement that an improved pedestrian connection be created between the CCC5 Building and WHQ (the "Yellow Brick Road Issue"). In executing this Amendment No. 4, TST is doing so after having a complete opportunity to satisfy itself as to the Occupancy Issue, the Parking Issue, the Yellow Brick Road Issue, and any other issue relating to the City and the City's approval of Building CCC5. TST hereby accepts the status of

City entitlements and approvals and waives any condition whatsoever based upon such issues. Symantec covenants and agrees to take such actions and pay, or cause to be paid, such sums as are necessary in order to comply with Resolution 98-294 of the City.

13. SUBDIVISION IMPROVEMENTS. From and after the date of this Amendment No. 4, Symantec shall cause to be completed to the satisfaction of City all subdivision improvements required to be completed by Symantec pursuant to that certain Agreement (De Anza Blvd-Symantec-Tract 7953 Lot 5) by and between the city of Cupertino and Symantec and requiring Symantec to complete certain sidewalk improvements pursuant to the plans and specifications prepared by Kier and Wright, and, among other things, to post a bond in the amount of $27,000 to cover the maximum estimated cost of such improvements (the "Sidewalk Improvements"), and shall perform from and after the First Closing all warranty repairs as may be required by City to the Sidewalk Improvements. The provisions of this Section 13 shall survive the First Closing.

14. MISCELLANEOUS COVENANTS OF TST.

14.1. GRANT DEED (CCC2). The legal description attached hereto as Schedule 3 shall be attached as Exhibit A to Exhibit B-2 to the Agreement (Grant Deed-CCC2)

14.2. TST OBLIGATIONS RE AMENDMENT NO. THREE TO MASTER DECLARATION. TST is aware that on February 7, 1997 there was recorded in the Official Records of Santa Clara County as Instrument No. 13605375 a document entitled Amendment No. 3 to Declaration of Covenants, Conditions and Restrictions and Grant of Easements for Cupertino City Center ("Amendment No. 3 to Master CCR's"). Amendment No. 3 to Master CCR's reserves unto Symantec or the Owner of CCC5 certain rights and benefits relating to such Master CCR's and the Cupertino City Center Owner's Association. Such rights and benefits obtained by Symantec through Amendment No.

3 to Master CCR's are rights and benefits desired by Symantec with respect to its ownership of CCC2. TST hereby covenants that TST shall agree to accord to Symantec with respect to CCC2 the same rights and benefits under Amendment No. 3 to CCR's as Symantec now enjoys with respect to CCC5. In furtherance of such covenant, TST and Symantec agree, as of the First Closing, to enter into the covenant running with the land in the form of Schedule 7 to this Amendment No. 4.

15. ASSIGNMENT AND ASSUMPTION OF OBLIGATIONS.

15.1. SCHEDULE A LISTS OF CONTRACTS TO BE ASSUMED. The Agreement requires an Assignment and Assumption of Obligations in the form attached to the Agreement as Exhibit I to be delivered at the First Closing and the Second Closing. Exhibit I contemplates that the parties will attach to the form of Exhibit I delivered at each such Closing a Schedule A identifying the "Contracts" to be specifically assigned to and assumed by the respective Transferee Party. Attached hereto as Schedules 12, 13 and 14 are the completed Schedule A to be attached to the Assignment and Assumption of Obligations for CCC5, CCC2, and WHQ respectively. The Contracts listed are intended to include all amendments and change orders thereto through the date of this Amendment No. 4 plus all change orders between the date hereof and Closing approved by the Assignee thereof.

15.2. ASSIGNOR RESPONSIBLE FOR AMOUNTS OWING FOR WORK PRIOR TO CLOSING. With respect to all such "Contracts" to be so assumed in connection with each respective Assignment and Assumption of Obligations, it is specifically agreed that the Assignor party shall either (i) have paid all amounts due under the assigned Contracts for work under such

Contracts undertaken prior to the date of Closing or (ii) shall have, by executing this Amendment No. 4, agreed to be responsible for the payment of all amounts due under the assigned Contracts for work under such Contracts undertaken prior to the date of Closing but not fully paid as of the date of Closing.

16. COUNTERPARTS. This Amendment No. 4 may be executed in one or more counterparts pursuant to the Agreement.

17. NO FURTHER AMENDMENT. Except as herein and heretofore amended, the Agreement remains unchanged and in full force and effect.

18. CCC5 SIGNAGE. Immediately following the mutual execution of this Amendment No. 4, Symantec will remove all signage from the Property identifying Sares-Regis as Symantec's project developer, and TST shall have the right to erect leasing and marketing signs on CCC5.

19. BUILDING CCC5 GENERAL CONTRACT DEFINITION. The definition of "Building CCC5 General Contract" set forth in the Agreement at Section 2.2.10 is hereby amended to add to Exhibit O to the Agreement the following:

"Webcor change orders #2, 3, and 4 as forwarded to TST (Tom Shapiro, Thomas Feldstein and General Counsel Tishman Speyer Properties, LP) via Federal Express on November 30, 1998 and those Webcor Change Orders through Webcor Change Order

No. 70 as shown on the Webcor Builders Change Estimate Log faxed to Thomas Feldstein on December 16, 1998."

20. CONSENT TO ASSIGNMENT OF ARCHITECT'S AGREEMENT. Exhibit P-2 to the Agreement is hereby modified by adding the following sentence:

"Owner hereby reconfirms and agrees to all of the duties and obligations it assumed under the Architect's Agreement."

21. CONSENT TO ASSIGNMENT OF BUILDING CCC5 GENERAL CONTRACT. Exhibit P-1 of the Agreement is hereby modified by adding the following at the end of paragraph 1 thereof:

"; provided, however, that the warranty for equipment shall be twelve (12) months."

22. BILL OF SALE AND GENERAL ASSIGNMENT. Paragraph 1 of Exhibit R to the Agreement (Form of Bill of Sale and General Assignment) is hereby amended to read as follows:

"1. All fittings, equipment, machinery, fixtures of every kind and character owned by Assignor and affixed to the Property, without limitation, specifically including and excluding those items identified on Schedule 1 as "Included" or "Excluded" attached hereto. Specifically excluded from this assignment is all personal property of every kind and character owned by Assignor and placed or situated upon the Property, except those items of personal property owned by Assignor, situated on the Property and used in connection with the operation of the Property and specifically identified on Schedule 1;"

Schedules 8, 9, and 10 attached to this Amendment No. 4 identify with respect to each Property items that are specifically to be "Included" and those items that are specifically to be "Excluded". Schedule 11 attached to this Amendment No. 4 identifies those items of personal property used in connection with the operation of the Properties which are to be assigned to the Transferor Party at the applicable Closing.

23. MANAGEMENT OF CCC5 CONSTRUCTION. Pursuant to Section 7.3.1 of the Agreement, Symantec undertook to manage the construction of Building CCC5 in accordance

with the provisions of such Section 7.3.1. In executing this Amendment, TST acknowledges that to the date hereof, Symantec has complied to TST's satisfaction with the requirements of such Section 7.3.1. Symantec hereby represents that no change orders in addition to (i) those set forth in Exhibit O to the Agreement (as amended by Section 19 of this Amendment No. 4) or (ii) any change order issued in connection with the completion of the Remaining Construction Items for the fulfillment of the Symantec Completion Covenant will be entered into by Symantec unless TST's prior consent has been obtained.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 4 as of December 15, 1998.

"SYMANTEC"	"TST"
SYMANTEC CORPORATION, Delaware corporation	TST DEVELOPMENT, L.L.C., a Delaware limited liability company
By: /s/ HOWARD BAIN	By: /s/ BRUCE SABER
Name: Howard Bain	Name: Bruce Saber
Its	Its Vice President

SCHEDULE 1
SYMANTEC CONSTRUCTION ITEMS

MEMORANDUM

Date: 11/2/1998

Revised 11/19/1998

Revised 12/2/1998

Revised 12/11/1998

Revised 12/14/1998

To: Carl Shannon

From: Michael Lambert

Re: Symantec CCC5

The following list of deficiencies is a result of my site visits to the Symantec CCC5 project in Cupertino. The following list describes all punchlist items know and outstanding to date and now incorporates the outstanding items from the HOK project punchlist dated 10/9/98 that accompanied the Certificate of Substantial Completion

GENERAL NOTES:

1. Stacked telephone rooms need to have either 4" conduit sleeves

between rooms that have been firesafed or have a concrete knock-out in the deck. (work is ongoing)

2. TSP to schedule acoustical consultant visit to project to determine if there are any acoustical or vibration issues at the rooftop mechanical rooms and adjacent spaces. The concern comes from the fact that the pipes feeding the chillers are not mounted on isolation mounts. The worst case solution would be to install insulation mounts on the pipes feeding the chillers. Simpler solutions may be possible.

3. Consolidated and outstanding HOK Punchlist items carried on this Punchlist

o Elevator 3 is not complete, has a low ceiling and has not been reviewed

o Elevator 4 & 5 is not complete and has not been reviewed

o Room 107 - door 107A to the outside needs to have panic hardware removed and deadlock installed on the operating leaf. Plywood needs to be removed.

ROOM ITEM
FIRST FLOOR

108 Carpet inset edges need correction

115 Replace standard toilet compartment stall door due to scratch and dent in door.

119 Vinyl Base needs to be completed

SECOND FLOOR

205 Handicapped toilet partition door damaged at latch mechanism. Replace door.

THIRD FLOOR

All items completed

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FOURTH FLOOR

All items completed

STAIRS

All items completed

FIFTH FLOOR (MECHANICAL PENTHOUSE)

o Need to verify that chiller does not emanate unacceptable noise and vibration to tenant space below mechanical rooms.

o Chillers are on isolation mounts but piping supports to chiller piping appear to short circuit isolation flex connections.

GARAGE (ALL LEVELS)

o Drainage lines that run down the face of columns need guards to protect them from vehicle damage.

o Add bollards to protect electrical / mechanical equipment in basement and relocate selected bollards to provide more adequate protection.

PENTHOUSE

All items completed

EXTERIOR

All items completed

SITE

- Planter walls in plaza area have cracks which need patching. Method of patching discussed with the general contractor is to paint all planter wall with an elastomeric coating system (Text Coat), color to match existing building exterior wainscot.

- Planting strip adjacent to the DeAnza sidewalk at the southwest corner of the property remains un-planted.

- Front steps and railing have been corrected. Control joints for this work need sealant.

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SCHEDULE 2
PARKING RELOCATION NOTICE

[INTENTIONALLY OMITTED]

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SCHEDULE 3
LEGAL DESCRIPTION FOR CCC2

REAL PROPERTY in the City of CUPERTINO, County of Santa Clara, State of California, described as follows:

PARCEL ONE:

Lot 2 as shown on that certain Map of Tract No. 7734 filed October 9, 1985 in Book 550 of Maps, pages 24, 25 and 26, Records of Santa Clara County.

Excepting therefrom the underground water rights conveyed to California Water Service Company, a California corporation by Deeds recorded July 11, 1984 in Book I709, page 320 of Official Records and September 7, 1984 in Book I859, page 185 of Official Records.

PARCEL TWO:

All easements, rights, benefits and privileges described in that certain Declaration of Covenants, Conditions and Restrictions and Grants of Easements for Cupertino City Center, recorded October 9, 1985 in Book J482, page 1907, Official Records, as amended by First Amendment to Declaration of Covenants, Conditions and Restrictions and Grant of Easements for Cupertino City Center, recorded September 2, 1987, in Book K281, page 2071, Official Records, appurtenant to Parcel One above.

PARCEL THREE:

A non-exclusive easement for the benefit of Parcel One above, its owners, successors, assigns, employees, tenants, and invitees, for the parking of 494 automobiles in the commercial parking structure located on lot three as shown on that certain Map of Tract No. 7734 recorded in Book 550, Pages 24, 25 and 26, Official Records of the County of Santa Clara, and more particularly described as Parcel A of that certain Map of Tract No. 7870, recorded in Book 573, Pages 21 and 22, Official Records of the County of Santa Clara, as granted in that certain

TRUSTEE'S DEED UPON SALE, recorded in Book N936, Page 132, Official Records of the County of Santa Clara.

Together with a non-exclusive easement across Parcel A for vehicular ingress to and egress from such parking structure.

PARCEL FOUR:

An easement over that certain real property described as Lot 5 as shown on that certain map of Tract No. 7734 filed October 9, 1985 in Book 550 of Maps, pages 24, 25 and 26, Official Records of Santa Clara County for an encroachment of certain improvements all as more particularly described in that certain Grant of Encroachment Easement between Cupertino City Center Owners Association, as grantor and Cupertino City Center Associates D, as grantee, recorded on February 26, 1987, Instrument No. 9172700, in Book K052, page 518, Official Records of Santa Clara County.

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SCHEDULE 4
SERVICE CONTRACTS (CCC5)

<TABLE>
<CAPTION>

<S> EXISTING SERVICE CONTRACTS (List those Service Contracts existing as of the date of Amendment No. 4)	<C> TO BE TERMINATED (If Transferor Party should terminate or be responsible for a Service Contract, check here)	<C> TO BE ASSUMED (If Transferee Part intends to assume a Service Contract, check here)
Pacific Auxiliary Fire Alarm (fire alarm monitoring)		X
Dover Elevator (elevator maintenance)		If Dover executes a delivers the form c contract presented to TST, TST will as such contract
Soundnet (elevator phone monitoring)		X

</TABLE>

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SCHEDULE 5
SERVICE CONTRACTS (CCC2)

<TABLE>
<CAPTION>

<S> EXISTING SERVICE CONTRACTS (List those Service Contracts existing as of the date of Amendment No. 4)	<C> TO BE TERMINATED (If Transferor Party should use its best efforts to terminate a Service Contract, check here)	<C> TO BE ASSUMED (If Transferee Part intends to assume a Service Contract, check here)
None		

</TABLE>

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SCHEDULE 6
SERVICE CONTRACTS (WHQ)

<TABLE>
<CAPTION>

<S> EXISTING SERVICE CONTRACTS (List those Service Contracts existing as of the date of Amendment No. 4)	<C> TO BE TERMINATED (If Transferor Party should use its best efforts to terminate a Service Contract, check here)	<C> TO BE ASSUMED (If Transferee Part intends to assume a Service Contract, check here)
Cummins West (generator maintenance)		X
Industrial Landscape Services (landscape maintenance)		X
Protection Service Industries		X
United States Elevator		X
Cal-Air		X
Loma Cleaning Service		X
T&R Cabling		X

</TABLE>

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SCHEDULE 7
COVENANT RUNNING WITH THE LAND RE
AMENDMENT NO. 3 TO MASTER CCR'S

WHEN RECORDED RETURN TO:
Symantec Corporation
10201 Torre Ave
Cupertino, CA 95014
Attn: Ruth Gaube, Esq.

DECLARATION OF AGREEMENT AND COVENANTS RUNNING WITH THE LAND REGARDING AMENDMENTS TO CUPERTINO CITY CENTER MASTER DECLARATION

THIS DECLARATION OF AGREEMENT AND COVENANTS RUNNING WITH THE LAND REGARDING AMENDMENTS TO CUPERTINO CITY CENTER MASTER DECLARATION (the "Agreement") is made this ____ day of _____, 1999, by Symantec Corporation, a Delaware corporation ("Symantec"), Sumitomo Bank Leasing and Finance, a Delaware corporation ("Sumitomo") and TST Development, L.L.C., a Delaware limited liability company ("TST").

R E C I T A L S

A. TST is the fee owner of certain real property located in the

City of Cupertino, County of Santa Clara, State of California, described as Lot 5 of Tract No. 7953, per map recorded in Book 571, Pages 36 and 37 of the records of the Santa Clara County Recorder ("Lot 5").

B. Sumitomo is the fee owner of certain real property located in the City of Cupertino, County of Santa Clara, State of California, described as Lot 2 of Tract No. 7734, per map recorded in Book 550, Pages 24, 25 and 26 of the records of the Santa Clara County Recorder ("Lot 2 ").

C. Symantec Corporation, a Delaware corporation ("Symantec") is the lessee of Lot 2.

D. A Declaration of Covenants, Conditions and Restrictions and Grant of Easements for Cupertino City Center was recorded October 9, 1985, in Book J482, Page 1907, as amended (collectively, the "Declaration").

E. Section 2.4.2 of the Declaration provides that it may be amended for the purpose of terminating the Class B Membership of the Association (the "Class B Membership") by the written assent of each of the following: (i) Cupertino City Center Associates B, a California limited partnership

("CCCB"), (ii) Cupertino City Center Associates C, a California limited partnership and (iii) Cupertino City Center Associates D, a California limited partnership ("CCCD").

F. Cupertino City Center Associates C, a California limited partnership was merged into CCCD.

G. Amendment No. 3 to Declaration of Covenants, Conditions and Restrictions and Grant of Easements for Cupertino City Center was recorded February 7, 1997 as Document No. 13605375 in the Official Records of Santa Clara County ("Amendment No. 3").

H. Pursuant to Amendment No. 3, CCCB and CCCD, agreed to certain covenants as particularly set forth in paragraphs 1 (the "Paragraph 1 Covenants"), 2 (the "Paragraph 2 Covenants") and 3 (the "Paragraph 3 Covenants") of Amendment No. 3 (the "Amendment No. 3 Covenants") and summarized as follows:

- (i) relating to the termination of the Class B Membership; and
- (ii) requiring, prior to the termination of the Class B Membership, the written approval of the owner of Lot 5 in order to: (x) amend the Declaration or to permit the Association to take any action which would adversely impact the exercise of certain specified rights set forth in paragraph 3(a) of Amendment No. 3 or (y) impose rules and regulations against the owner of Lot 5 or which are not imposed uniformly against all "Owners" (as defined in the Declaration) pursuant to paragraph 3(b) of Amendment No. 3.

I. Symantec will hereafter hold its leasehold interest in and Sumitomo will hereafter hold its fee title in and to Lot 2 and TST will hereafter hold its fee title in and to Lot 5, subject to the covenants herein set forth which shall inure to the benefit of and burden each of Sumitomo and Symantec, and the successors in interest as to Lot 2 and TST and its successors in interest as to Lot 5, and shall run with Lot 5 and Lot 2, all as

hereinafter set forth.

NOW, THEREFORE, Sumitomo, Symantec and TST hereby covenant, agree and declare that all of their respective interests in Lot 5 and Lot 2 shall be held and conveyed subject to the respective burdens and benefits of the following covenants the enjoyment of which are hereby declared to be for the benefit of each of Lot 5 and Lot 2, and the owners of said interests, their successors and assigns and the covenants which are hereby declared to be for the benefit of each of Lot 5 and Lot 2 as described herein, and the owners of said interests, their successors and assigns.

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COVENANTS AND AGREEMENTS RE AMENDMENTS TO DECLARATION

1. AMENDMENT NO. 3 COVENANTS. TST hereby covenants and agrees as follows with respect to the Amendment No. 3 Covenants:

1.1. PARAGRAPH 1 COVENANTS. TST concurs that it is desirable that the Class B membership be terminated at the earliest possible date. In furtherance thereof, TST agrees that if, prior to December 31, 1999, an amendment to the Declaration terminating the Class B Membership prior to December 31, 1999 is presented for TST's approval , TST agrees to grant such approval; provided, however, if such amendment includes issues in addition to the termination of the Class B Membership which additional issues TST reasonably believes will have a materially adverse impact on Lot 5, TST shall not be obligated to grant such approval.

1.2. PARAGRAPH 3 COVENANTS. Until the termination of the Class B Membership, the written approval of the owner of Lot 2 shall be required before the owner of Lot 5 grants any approval required by the Paragraph 3 Covenants if the issue for which such approval is required will materially adversely impact or materially discriminate against the owner of Lot 2.

GENERAL PROVISIONS

1. NO WAIVER. Failure to enforce any provision, term or condition of this Agreement in any instance or on any particular occasion shall not be deemed a waiver of such right on that or any such future breach of the same or any other provision, term or condition of this Agreement.

2. CUMULATIVE REMEDIES. All rights, options and remedies of the owner of Lot 5 or Lot 2 shall be cumulative and such party shall have the right to pursue any one or all of such rights, options and remedies or any other remedy or relief which may be provided by law or in equity, whether or not stated in this Agreement.

3. SEVERABILITY. Invalidation of any one or a portion of the provisions, terms or conditions of this Agreement by judgment or court order (including arbitration) shall in no way affect any other provisions, which shall remain in full force and effect.

4. COVENANTS TO RUN WITH THE LAND; TERM; AUTOMATIC EXPIRATION OF EFFECT. The covenants, conditions and restrictions described herein shall run with the property described herein as being burdened and benefited therewith, but shall terminate as of 12 midnight on December 31, 1999 (the "Termination Date"). As of the Termination Date, the agreements, covenants, conditions and restrictions set forth herein and created hereby shall be of no further force or effect. Following the Termination Date, this Agreement shall NOT be an encumbrance on title for either of Lot 5 or Lot 2, and the parties hereto agree that it shall NOT be necessary to record any subsequent document in order to cause this Agreement to be removed as an encumbrance on title.

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5. CONSTRUCTION. The Article and Section headings have been inserted for

convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

6. NUMBER AND GENDER. Whenever the context of this Agreement requires the same, the singular shall include the plural and the masculine shall include the feminine and the neuter.

7. ATTORNEYS' FEES.

7.1. ADVERSARIAL ACTIONS. Should any party institute any action or proceeding (i) to enforce or interpret this Agreement, (ii) for damages by reason of any alleged breach of this Agreement or of any provision thereof, or (iii) for a declaration of rights under this Agreement, the prevailing party in any such action or proceeding shall be entitled to receive from the other party or parties thereto all attorneys' and other fees incurred by the prevailing party in connection with such action or proceeding.

7.2. DEFINITIONS. The term "attorneys' and other fees" shall mean and include actual attorneys' fees (whether by retainer, salary or otherwise), accountants' fees, expert witnesses' fees, and any and all other similar fees, costs and expenses incurred in connection with the action or proceeding and preparations therefor (which actual fees may be in excess of what a court would determine to be reasonable, had such issue been presented to the court). The term "action or proceeding" shall mean and include actions, proceeds, suits, arbitrations, appeals and other similar proceedings and other nonjudicial dispute resolution mechanisms.

8. NOTICES. Except as otherwise provided in this Agreement, any notice to be given pursuant to this Agreement shall be in writing and shall be deemed to have been properly mailed when placed in the first class United States mail, postage prepaid, return receipt requested, to the address set forth below and when also sent by facsimile to the number set forth below. Any notice so deposited in the mail within the County shall be deemed delivered on the third (3rd) business day after such proper mailing.

Symantec:

Symantec Corporation
10201 Torre Ave
Cupertino, CA 95014
Attn: Ruth Gaube, Esq.
FAX:

TST:

Sumitomo:

Attn:

FAX:

Any party may change its address for the purpose of receiving notices by giving notice as herein provided. The affidavit of an officer or authorized agent of the owner of Lot 5 or Lot 2 declaring under penalty of perjury that a notice has been mailed to the respective party, to the address or addresses described above, shall be deemed conclusive proof of such mailing, whether or not such notices are actually received.

9. AMENDMENTS. This Agreement may be amended by the written assent of the owners of Lot 5 and Lot 2 and recording in the Official Records of Santa Clara County.

10. MORTGAGEE PROTECTION CLAUSE. No breach of the provisions, terms or conditions of this Agreement shall defeat or render invalid the lien of any deed of trust made in good faith and for value, but all of said provisions, terms or conditions of this Agreement shall be binding upon and effective against any such lienholder in possession of a portion of Lot 5 and Lot 2 and any owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a portion of Lot 5 or Lot 2; provided, however, that no such lienholder in possession or owner whose title is derived through foreclosure or trustee's sale under said lien shall be liable for any obligation arising prior to the date of said foreclosure, trustee's sale or possession.

11. FURTHER DOCUMENTATION. Each of the undersigned hereby agrees to cooperate in the review and execution of such additional documents as may be reasonably presented in order to confirm the rights and obligations created hereby.

IN WITNESS WHEREOF, the parties have executed this DECLARATION OF AGREEMENT AND COVENANTS RUNNING WITH THE LAND REGARDING AMENDMENTS TO CUPERTINO CITY CENTER MASTER DECLARATION on the day and year first herein above written.

SYMANTEC CORPORATION, a Delaware corporation

By:

Name:

Its:

SUMITOMO BANK LEASING AND FINANCE, INC., a Delaware corporation

By:

Name:

Its:

<PAGE> 23
TST DEVELOPMENT, L.L.C., a Delaware corporation

By:

Name:

Its:

[ADD NOTARY JURAT]

<PAGE> 24

SCHEDULE 8
(SCHEDULE 1 TO BILL OF SALE FOR CCC5)

<TABLE>
<CAPTION>

ITEM	INCLUDED	EXCLUDED
<S>	<C>	<C>
Model of Building CCC5	X	

</TABLE>

<PAGE> 25

SCHEDULE 9
(SCHEDULE 1 TO BILL OF SALE FOR CCC2)

<TABLE>
<CAPTION>

ITEM	INCLUDED	EXCLUDED
<S>	<C>	<C>
None		

</TABLE>

<PAGE> 26

SCHEDULE 10
(SCHEDULE 1 TO BILL OF SALE FOR WHQ)

<TABLE>
<CAPTION>

ITEM	INCLUDED	EXCLUDED
<S>	<C>	<C>
2 power conditioners	X	
Wiring, cabling	X	
All installed HVAC units	X	
Built-in dishwashers	X	
Electric drop screens in conference rooms	X	
Roof deck awnings	X	
Track lighting	X	
Conference room cabinetry	X	
Under sink water filtration systems	X	
Courtyard-tables, ash and trash receptacles	X	
Fire extinguishers	X	

400kw diesel generator and transfer switch	X	
30kva Libert UPS		X
Computer, phone equipment and racking		X
Furniture (including partitions and modules), whiteboards, bulletin boards, artwork		X
4 portable spot lights over building entries		X
Water coolers		X
First aid boxes		X
Vending machines		X
Soda fountains		X
All conference room audio-visual equipment and racking		X

</TABLE>

<PAGE> 27
<TABLE>
<CAPTION>

ITEM	INCLUDED	EXCLUDED
<S>	<C>	<C>
Projection glass screens		X
Portable screens		X
Roof deck furniture		X
ATM versateller		X
Fitness Center equipment		X
All supplies		X
All portable equipment		X
All copiers, fax machines, printers, computers		X
Mailing machines		X
Coffee makers		X
Interior plants		X
Lobby furniture and plants		X
Mechanical files in Finance, legal and treasury		X
Electronic message boards and monitors		X
Wall and ceiling mounted cameras		X
Computer room temperature monitoring equipment		X
Projection room equipment		X

Coffee cart	X
Security system equipment, including without limitation, keypads, readers	X
Signage	X

</TABLE>

<PAGE> 28

SCHEDULE 11
PERSONAL PROPERTY LIST
USED IN OPERATION OF PROPERTIES

<TABLE>

<S>	<C>
PROPERTY: CCC5	
ITEM: (IF NONE, ENTER "NONE")	COMMENT:
None	
PROPERTY: CCC2	
ITEM: (IF NONE, ENTER "NONE")	COMMENT:
None	
PROPERTY: WHQ	
ITEM: (IF NONE, ENTER "NONE")	COMMENT:
None	

</TABLE>

<PAGE> 29

SCHEDULE 12
ASSIGNMENT AND ASSUMPTION OF OBLIGATIONS
LIST OF CONTRACTS
(CCC5)

<TABLE>
<CAPTION>

CONTRACT TO BE ASSUMED BY TST	COMMENTS
<S>	<C>
Webcor Builders (Building CCC5 General	

Contract)
- ----------
HOK Architects (Building CCC5 Architectural
Contract)
- ----------
Treadwell & Rollo (Geotechincal testing and
inspection)
- ----------
Kier & Wright (Civil engineering design)
- ----------
Nishkian & Associates (Structural engineer)
- ----------
C & B Consulting engrs (Mechanical design review)
- ----------
The Engineering Enterprise (Electrical
design review)
- ----------
Guzzardo & Associates (Landscape architect)
- ----------
Ehrlich-Rominger (Interior design)
- ----------
Consolidated Engineering Laboratories
(Special inspection)
- ----------
</TABLE>

<PAGE> 30

SCHEDULE 13
ASSIGNMENT AND ASSUMPTION OF OBLIGATIONS
LIST OF CONTRACTS
(CCC2)

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<CAPTION>
- ----------
CONTRACT TO BE ASSUMED BY SYMANTEC | COMMENTS
- ----------
<S> | <C>
None
- ----------
</TABLE>

<PAGE> 31

SCHEDULE 14
ASSIGNMENT AND ASSUMPTION OF OBLIGATIONS
LIST OF CONTRACTS
(WHQ)

<TABLE>
<CAPTION>
- ----------
CONTRACT TO BE ASSUMED BY TST | COMMENTS
- ----------
<S> | <C>
None
- ----------
</TABLE>

<PAGE> 32

PROFORMA TITLE POLICY
(CCC5)

PROFORMA prepared 11-2-98
Owners Policy
(1970) Form B
Schedule A

PROFORMA SCHEDULE A

Total Fee for Title Search, Examination

and Title Insurance $PROFORMA

Amount of Insurance $TBD Policy No. 515342

Date of Policy: PROFORMA

1. Name of Insured:

TO BE DETERMINED

2. The estate or interest in the land which is covered by this policy is:

A FEE AS TO PARCEL ONE, EASEMENTS AS TO PARCELS TWO, THREE, FOUR AND FIVE

3. Title to the estate or interest in the land is vested in:

TO BE DETERMINED

4. The land referred to in this policy is described as follows:

REAL PROPERTY in the City of Cupertino, County of Santa Clara, State of California, described as follows:

PARCEL ONE:

Lot 5, as shown on that certain Map entitled Tract No. 7953 Cupertino City Center Phase III, which Map was filed for record in the office of the Recorder of the County of Santa Clara, State of California on February 27, 1987, in Book 571 of Maps, pages 36 and 37.

PARCEL TWO:

Easements as described in the Section entitled "Easements and Rights Reserved for Owners" of the Article entitled "Easements and Rights of Entry" of the Declaration of Covenants, Conditions and Restrictions and Grant of Easement for Cupertino City Center recorded October 9, 1985, in Book J482, page 1907, as amended by that certain First Amendment recorded September 2, 1987, in Book K281, page 2071, and as amended by that Second Amendment recorded February 7, 1997 in Instrument No 13605374, and as amended by that certain Third Amendment recorded February 7, 1997 in Instrument No 13605375 and each in the Official Records of Santa Clara County, California.

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(LEGAL DESCRIPTION CONTINUED)

PARCEL THREE:

Easements for parking, landscaping, support, settlement and encroachment as granted to Cupertino City Center Buildings, a California Limited Partnership, in the Grant of Easement (Cupertino City Center 5) recorded February 5, 1997 under Series No.
13602286, Official Records.

PARCEL FOUR:

Easements for parking structure support as granted to Sumitomo Bank Leasing and Financing Inc., a Delaware corporation in Easement For Parking Structure Agreements recorded February 5, 1997 under Series Nos. 13711104 and 13711105, Official Records.

PARCEL FIVE:

Easements for parking structure construction shoring as granted to Sumitomo Bank Leasing and Financing Inc., a Delaware corporation in Easement For Parking Structure Construction Shoring recorded October 21, 1997 under Series No 13903074, Official Records.

APN: 369-01-035

<PAGE> 34
Owners Policy - 1970

PROFORMA SCHEDULE B Policy No. 515342

Part I

This policy does not insure against loss or damage by reason of the following:

1. TAXES for the fiscal year 1998-1999

1st Installment	:	$40,139.94, paid
2nd Installment	:	$40,139.94, unpaid, a lien not yet due
Land	:	$6,630,000
Improvements	:	$620,000
Personal Property	:	$-0-
Exemption	:	$-0-
A. P. No.	:	369-01-035
Code Area	:	13-003

2. THE LIEN of supplemental taxes, if any, assessed on or after the date hereof, pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

3. EASEMENTS as shown on the Parcel Map filed in Book 526 of Maps, pages 3, 4 and 5 for the following purposes:

a)	For	:	Public Sidewalk
	Affects	:	Strips of Land, 10 feet wide, within Parcel Two
b)	For	:	Public Utilities
	Affects	:	Strips of Land, 10 feet wide, within Parcels Two and Three

BY RESOLUTION NO. 9739 of the City Council of the City of Cupertino of Santa Clara County, a portion of said easement was vacated as unnecessary for present or prospective public use, a certified copy of which was recorded November 25, 1996 under Series No. 13533987, Official Records.

BY RESOLUTION NO. 9739 of the City Council of the City of Cupertino recorded February 5, 1997 under Series No. 13601894, Official Records, that portion of the above Public Utilities Easement within the westerly 269.46 feet of the southerly 10 feet of Lot 7 of Tract No. 7953 Cupertino City Center Phase III was vacated.

Said matter affects Parcels Two and Three.

4. COVENANTS, running with the land, for reciprocal ingress and egress easements

Executed by : Cupertino City Center Associates B, a California Limited Partnership

Recorded : April 10, 1984 in Book I444, page 237, Official Records

Said matter affects Parcel Two.

5. COVENANTS, running with the land, for reciprocal ingress and egress easements

Executed by : Cupertino City Center Associates C, a California Limited Partnership

Recorded : April 10, 1984 in Book I444, page 239, Official Records

Said matter affects Parcels One, Two and Three.

6. COVENANTS, running with the land, for reciprocal ingress and egress easements

Executed by : Cupertino City Center Associates D, a California Limited Partnership

Recorded : April 10, 1984 in Book I444, page 241, Official Records

Said matter affects Parcels One, Two and Three.

7. EASEMENT for the purposes stated herein and incidents thereto

Purpose : Water Pipelines

Granted to : California Water Service Company, a California corporation

Recorded : July 11, 1984 in Book I709, page 323, Official Records

Affects : as follows:

A strip of land 20 feet in width, the centerline of which is more particularly described as follows:

Beginning at a point on the North line of Parcel B, distant thereon South 89E 06' 40" East 216.99 feet from the Northwest corner thereon; thence from said point of beginning South 0E 53' 20" West 140.00 feet to an angle point; thence South 45E 53' 20" West 24.04 feet to an angle point; thence South 0E 53' 20" West 131.33 feet to an angle point; thence South 89E 06' 40" East 357.54 feet to a point on the general Easterly line of said Parcel B; said line also being the general Westerly line of Torre Avenue.

The said lines of the above described easement to be lengthened or shortened as to terminate at the boundary of said Parcel B.

(Said Parcel B being shown on the Parcel Map filed in Book 526 of Maps, page 3).

Said matter affects PARCEL TWO.

8. EASEMENT for the purposes stated herein and incidents thereto

Purpose	:	Utilities
Granted to	:	Pacific Gas and Electric Company, a California corporation
Recorded	:	April 4, 1985 in Book J311, page 1042, Official Records
Affects	:	Portions of Parcel C as shown upon the Parcel Map filed for record in Book 526 of Maps at page 3, Santa Clara County Records, which lie within the strips of land described as follows:

Strip 1: A strip of land of the uniform width of 15 feet lying contiguous to and Southerly of the Southerly boundary line of the City street known as Stevens Creek Boulevard and extending from the general boundary line of said lands Westerly 36.1 feet.

Strip 2: A strip of land of the uniform width of 5 feet contiguous to and Southerly of the Southerly boundary line of the strip of land hereinbefore described and designated Strip 1 and extending from the Southerly prolongation of the Westerly terminus of said Strip 1 Easterly 10 feet.

(CONTINUED)

8. (CONTINUED)

Strip 3: A strip of land of the uniform width of 10 feet extending Westerly from the Westerly terminus and the Southerly prolongation thereof of said Strip 1 and lying 5 feet on each side of the line which begins at a point in said Westerly terminus and runs thence South 89E 27 1/2' West 80.0 to a point within said lands; said point of beginning bears South 64E 24' West 40.4 feet distant from the point of intersection of the Southerly boundary line of said Stevens Creek Boulevard with the general Easterly boundary line of said lands.

Said matter affects Parcel Two.

9. EASEMENT for the purposes stated herein and incidents thereto

Purpose	:	Utilities
Granted to	:	Pacific Gas and Electric Company, a California corporation
Recorded	:	April 9, 1985 in Book J314, page 1915, Official Records
Affects	:	Portions of Parcel B as shown upon the Parcel Map filed for Record in Book 526 of Maps at page 3, Santa Clara County Records, which lie within the strips of land described as follows:

Strip 1: A strip of land of the uniform width of 15 feet lying contiguous to and Southerly of the Southerly boundary line of the City street known as Stevens Creek Boulevard and extending from the Westerly line of the street shown as Torre Avenue upon said Parcel Map Westerly approximately 552 feet to the general boundary line of said lands.

Strip 2: A strip of land of the uniform width of 15 feet lying contiguous to and Southerly of the Southerly boundary line of the strip of land hereinbefore described and designated Strip 1 and extending from the Westerly boundary line of said Torre Avenue Westerly 40 feet.

Said matter affects Parcel Two.

10. EASEMENT shown on filed map of Tract No. 7734 filed October 9, 1985 in Book 550 of Maps, pages 24, 25 and 26 for the following:

Purpose : (a) Public Utility Purposes

(b) Emergency Ingress and Egress

(c) Private Ingress and Egress for Lots 1, 2, 3 and 4 of Tract No. 7734

Said matter affects Parcel Two.

11. LIMITATIONS, covenants, conditions, restrictions, reservations, exceptions, terms, liens or charges, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c), contained in the document recorded OCTOBER 9, 1985 IN BOOK J482, PAGE 1907, Official Records.

CONTAINS mortgagee protection clause.

FIRST AMENDMENT thereof recorded September 2, 1987 in Book K281, page 2071, Official Records.

SECOND and THIRD AMENDMENTS thereof recorded February 7, 1998 in Instrument No. 13605374 and 13605375, Official Records.

Said matter affects Parcels One, Two, Three and other property.

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12. EASEMENT for the purposes stated herein and incidents thereto

Purpose : Sewer Pipeline

Granted to : Cupertino Sanitary District, Santa Clara County, California

Recorded : November 12, 1985 in Book J517, page 127, Official Records

Affects : As follows:

A strip of land 10 feet in width, the centerline of said strip being more particularly described as follows:

Beginning at a point on the Northwesterly line of Torre Avenue as said Torre Avenue is shown upon the above referenced Parcel Map; said point of beginning being on the arc of the curve having a radius of 530 feet and from which point the center of the said curve bears South 43E 46' 34" East; thence from said point of beginning North 39E 33' 21" West

81.40 feet to an angle point; thence North 89E 06' 40" West 319.99 feet to the terminus of this description.

The Easterly sidelines to be lengthened or shortened as to terminate at said Northwesterly line of Torre Avenue.

Said matter affects Parcel Two.

13. EASEMENT for the purposes stated herein and incidents thereto

Purpose	:	Communication Facilities
Granted to	:	Pacific Bell
Recorded	:	April 1, 1986 in Book J646, page 1259, Official Records
Affects	:	Those Areas designated "P.S.E." AND "P.U.E." on the Tract Map No. 7734

Said matter affects Parcel Two.

14. The effect of Resolution No. 7007 of the City Council of the City of Cupertino and Tract Agreement(s) attached thereto, recorded February 26, 1987 in Book K051, page 1795 of Official Records.

Said matter affects Parcels One, Two, Three and other property.

15. EASEMENT for the purposes stated herein and incidents thereto

Purpose	:	Encroachment
Granted to	:	Cupertino City Center Associates D, a California Limited Partnership
Recorded	:	February 26, 1987 in Book K052, page 518, Official Records

Said matter affects Parcel Two.

16. EASEMENTS as shown on the Tract Map No. 7953 filed February 27, 1987 in Book 571 of Maps, pages 36 and 37 for the following purposes:

a) Emergency Vehicle Access

b) Public Utilities

(CONTINUED)
<PAGE> 38
16. (CONTINUED)

BY RESOLUTION NO. 9739 of the City Council of the City of Cupertino of Santa Clara County, a portion of said easement was vacated as unnecessary for present or prospective public use, a certified copy of which was recorded November 25, 1996 under Series No. 13533987, Official Records.

BY RESOLUTION NO. 9739 of the City Council of the City of Cupertino recorded February 5, 1997 under Series No. 13601894, Official Records, a portion of the above Public Utilities, Emergency Ingress and Egress, and Private Ingress and Egress Easements within Lot 7 of Tract No. 7953 Cupertino City Center Phase III was vacated.

Said matter affects Parcels Two and Three.

17. AGREEMENT on the terms and conditions contained therein,

For : Grant of Parking Easement for 580 Automobiles, vehicular and pedestrian, Ingress and egress

Between : Cupertino City Center Associates D, a California Limited Partnership, as Grantor

And : Cupertino City Center Associates B, a California Limited Partnership, as Grantee

Recorded : June 26, 1987 in Book K202, page 1782, Official Records.

Said matter affects Parcel Two.

18. LIMITATIONS, covenants, conditions, restrictions, reservations, exceptions, terms, liens or charges, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c), contained in the document recorded June 26, 1987 in Book K202, page 1789, Official Records.

CONTAINS mortgagee protection clause.

Said matter affects Parcel Two.

19. EASEMENT for the purposes stated herein and incidents thereto

Purpose : Sewer Pipelines

Granted to : Cupertino Sanitary District, Santa Clara County, California

Recorded : December 9, 1988 in Book K783, page 645, Official Records

Affects : As follows:

A portion of Lot 7 as said lot is shown on that certain Tract Map entitled Tract Map No. 7953, filed for record in Book 571 of Maps at pages 36 and 37, Santa Clara County Records described as follows:

A strip of land 10 feet in width the center line of said strip being more particularly described as follows:

Beginning at a point on the Easterly line of said Lot 7 North 0E 53' 20" East, 17.00 feet from the Northeast corner of Lot 4 of said Map; thence leaving said Easterly line North 89E 06' 40" West 340.00 feet.

(CONTINUED)
<PAGE> 39
19. (CONTINUED)

Said Easement as previously established in the Declaration recorded in Book J482, page 1907, Official Records affects A PORTION OF PARCEL TWO.

Said Easement affects the Northerly 1 foot of the Easterly 57 feet of the Landscape Easement and of the Support, Settlement and Encroachment Easement of PARCEL THREE.

20. EASEMENT for the purposes stated herein and incidents thereto

Purpose : Communication Facilities

Granted to : Pacific Bell

Recorded : June 29, 1989 in Book L004, page 7, Official Records

Affects : Lot 7, Tract No. 7953

Said matter affects Parcel Three.

21. AGREEMENT on the terms and conditions contained therein,

For : Parking Easement and Relocation

Between : Cupertino City Center Buildings, a California Limited Partnership,

And : Teachers Insurance and Annuity Association of America, a New York corporation, Cupertino City Center Apartments, a California limited partnership, Cupertino City Center Land, a California limited partnership, Cupertino City Center Owners Association, a California nonprofit corporation

Recorded : February 5, 1997 under Series No. 13602281, Official Records.

Said matter affects Parcel One.

22. EASEMENT for the purposes stated herein and incidents thereto

Purpose : Parking and Ingress and egress

Granted to : Cupertino City Center Apartments II, a California limited partnership

Recorded : February 5, 1997 under Series No. 13602284, Official Records

and as modified by a document executed by Symantec Corporation, a Delaware corporation and Sumitomo Bank Leasing and Finance, Inc., a Delaware corporation, recorded September 25, 1998 under Series No. 14416538, Official Records.

23. LIMITATIONS, covenants, conditions, restrictions, reservations, exceptions or terms, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c), contained in the Declaration of Covenants, Conditions, Restrictions and Establishment of Easements (Cupertino City Center 5) recorded February 5, 1997 under Series No. 13602285, Official Records.

CONTAINS mortgagee protection clause.

CONSENT to Declaration of Covenants, Conditions, Restrictions and Establishment of Easements and Quitclaim of Private Access Easements (Cupertino City Center 5) recorded February 5, 1997 under Series No. 13602287, Official Records.

Said matter affects Parcels One and Three.

24. AGREEMENTS on the terms and conditions contained therein,

For : Easements for Parking Structure Support

Between : Cupertino City Center Owners Association, a non-profit corporation, Cupertino City Center Apartments II, a California Limited Partnership

And : Cupertino City Center Associates B., a California Limited Partnership and Cupertino City Center Associates D, a California Limited Partnership

Recorded : May 20, 1997 under Series No. 13711104 and 13711105, Official Records.

25. AGREEMENT on the terms and conditions contained therein,

For : Easements for Parking Structure Construction Shoring

Between : Great Western Bank, a Federal Savings Bank, Sumitomo Bank, Leasing and Finance Incorporated, a Delaware corporation

And : Symantec Corporation, a Delaware corporation and Sares-Regis Group of Northern California, a California corporation

Recorded : October 21, 1997 under Series No. 13903074, Official Records.

26. EASEMENT for the purposes stated herein and incidents thereto

Purpose : Parking

Granted to : Sumitomo Bank Leasing and Finance, Inc., a Delaware corporation

Recorded : October 1, 1998 under Series No. 14428703, Official Records

Affects : Parcel One

27. No coverage is afforded as to the location, size, or the number of parking spaces available at any given time, referred to in the legal description of this report.

28. ANY RIGHTS, interests, or claims adverse to those of the vestee herein which may exist or arise by reason of the following facts shown on a survey plat entitled "ALTA/ACSM LAND TITLE SURVEY", dated November 5, 1998, prepared by KIER & WRIGHT, Job No. 95220-9.

a. The fact that a Walkway crosses over the Northwest boundary of Parcel One onto Parcel Three.

b. The fact that a Vent Structure extends over the Northwest boundary of Parcel One onto Parcel Three.

PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515342

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures against loss which the Insured shall sustain by reason of any of the following matters:

1. Any incorrectness in the assurance which the Company hereby gives:

   (a) That there are no present violations on the land of any enforceable covenants, conditions or restrictions;

   (b) That, except as shown in Schedule B, there are no encroachments of buildings, structures, or improvements located on the land onto adjoining lands, nor any encroachments onto the land of buildings, structures or improvements located on adjoining lands.

2. Unmarketability of the title to the estate or interest by reason of any violations on the land, occurring prior to acquisition of title to the estate or interest by the Insured, of any covenants, conditions or restrictions.

3. Damage to existing building improvements,

   (a) which are located or encroach upon the portion of the land subject to any easement shown in Schedule B, which damage results from the exercise of the right to use or maintain the easement for the purposes for which the same was granted or reserved;

   (b) resulting from the exercise of any right to use the surface of the land for the extraction or development of the minerals excepted from the description of the land or shown as a reservation in Schedule B.

4. Any final court order or judgment requiring removal from any land adjoining the land of any encroachment shown in Schedule B.

Wherever in this endorsement any or all the words "covenants, conditions or restrictions" appear, they shall not be deemed to refer to or include the terms, covenants and conditions contained in any lease referred to in Schedule A.

No coverage is provided under this endorsement as to any covenant, condition, restriction or other provision relating to environmental protection.

PROFORMA FA31.1 ENDORSEMENT

(continued)

The total liability of the Company under the policy and any endorsements therein shall not exceed, in the aggregate, the face amount of the policy and costs which the Company is obligated under the conditions and stipulations thereof to pay.

This endorsement is made a part of the policy and is subject to the schedules, conditions and stipulations therein, except as modified by the provisions hereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By:

Authorized Signatory

F.A. Form 31.1 (8/26/91)
ALTA Extended Owner
(Improved Land)
Restrictions, Encroachments & Minerals

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515342

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of present violations on the land of the covenants, conditions and restrictions referred to in paragraphs 4, 5, 6, 11, 14, 17, 18, 21, 23, 24 & 25 of Schedule B.

For purposes of this endorsement, the words "covenants," "conditions" or "restrictions" shall not be deemed to refer to or include any covenants, conditions or restrictions relating to environmental protection, except to the extent that a notice of a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy and is not excepted in Schedule B.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By:

Authorized Signatory

CLTA Form 100.19 (Rev. 6-14-96)
ALTA or CLTA - Owner or Lender
<PAGE> 44

PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515342

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the easement described as Parcel 2 in Schedule A to provide the owner of the estate or interest referred to in Schedule A with ingress and egress to and from a public street known as De Anza Boulevard.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By:

Authorized Signatory

CLTA Form 103.4 (Rev. 6-14-96)
ALTA or CLTA - Owner or Lender
<PAGE> 45

PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515342

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to be the same as that delineated on the plat of a survey made by KIER & WRIGHT on November 5, 1998, designated Job No. 95220-9, a copy of which is attached hereto and made a part hereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By:

Authorized Signatory

CLTA Form 116.1 (Rev. 6-14-96)
ALTA or CLTA - Owner
<PAGE> 46

PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515342

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land described in Schedule A as PARCEL ONE to be contiguous to PARCELS TWO, THREE, FOUR AND FIVE.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By:

Authorized Signatory

CLTA Form 116.4 (Rev. 6-14-96)
ALTA or CLTA - Owner or Lender
<PAGE> 47

PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515342

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land described as Parcel ONE in Schedule A to constitute a lawfully created parcel according to the Subdivision Map Act (Section 66410, et seq., of the California Government Code) and local ordinances adopted pursuant thereto.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By:

Authorized Signatory

CLTA Form 116.7 (Rev. 6-14-96)
ALTA or CLTA - Owner or Lender
Subdivision Map Act Endorsement
<PAGE> 48

PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515342

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

1. The Company insures the Insured against loss or damage sustained by reason of any incorrectness in the assurance that, at Date of Policy:

(a) According to applicable zoning ordinances and amendments thereto, the land is classified Zone TBD.

(b) The following use or uses are allowed under that classification subject to compliance with any conditions, restrictions, or requirements contained in the zoning ordinances and amendments thereto, including but not limited to the securing of necessary consents or authorizations as a prerequisite to the use or uses: TBD

2. The Company further insures against loss or damage arising from a final decree of a court of competent jurisdiction

(a) prohibiting the use of the land, with any structure presently located thereon, as specified in paragraph 1(b); or

(b) requiring the removal or alteration of the structure on the basis that, at Date of Policy, the ordinances and amendments thereto have been violated with respect to any of the following matters:

(i) Area, width or depth of the land as a building site for the structure;

(ii) Floor space area of the structure;

(iii) Setback of the structure from the property lines of the land; or

(iv) Height of the structure.

There shall be no liability under this endorsement based on the invalidity of the ordinances and amendments thereto until after a final decree of a court of competent jurisdiction adjudicating the invalidity, the effect of which is to prohibit the use or uses.

Loss or damage as to the matters insured against by this endorsement shall not include loss or damage sustained or incurred by reason of the refusal of any person to purchase, lease or lend money on the estate or interest covered by this policy.

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123.2 ENDORSEMENT

(continued)

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By:

Authorized Signatory

CLTA Form 123.2 (Rev. 3-13-87)
ALTA Form 3.1 (6-1-87)
Zoning -- completed structure

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[FIRST AMERICAN TITLE GUARANTY COMPANY LETTERHEAD]

Sender's Direct (408) 451-7973

January 8, 1999

First American Title
1737 North First Street
San Jose, CA 95112
Attn: Carol Weir

Re: Escrow # 515342

Dear Carol,

Enclosed please find the Proforma version of the Policy to be issued in the above referenced escrow. Review of documentation and any information requested below may necessitate additional or amendment of exceptions. Issuance of the final policy is conditioned upon satisfaction of the following requirements.

a) The agreed amounts for the interest in the land and/or the mortgage to be insured must be paid;

b) The premiums, fees and charges for the policy and escrow must be paid;

c) Documents satisfactory to us creating the interest in the land to be insured must be signed and delivered;

d) You must tell us in writing the name of anyone not referred to in this Proforma who will get an interest in the land or who will make a loan on the land;

e) Sufficient evidence of the authority of the parties executing documents on behalf of the Seller.

f) Sufficient indemnification by the Seller as to any potential mechanic's liens by virtue of work in progress or begun prior to the close of escrow.

g) A Lease certification executed by the Seller reflecting any leases affecting the property.

h) Terminate lease recorded February 5, 1997 under Series No. 13602289, Official Records.

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i) Payoff and Release Financing Statement recorded February 5, 1997 under Series No. 13602291, Official Records.

j) Terminate or Exercise Option to Purchase recorded February 5, 1997 under Series No. 13602289, Official Records.

k) Payoff and Release Financing Statement recorded February 5, 1997 under Series No. 13602291, Official Records.

l) Pay first installment 1998-1999 Taxes.

In addition, the final policy when issued, will include as exceptions any matters which intervene between the date of our Commitment for Title Insurance and the closing date.

The attached proforma policy and endorsements are subject to final underwriting approval by our underwriting department and any reinsurers.

If you have any questions or comments please let me know.

Very truly yours,

L. Lance Lewis

Advisory Title Officer - Special Projects
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PROFORMA TITLE POLICY
(CCC2)

PROFORMA prepared 12-10-98
Owners Policy
(1970) Form B
Schedule A

PROFORMA SCHEDULE A

Total Fee for Title Search, Examination
and Title Insurance $PROFORMA

Amount of Insurance $TBD Policy No. 515343

Date of Policy: PROFORMA

1. Name of Insured:

Symantec Corporation

2. The estate or interest in the land which is covered by this policy is:

A FEE AS TO PARCEL ONE; AN EASEMENT AS TO PARCELS TWO THREE AND FOUR

3. Title to the estate or interest in the land is vested in:

Symantec Corporation

4. The land referred to in this policy is described as follows:

REAL PROPERTY in the City of Cupertino, County of Santa Clara, State of California, described as follows:

PARCEL ONE:

Lot 2 as shown on that certain Map of Tract No. 7734 filed October 9, 1985 in Book 550 of Maps, pages 24, 25 and 26, Records of Santa Clara County.

Excepting therefrom the underground water rights conveyed to California Water Service Company, a California corporation by Deeds recorded July 11, 1984 in Book I709, page 320 of Official Records and September 7, 1984 in Book I859, page 185 of Official Records.

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PARCEL TWO:

All easements, rights, benefits and privileges described in that certain Declaration of Covenants, Conditions and Restrictions and Grants of Easements for Cupertino City Center, recorded October 9, 1985 in Book J482, page 1907, Official Records, as amended by First Amendment to Declaration of Covenants, Conditions and Restrictions and Grant of Easements for Cupertino City Center, recorded September 2, 1987, in Book K281, page 2071, Official Records, appurtenant to Parcel One above.

(CONTINUED)

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(LEGAL DESCRIPTION CONTINUED)

PARCEL THREE:

A non-exclusive easement for the benefit of Parcel One above, its owners, successors, assigns, employees, tenants, and invitees, for the parking of 494 automobiles in the commercial parking structure located on lot three as shown on that certain Map of Tract No. 7734 recorded in Book 550, Pages 24, 25 and 26, Official Records of the County of Santa Clara, and more particularly described as Parcel A of that certain Map of Tract No. 7870, recorded in Book 573, Pages 21 and 22, Official Records of the County of Santa Clara, as granted in that certain TRUSTEE'S DEED UPON SALE, recorded in Book N936, Page 132, Official Records of the County of Santa Clara.

Together with a non-exclusive easement across Parcel A for vehicular ingress to and egress from such parking structure.

PARCEL FOUR:

An easement over that certain real property described as Lot 5 as shown on that certain map of Tract No. 7734 filed October 9, 1985 in Book 550 of Maps, pages 24, 25 and 26, Official Records of Santa Clara County for an encroachment of certain improvements all as more particularly described in that certain Grant of Encroachment Easement between Cupertino City Center Owners Association, as grantor and Cupertino City Center Associates D, as grantee, recorded on February 26, 1987, Instrument No. 9172700, in Book K052, page 518, Official Records of Santa Clara County.

APN: 369-01-020

PROFORMA SCHEDULE B Policy No. 515343

Part I

This policy does not insure against loss or damage by reason of the following:

1. TAXES for the fiscal year 1998-1999

1st Installment	:	$115,210.97, open
2nd Installment	:	$115,210.97, open
Land	:	$1,820,700
Improvements	:	$18,727,100
Personal Property	:	$-0-
Exemption	:	$-0-
A. P. No.	:	369-01-020
Code Area	:	13-003

1.a) Supplemental taxes, which have been assessed pursuant to the provisions of Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code

A.P. No.	:	369-01-020-71
Code Area	:	13-003
Fiscal Year	:	1997-1998
1st Installment	:	$702.13, unpaid
2nd Installment	:	$702.13, unpaid

2. THE LIEN of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

3. EASEMENT for the purposes stated herein and incidents thereto
Purpose : Electric Transmission Pole Lines
Granted to : Pacific Gas and Electric Company, a California corporation
Recorded : November 10, 1947 in Book 1447, page 287, Official Records
Affects : The route of said pole line is as follows:

Beginning in the Northerly prolongation of the Easterly line of Lot 27 of the Cali Subdivision distant thereon 6.6 feet Northerly from the Northeast corner of Lot 27 of the Cali Subdivision; running thence South 89E 57' East 22.1 feet; thence North 73E 26(2)' East 120 feet more or less, to the Southerly boundary line of Stevens Creek Road.

Quitclaim Deed from Pacific Gas and Electric Company to Cupertino City Center Associates D recorded July 14, 1987 in Book K223, page 591, Official Records, extinguished the guy and anchor portion of the easement.

(Affects Parcel Two)

4. A waiver in favor of the State of California of any claims for damages to said land by reason hereinafter shown in connection with a highway contiguous thereto, contained in the Deed
From : R. Cali & Bro., a corporation
Reason : The location, construction, landscaping or maintenance of said highway
Recorded : February 20, 1957 in Book 3734, page 546, of Official Records

(Affects Parcel Two)

5. A waiver in favor of the State of California of any claims for damages to said land by reason hereinafter shown in connection with a highway contiguous thereto, contained in the Deed
From : Giuseppe Cali, et al
Reason : The location, construction, landscaping or maintenance of said highway
Recorded : March 1, 1957 in Book 3741, page 609, of Official Records

(Affects Parcel Two)

6. Easements as shown on the Parcel Map filed March 15, 1984 in Book 526 of maps, pages 3, 4 and 5 for the following purposes:
a) For : Public Utilities
b) For : Public Sidewalk

(Affects Parcel Two)

7. Covenants running with the land, for reciprocal ingress and egress easements
Executed by : Cupertino City Center Associates B, a California Limited Partnership
Recorded : April 10, 1984 in Book I444, page 237 of Official Records

(Affects Parcels One, Two and Three)

8. Covenants running with the land, for reciprocal ingress and egress easements
Executed by : Cupertino City Center Associates C, a California Limited Partnership
Recorded : April 10, 1984 in Book I444, page 239 of Official Records

(Affects Parcels Two and Three)

9. Covenants running with the land, for reciprocal ingress and egress easements
Executed by : Cupertino City Center Associates D, a California Limited Partnership
Recorded : April 10, 1984 in Book I444, page 241 of Official Records

(Affects Parcel Two)

10. Declaration concerning an agreement to join a car pool/van pool program
Executed by : Cupertino City Center Associates B, a California Limited Partnership
Recorded : April 10, 1984 in Book I444, page 243 of Official Records

(Affects Parcels One, Two and Three)

11. EASEMENT for the purposes stated herein and incidents thereto
Purpose : Water pipelines
Granted to : California Water Service Company, a California corporation
Recorded : July 11, 1984 in Book I709, page 323, Official Records
Affects : As follows:

A strip of land 20 feet in width, the centerline of which is more particularly described as follows:

(CONTINUED)

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11.(CONTINUED)

Beginning at a point on the North line of Parcel B, distant thereon South 89E 06' 40" Est 216.99 feet from the Northwest corner thereon; thence from said point of beginning South 0E 53' 20" West 140.00 feet to an angle point; thence South 45E 53' 20" West 24.04 feet to an angle point; thence South 0E 53' 20" West 131.33 feet to an angle point; thence South 89E 06' 40" East 357.54 feet to a point on the general Easterly line of said Parcel B; said line also being the general Westerly line of Torre Avenue.

The said lines of the above described easement to be lengthened or shortened as to terminate at the boundary of said Parcel B.

(Said Parcel B being shown on the Parcel Map filed in Book 526 of maps, page 3)

(Affects Parcel Two)

12. EASEMENT for the purposes stated herein and incidents thereto

Purpose : Utilities
Granted to : Pacific Gas and Electric Company, a California corporation
Recorded : April 4, 1985 in Book J311, page 1042, Official Records
Affects : Portions of Parcel C as shown upon the Parcel Map Filed for record in Book 526 of Maps at Page 3, Santa Clara County Records, which lie within the strips of land described as follows:

Strip 1. A strip of land of the uniform width of 15 feet lying contiguous to and Southerly of the Southerly boundary line of the city street known as Stevens Creek Boulevard and extending from the general boundary line of said lands Westerly 36.1 feet.

Strip 2. A strip of land of the uniform width of 5 feet contiguous to and Southerly of the Southerly boundary line of the strip of land hereinbefore described and designated Strip 1 and extending from the Southerly prolongation of the Westerly terminus of said Strip 1 Easterly 10 feet.

Strip 3. A strip of land of the uniform width of 10 feet extending Westerly from the Westerly terminus and the Southerly prolongation thereof of said Strip 1 and lying 5 feet on each side of the line which begins at a point in said Westerly terminus and runs thence South 89E 27(2)' West 80.0 to a point within said lands; said point of beginning bears South 64E 24' West 40.4 feet distant from the point of intersection of the Southerly boundary line of said Stevens Creek Boulevard with the general Easterly boundary line of said lands.

(Affects Parcel Two)

13. EASEMENT for the purposes stated herein and incidents thereto
Purpose : Utilities
Granted to : Pacific Gas and Electric Company, a California corporation
Recorded : April 9, 1985 in Book J314, page 1915, Official Records
Affects : Portions of parcel B as shown upon the Parcel Map filed for record in Book 526 of Maps at Page 3, Santa Clara County Records, which lie within the strips of land described as follows:

(CONTINUED)

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13. (CONTINUED)

Strip 1. A strip of land of the uniform width of 15 feet lying contiguous to and Southerly of the Southerly boundary line of the city street known as Stevens Creek Boulevard and extending from the Westerly line of the street shown as Torre Avenue upon said Parcel Map Westerly approximately 552 feet to the general boundary line of said lands.

Strip 2. A strip of land of the uniform width of 15 feet lying contiguous to and Southerly of the Southerly boundary line of the strip of land hereinbefore described and designated Strip 1 and extending from the Westerly boundary line of said Torre Avenue Westerly 40 feet.

(Affects Parcel Two)

14. Easement as shown on the Map of Tract No. 7734 filed October 9, 1985 in Book 550, of maps, pages 24, 25 and 26 for the following purposes:

a) For : Public Utilities
b) For : Emergency ingress and egress
c) For : Private Ingress and Egress for Lots 1, 2, 3 and 4 of Tract No. 7734

(Affects Parcel Two)

15. LIMITATIONS, covenants, conditions, restrictions, reservations, exceptions, terms, liens or charges, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c), contained in the document recorded OCTOBER 9, 1987 in Book J482, page 1907, Official Records.

CONTAINS mortgagee protection clause.

MODIFICATION thereof recorded September 2, 1987 in Book K281, page 2071, Official Records.

Second Modification thereof recorded February 7, 1997 under Series No. 13605374, Official Records.

Third Modification thereof recorded February 7, 1997 under Series No. 13605375, Official Records

Said matter affects PARCELS ONE, TWO AND THREE.

16. EASEMENT for the purposes stated herein and incidents thereto
Purpose : Sewer Pipeline
Granted to : Cupertino Sanitary District, Santa Clara County, California
Recorded : November 12, 1985 in Book J517, page 127, Official Records
Affects : As follows:

A strip of land 10 feet in width, the centerline of said strip being more particularly described as follows:

(CONTINUED)

16.(CONTINUED)

Beginning at a point on the Northwesterly line of Torre Avenue as said Torre Avenue is shown upon the above referenced Parcel Map; said point of beginning being on the arc of the curve having a radius of 530 feet and from which point the center of the said curve bears South 43E 46' 34" East; thence from said point of beginning North 39E 33' 21" West 81.40 feet to an angle point; thence North 89E 06' 40" West 319.99 feet to the terminus of this description.

The Easterly sidelines to be lengthened or shortened as to terminate at said Northwesterly line of Torre Avenue.

(Affects Parcel Two)

17. EASEMENT for the purposes stated herein and incidents thereto
Purpose : Communication Facilities
Granted to : Pacific Bell
Recorded : April 1, 1986 in Book J646, page 1259, Official Records
Affects : Those areas designated "P.S.E." and "P.U.E." on

the Tract Map No. 7734

(Affecting Parcel Two)

18. Easements as shown on the Tract Map No. 7953 filed February 27, 1987 in Book 571 of Maps, pages 36 and 37 for the following purposes:

a) Private Access
b) Emergency Vehicle Access
c) Public Utilities

(Affects Parcel Two)

19. AGREEMENT on the terms and conditions contained therein,

For	:	Grant of Permanent Easement
Between	:	Cupertino City Center Associates D, a California Limited Partnership
And	:	Cupertino City Center Associates B, a California Limited Partnership
Recorded	:	June 26, 1987 in Book K202, page 1782, Official Records.

(Affects Parcel Three)

20. LIMITATIONS, covenants, conditions, restrictions, reservations, exceptions, terms, liens or charges, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c), contained in the document recorded June 26, 1987 in Book K202, page 1789, Official Records.

CONTAINS mortgagee protection clause.

Said matter affects PARCEL THREE.

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21. Rights of Parties, other than the vestee herein as to the Parcels, as contained in the following Agreement

For	:	Grant of Parking Easement for 111 Automobiles over Lot 7 of Tract No. 7953
Between	:	Cupertino City Center Owners Association, a non-profit corporation
And	:	Cupertino City Center Associates, D, a California Limited Partnership
Recorded	:	February 17, 1988 in Book K447, page 1434, Official Records

As amended by document recorded November 6, 1989, in Book L157, page 639, Official Records

(AFFECTS PARCEL TWO)

22. EASEMENT for the purposes stated herein and incidents thereto

Purpose	:	Sewer pipelines
Granted to	:	Cupertino Sanitary District, Santa Clara County, California
Recorded	:	December 9, 1988 in Book K783, page 645, Official Records
Affects	:	As follows:

A portion of Lot 7 as said lot is shown on that certain Tract Map entitled Tract Map No. 7953, filed for record in Book 571 of maps at pages 36 and 37, Santa Clara County Records described as follows:

A strip of land 10 feet in width the center line of said strip being more particularly described as follows:

Beginning at a point on the Easterly line of said Lot 7 North 0E 53' 20" East, 17.00 feet from the Northeast corner of Lot 4 of said Map; thence leaving said Easterly line North 89E 06' 40" West 340.00 feet.

(Affects Parcel Two)

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23. EASEMENT for the purposes stated herein and incidents thereto

Purpose	:	Communication Facilities
Granted to	:	Pacific Bell
Recorded	:	June 29, 1989 in Book L004, page 7, Official Records
Affects	:	Lot 7, Tract No. 7953 filed in Book 571 of Maps pages 36 and 37

(Affects Parcel Two)

24. Rights of Parties, other than the vestee herein as to the insured parcels as contained in the following Agreement,

For	:	Grant of Parking Easement for 35 Automobiles over Lot 5 of Tract No. 7734
Between	:	Cupertino City Center Owners Association, a nonprofit corporation
And	:	Cupertino City Center Associates D, a California Limited Partnership
Recorded	:	November 6, 1989 in Book L157, page 645, Official Records.

(Affects Parcel Two)

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25. EASEMENT for the purposes stated herein and incidents thereto

Purpose	:	Parking, ingress, egress
Granted to	:	Cupertino City Center Buildings, a California Limited Partnership
Recorded	:	July 7, 1994 in Book N511, page 358, Official Records

(Affects Parcel Three)

26. INTENTIONALLY OMITTED

27. No coverage is afforded as to the location within Parcel A, size, or the number of parking spaces available at any given time, of the 494 parking spaces referred to in Parcel Three of the legal description of this report.

28. AGREEMENT on the terms and conditions contained therein,

For	:	Parking Easement and Relocation
Between	:	Cupertino City Center Buildings, a California Limited Partnership, Teachers Insurance and Annuity Association of America, a New York corporation, Cupertino City Center Apartments, a California limited partnership, Cupertino City Center Land, a California limited partnership
And	:	Cupertino City Center Owners Association, a California nonprofit corporation.
Recorded	:	February 5, 1997, as Instrument No. 13602281, Official Records.

(Affects Parcel Three)

29. ANY RIGHTS, interests, or claims adverse to those of the vestee herein which may exist or arise by reason of the following facts shown on a survey plat entitled "ALTA/ACSM LAND TITLE SURVEY", dated November 12, 1998, prepared by BRIAN, KANGAS & FOULK, Job No. 980270.

a. The fact that a sign lies outside of the Southeasterly boundary and within The P.U.E. & E.V.A.E. as shown on Map Book 550, page 24,25 and 26.

PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515343

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures against loss which the Insured shall sustain by reason of any of the following matters:

1. Any incorrectness in the assurance which the Company hereby gives:

(a) That there are no present violations on the land of any enforceable covenants, conditions or restrictions;

(b) That, except as shown in Schedule B, there are no encroachments of buildings, structures, or improvements located on the land onto adjoining lands, nor any encroachments onto the land of buildings, structures or improvements located on adjoining lands.

2. Unmarketability of the title to the estate or interest by reason of any violations on the land, occurring prior to acquisition of title to the estate or interest by the Insured, of any covenants, conditions or restrictions.

3. Damage to existing building improvements,

(a) which are located or encroach upon the portion of the land subject to any easement shown in Schedule B, which damage results from the exercise of the right to use or maintain the easement for the purposes for which the same was granted or reserved;

(b) resulting from the exercise of any right to use the surface of the land for the extraction or development of the minerals excepted from the description of the land or shown as a reservation in Schedule B.

4. Any final court order or judgment requiring removal from any land adjoining the land of any encroachment shown in Schedule B.

Wherever in this endorsement any or all the words "covenants, conditions or restrictions" appear, they shall not be deemed to refer to or include the terms, covenants and conditions contained in any lease referred to in Schedule A.

No coverage is provided under this endorsement as to any covenant,

condition, restriction or other provision relating to environmental protection.

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PROFORMA FA31.1 ENDORSEMENT
(continued)

The total liability of the Company under the policy and any endorsements therein shall not exceed, in the aggregate, the face amount of the policy and costs which the Company is obligated under the conditions and stipulations thereof to pay.

This endorsement is made a part of the policy and is subject to the schedules, conditions and stipulations therein, except as modified by the provisions hereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

F.A. Form 31.1 (8/26/91)
ALTA Extended Owner
(Improved Land)
Restrictions, Encroachments & Minerals

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515343

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the owner of the indebtedness secured by the insured mortgage against loss or damage which the insured shall sustain by reason of the failure of (i) COMMERCIAL STRUCTURE known as 20330 TORRE AVENUE, CUPERTINO, CALIFORNIA, to be located on the land at Date of Policy, or (ii) the map attached to this policy to correctly show the location and dimensions of the land according to the public records.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 116 (Rev. 6-14-96)
ALTA - Lender

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 55343

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to be the same as that delineated on the plat of a survey made by BRIAN, KANGAS & FOULK on November 12, 1998, designated Job No. 980270, a copy of which is attached hereto and made a part hereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 116.1 (Rev. 6-14-96)
ALTA or CLTA - Owner

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515343

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the easement described as Parcel Two in Schedule A to provide the owner of the estate or interest referred to in Schedule A with ingress and egress to and from a public street known as Torre Avenue.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 103.4 (Rev. 6-14-96)
ALTA or CLTA - Owner or Lender

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515343

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

1. The Company insures the Insured against loss or damage sustained by reason of any incorrectness in the assurance that, at Date of Policy:

(a) According to applicable zoning ordinances and amendments thereto, the land is classified Zone A(PD).

(b) The following use or uses are allowed under that classification subject to compliance with any conditions, restrictions, or requirements contained in the zoning ordinances and amendments thereto, including but not limited to the securing of necessary consents or authorizations as a prerequisite to the use or uses: PLANNED DEVELOPMENT

2. The Company further insures against loss or damage arising from a final decree of a court of competent jurisdiction

(a) prohibiting the use of the land, with any structure presently located thereon, as specified in paragraph 1(b); or

(b) requiring the removal or alteration of the structure on the basis that, at Date of Policy, the ordinances and amendments thereto have been violated with respect to any of the following matters:

(i) Area, width or depth of the land as a building site for the structure;

(ii) Floor space area of the structure;

(iii) Setback of the structure from the property lines of the land; or

(iv) Height of the structure.

There shall be no liability under this endorsement based on the invalidity of the ordinances and amendments thereto until after a final decree of a court of competent jurisdiction adjudicating the invalidity, the effect of which is to prohibit the use or uses.

Loss or damage as to the matters insured against by this endorsement shall not include loss or damage sustained or incurred by reason of the refusal of any person to purchase, lease or lend money on the estate or interest covered by this policy.

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123.2 ENDORSEMENT
(continued)

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 123.2 (Rev. 3-13-87)
ALTA Form 3.1 (6-1-87)
Zoning -- completed structure

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First American Title Guaranty Company
1737 North First Street Suite 100
San Jose, Ca 95112
(408) 451-7800
Fax (408) 451-7836

Sender's Direct (408) 451-7973

January 8, 1999

First American Title
1737 North First Street
San Jose, CA 95112
Attn: Carol Weir

Re: Escrow # 515343

Dear Carol,

Enclosed please find the Proforma version of the Policy to be issued in the above referenced escrow. Review of documentation and any information requested below may necessitate additional or amendment of exceptions. Issuance of the final policy is conditioned upon satisfaction of the following requirements.

a) The agreed amounts for the interest in the land and/or the mortgage to be insured must be paid;

b) The premiums, fees and charges for the policy and escrow must be

paid;

c) Documents satisfactory to us creating the interest in the land to be insured must be signed and delivered;

d) You must tell us in writing the name of anyone not referred to in this Proforma who will get an interest in the land or who will make a loan on the land;

e) Sufficient evidence of the authority of the parties executing documents on behalf of the Seller.

f) Sufficient indemnification by the Seller as to any potential mechanic's liens by virtue of work in progress or begun prior to the close of escrow.

g) A Lease certification executed by the Seller reflecting any leases affecting the property.

h) Payoff and Reconvey Deed of Trust Recorded JUNE 29, 1987, under Series No. 9332602 in Book K205, PAGE 960, Official Records.

i) Payoff and Release Collateral assignment of LEASES AND RENTS Recorded JUNE 29, 1987, IN BOOK K205, PAGE 995, Official Records.

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In addition, the final policy when issued, will include as exceptions any matters which intervene between the date of our Commitment for Title Insurance and the closing date.

If you have any questions or comments please let me know.

Very truly yours,

L. Lance Lewis
Advisory Title Officer - Special Projects

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PROFORMA TITLE POLICY
(WHQ)

PROFORMA prepared 11-2-98
Owners Policy
(1970) Form B
Schedule A

PROFORMA SCHEDULE A

Total Fee for Title Search, Examination

and Title Insurance $PROFORMA

Amount of Insurance $TO BE DETERMINED Policy No. 515341

Date of Policy: PROFORMA

1. Name of Insured:

TO BE DETERMINED

2. The estate or interest in the land which is covered by this policy is:

A FEE AS TO PARCEL ONE, AN EASEMENT AS TO PARCELS TWO AND THREE

3. Title to the estate or interest in the land is vested in:

TO BE DETERMINED

4. The land referred to in this policy is described as follows:

Real Property in the City of Cupertino, County of Santa Clara, State of California, described as follows:

PARCEL ONE:

All of Parcel 2, as shown upon that certain Map entitled, "Parcel Map being a Subdivision of Lot 9 of Tract 3743 (186-MAPS-36 & 37)" which Map was filed for record in the Office of the Recorder of the County of Santa Clara, State of California on December 12, 1978 in Book 432, of Maps, at page 3.

PARCEL TWO:

A non-exclusive easement for vehicular parking space purposes, appurtenant to Parcel One described above, as described in the Grant of Easement, executed by Lincoln Property Company, No. 468, Ltd., a California Limited Partnership to Lincoln Cupertino Associates, Limited, a California Limited Partnership, recorded January 25, 1983 in Book H293 of Official Records, page 703, more particularly set forth in that certain document recorded December 21, 1983 in Book I167, page 530, of Official Records, lying within Lot 8 as shown on that certain Map entitled Tract No. 3743 Cupertino Town Center, which Map was filed in the office of the Recorder of the County of Santa Clara, State of California on October 16, 1984 in Book 186 of Maps, at pages 36 and 37, described as follows:

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(LEGAL DESCRIPTION CONTINUED)

Commencing at the most Northwesterly corner of said Lot 8; thence Southerly along the Westerly line of said Lot 8, South 0E 56' 25" West 126.00 feet to the true point of beginning for this description; thence Easterly leaving said Westerly line South 89E 03' 20" East 36.19 feet to a tangent curve concave Westerly having a radius of 1.00 feet; thence Northerly along said curve through a central angle of 180E 00' 00" a distance of 3.14 feet; thence Westerly North 89E 03' 20" West 13.00 feet; thence Northerly 0E 56' 40" East 40.00 feet; thence Westerly North 89E 03' 20" West 3.19 feet; thence Northerly North 0E 56' 40" East 54.00 feet; thence Easterly South 89E 03' 20" East 19.00 feet to a tangent curve concave Northwesterly having a radius of 2.50 feet; thence

Northerly along last said curve through a central angle of 90E 00' 00" distance of 3.93 feet; thence Northerly North 0E 56' 40" East 24.50 feet; thence Easterly South 89E 03' 20" East 24.00 feet; thence Southerly South 0E 56' 40" West 11.50 feet to tangent curve concave Northeasterly having a radius of 2.50 feet; thence Southerly along last said curve through a central angle of 90E 00' 00" a distance of 3.93 feet; thence Easterly South 89E 03' 20" East 14.00 feet; thence Southerly South 0E 56' 40" West 87.00 feet; thence Westerly North 89E 03' 20" West 2.50 feet; thence Southerly South 0E 56' 40" West 8.00 feet; thence Westerly North 89E 03' 20" West 2.31 feet; thence Southerly South 0E 56' 40" West 8.00 feet; thence Westerly North 89E 03' 20" West 11.50 feet to a tangent curve concave Southeasterly having a radius of 2.50 feet; thence Southerly along last said curve through a central angle of 90E 00' 00" a distance of 3.93 feet; thence Southerly South 0E 56' 40" West 27.37 feet to a curve concave Northwesterly having a radius of 44.00 feet, a bearing to the radius point being North 3E 24' 13" West; thence Westerly along said curve through a central angle of 4E 20' 53" a distance of 3.34 feet; thence Westerly North 89E 03' 20" West 59.85 feet to the Westerly line of said Lot 8; thence Northerly along said Westerly line of said Lot 8 North 0E 56' 25" East 24.00 feet to the true point of beginning of this description.

PARCEL THREE:

A non-exclusive easement, appurtenant to Parcel One, described above, for pedestrian and vehicular traffic purposes, over the following described parcel of land:

A portion of Parcel 1, as shown upon that certain map entitled, "Parcel Map being a Subdivision of Lot 9 of Tract 3743 (Book 186 of Maps, pages 36 and 37)", which map was filed for record in the Office of the Recorder of the County of Santa Clara, State of California on December 12, 1978 in Book 432 of Maps, at page 3, more particularly described as follows:

Beginning at the most Northwesterly corner of said Parcel 1, said corner being on the Easterly line of DeAnza Boulevard, thence along said line South 00E 53' 20" West 30 feet to the True Point of Beginning, thence South 00E 53' 20" West 26 feet, thence leaving the Easterly line of De Anza Boulevard, South 89E 06' 40" East a distance of 126 feet, thence North 00E 53' 20" East 56 feet to the point on the boundary between Parcels 1 and 2, thence along said boundary North 89E 06' 40" West a distance of 26 feet, thence leaving said boundary South 00E 53' 20" West a distance of 5 feet, thence through a tangent curve to the right with a radius of 25 feet, a central angle of 90E 00' 00" and a length of 39.27 feet, thence North 89E 06' 40" West a distance of 75 feet to the true point of beginning.

APN: 369-41-005
ARB: 371-3-8.01

Owners Policy - 1970

PROFORMA SCHEDULE B Policy No. 515341

Part I

This policy does not insure against loss or damage by reason of the following:

29. TAXES for the fiscal year 1998-1999

1st Installment	:	$83,063.12, paid
2nd Installment	:	$83,063.12, unpaid, a lien not yet due
Land	:	$3,672,000.00
Improvements	:	$9,384,000.00
Personal Property	:	$-0-
Exemption	:	$NONE
A. P. No.	:	369-41-005
Code Area	:	13-003

1a) Bond for STREET & TRAFFIC IMPACT FEE ASSESSMENT DISTRICT

Bond No.	:	97P
Assessment No.	:	3
Balance of principal	:	$93,422.15
Balance of interest through maturity	:	$47,000.84

The above Amount excludes $5,190.12 principal, $7,335.37 interest and $7.99 handling charge spread on the 1998-1999 tax roll, which amounts cannot be prepaid.

30. THE LIEN of supplemental taxes, if any, assessed on or after the date hereof, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

31. EASEMENT shown on filed Map of Tract 3743, and incidents thereto

Purpose	:	Public Utilities Easement
Affects	:	Northerly 10 feet

BY RESOLUTION NO. 9739 of the CITY COUNCIL of the City of Cupertino of Santa Clara County, a portion of said easement was vacated as unnecessary for present or prospective public use, a certified copy of which was recorded November 25, 1996 under Series No. 13533987, Official Records.

BY RESOLUTION NO. 9739 of the City Council of the City of Cupertino of Santa Clara County, a Portion of easement was vacated as unnecessary for present or prospective public use, a certified copy of which was recorded February 5, 1997 under Series No. 13601894, Official Records.

32. EASEMENT shown on filed Map of Tract 3743, and incidents thereto

Purpose	:	Wire Clearance Easement
Affects	:	Southerly 5 feet of the Northerly 15 feet

(CONTINUED)

4.(CONTINUED)

BY RESOLUTION NO. 9739 of the City Council of the City of Cupertino of Santa Clara County, a portion of said easement was vacated as unnecessary for present or prospective public use, a certified copy of which was recorded November 25, 1996 under Series No. 13533987, Official Records.

BY RESOLUTION NO. 9739 of the City Council of the City of Cupertino of Santa Clara County, a portion of easement was vacated as unnecessary for present or prospective public use, a certified copy of which was recorded February 5, 1997 under Series No. 13601894, Official Records.

33. MATTERS contained in the document entitled "Covenants Running with the Land"
Dated : May 26, 1976
Executed by : Northern California Savings and Loan Association
Recorded : May 27, 1976 in Book C046, page 611, Official Records.

34. MATTERS contained in the document entitled "Covenants Running with the Land"
Dated : November 30, 1978
Executed by : Northern California Savings and Loan Association
Recorded : January 15, 1979 in Book E227, page 42, Official Records.

35. AGREEMENT on the terms and conditions contained therein,
For : Deferment of Certain Required Development Improvements
Between : City of Cupertino, a Municipal corporation
And : Lincoln Cupertino Associates Limited, a California Limited Partnership
Recorded : December 1, 1982 in Book H176, page 602, Official Records.

36. TERMS, conditions and provisions contained in the Grant of Easement
From : Lincoln Property Company No. 468, Ltd., a California Limited Partnership
To : Lincoln Cupertino Associates Limited, a California Limited Partnership
Recorded : January 25, 1983 in Book H293, page 703, Official Records.

AGREEMENT on the terms and conditions contained therein,
For : Location of Easement and Joint Use
Between : Lincoln Cupertino Associates Limited, a California Limited Partnership
And : Pinn Brothers Construction, Inc., a California corporation
Recorded : December 21, 1993 in Book I167, page 530, Official Records.

37. EASEMENT for the purposes stated herein and incidents thereto
Purpose : Pedestrian and Vehicular Traffic
Granted to : Great Western Savings
Recorded : January 25, 1983 in Book H293, page 707, Official Records
Affects : The Westerly 35 feet of the Southerly 70 feet

38. MATTERS contained in the document entitled "Covenants Running with the Land"
Dated : December 23, 1982
Executed by : Lincoln Cupertino Associates Limited, a California Limited Partnership
Recorded : January 25, 1983 in Book H293, page 719, Official Records.

39. EASEMENT for the purposes stated herein and incidents thereto

Purpose	: Construction and Maintenance of Sidewalks
Granted to	: The City of Cupertino
Recorded	: February 17, 1984 in Book I315, page 435, Official Records
Affects	: As follows:

PART 1

A strip of land 11 feet in width contiguous to the most Southerly property line of said Parcel 2, said line also being the Northerly boundary of Rodriques Avenue. Said strip begins at a point on said line 215 feet from the most Easterly boundary of Parcel 1 as shown on said Parcel Map, and extends Easterly along said line a distance of 255 feet.

PART 2

A strip of land 5 feet in width contiguous to the most Easterly property line of said Parcel 2, said line also being the Westerly boundary of Torre Avenue. Said strip begins at a point on said line 65 feet from the most Northeasterly corner of said Parcel 2, and extends Southerly along said line a distance of 65 feet.

40. ANY RIGHTS, interests, or claims adverse to those of the vestee herein which may exist or arise by reason of the following facts shown on a survey plat entitled "ALTA/ACSM LAND TITLE SURVEY", dated November 13, 1998, prepared by Brian Kangas Foulk, Job No. 980266-50.

a. The fact that the Face of Curb lies outside of the Northerly boundary no greater than 1.7 feet.

b. The fact that a Post Indicator Valve (P.I.V.) lies within that Sidewalk Easement along the Southerly boundary.

c. The fact that a 4-story Concrete w/Steel Frame Building lies 1 foot within the Southerly and Easterly 30 foot Building Setback.

PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515341

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures against loss which the Insured shall sustain by reason of any of the following matters:

1. Any incorrectness in the assurance which the Company hereby gives:

   (a) That there are no present violations on the land of any enforceable covenants, conditions or restrictions;

   (b) That, except as shown in Schedule B, there are no encroachments of buildings, structures, or improvements located on the land onto adjoining lands, nor any encroachments onto the land of buildings, structures or improvements located on adjoining lands.

2. Unmarketability of the title to the estate or interest by reason of any violations on the land, occurring prior to acquisition of

title to the estate or interest by the Insured, of any covenants, conditions or restrictions.

3. Damage to existing building improvements,

   (a) which are located or encroach upon the portion of the land subject to any easement shown in Schedule B, which damage results from the exercise of the right to use or maintain the easement for the purposes for which the same was granted or reserved;

   (b) resulting from the exercise of any right to use the surface of the land for the extraction or development of the minerals excepted from the description of the land or shown as a reservation in Schedule B.

4. Any final court order or judgment requiring removal from any land adjoining the land of any encroachment shown in Schedule B.

Wherever in this endorsement any or all the words "covenants, conditions or restrictions" appear, they shall not be deemed to refer to or include the terms, covenants and conditions contained in any lease referred to in Schedule A.

No coverage is provided under this endorsement as to any covenant, condition, restriction or other provision relating to environmental protection.

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PROFORMA FA31.1 ENDORSEMENT
(continued)

The total liability of the Company under the policy and any endorsements therein shall not exceed, in the aggregate, the face amount of the policy and costs which the Company is obligated under the conditions and stipulations thereof to pay.

This endorsement is made a part of the policy and is subject to the schedules, conditions and stipulations therein, except as modified by the provisions hereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

F.A. Form 31.1 (8/26/91)
ALTA Extended Owner
(Improved Land)
Restrictions, Encroachments & Minerals

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515341

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of present violations on the land of the covenants, conditions and restrictions referred to in paragraphs 5, 6, 7, 8 & 10 of Schedule B.

For purposes of this endorsement, the words "covenants," "conditions" or "restrictions" shall not be deemed to refer to or include any covenants, conditions or restrictions relating to environmental protection, except to the extent that a notice of a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy and is not excepted in Schedule B.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 100.19 (Rev. 6-14-96)
ALTA or CLTA - Owner or Lender

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515341

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the easement described as Parcel THREE in Schedule A to provide the owner of the estate or interest referred to in Schedule A with ingress and egress to and from a public street known as De Anza Boulevard.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 103.4 (Rev. 6-14-96)
ALTA or CLTA - Owner or Lender

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515341

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to abut upon and have pedestrian and vehicular ingress and egress to a publicly held, physically open street known as De Anza Boulevard.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 103.7 (Rev. 6-14-96) modified
ALTA or CLTA - Owner or Lender

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515341

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to be the same as that delineated on the plat of a survey made by on , designated Job No. , a copy of which is attached hereto and made a part hereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 116.1 (Rev. 6-14-96)
ALTA or CLTA - Owner

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515341

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land described in Schedule A as PARCEL ONE to be contiguous to PARCEL THREE.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 116.4 (Rev. 6-14-96)
ALTA or CLTA - Owner or Lender

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515341

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land described as Parcel ONE in Schedule A to constitute a lawfully created parcel according to the Subdivision Map Act (Section 66410, et seq., of the California Government Code)

and local ordinances adopted pursuant thereto.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 116.7 (Rev. 6-14-96)
ALTA or CLTA - Owner or Lender
Subdivision Map Act Endorsement

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PROFORMA ENDORSEMENT

ATTACHED TO POLICY NO. 515341

ISSUED BY

FIRST AMERICAN TITLE INSURANCE COMPANY

1. The Company insures the Insured against loss or damage sustained by reason of any incorrectness in the assurance that, at Date of Policy:

(a) According to applicable zoning ordinances and amendments thereto, the land is classified Zone TBD.

(b) The following use or uses are allowed under that classification subject to compliance with any conditions, restrictions, or requirements contained in the zoning ordinances and amendments thereto, including but not limited to the securing of necessary consents or authorizations as a prerequisite to the use or uses: TBD

2. The Company further insures against loss or damage arising from a final decree of a court of competent jurisdiction

(a) prohibiting the use of the land, with any structure presently located thereon, as specified in paragraph 1(b); or

(b) requiring the removal or alteration of the structure on the basis that, at Date of Policy, the ordinances and amendments thereto have been violated with respect to any of the following matters:

(i) Area, width or depth of the land as a building site for the structure;

(ii) Floor space area of the structure;

(iii) Setback of the structure from the property lines of the land;

(iv) Height of the structure; or

(v) Number of parking spaces.

There shall be no liability under this endorsement based on the invalidity of the ordinances and amendments thereto until after a final decree of a court of competent jurisdiction adjudicating the invalidity, the effect of which is to prohibit the use or uses.

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123.2 ENDORSEMENT
(continued)

Loss or damage as to the matters insured against by this endorsement shall not include loss or damage sustained or incurred by reason of the refusal of any person to purchase, lease or lend money on the estate or interest covered by this policy.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

PROFORMA

By: _____
Authorized Signatory

CLTA Form 123.2 (Rev. 3-13-87)
ALTA Form 3.1 (6-1-87)
Zoning -- completed structure

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First American Title Guaranty Company
1737 North First Street Suite 100
San Jose, Ca 95112
(408) 451-7800
Fax (408) 451-7836

Sender's Direct (408) 451-7973

January 8, 1999

First American Title
1737 North First Street
San Jose, CA 95112
Attn: Carol Weir

Re: Escrow # 515341

Dear Carol,

Enclosed please find the Proforma version of the Policy to be issued in the above referenced escrow. Review of documentation and any information requested below may necessitate additional or amendment of exceptions. Issuance of the final policy is conditioned upon satisfaction of the following requirements.

a) The agreed amounts for the interest in the land and/or the mortgage to be insured must be paid;

b) The premiums, fees and charges for the policy and escrow must be paid;

c) Documents satisfactory to us creating the interest in the land to be insured must be signed and delivered;

d) You must tell us in writing the name of anyone not referred to in this Proforma who will get an interest in the land or who will make a loan on the land;

e) Sufficient evidence of the authority of the parties executing documents on behalf of the Seller.

f) Sufficient indemnification by the Seller as to any potential mechanic's liens by virtue of work in progress or begun prior to the close of escrow.

g) A Lease certification executed by the Seller reflecting any leases affecting the property.

h) Terminate lease recorded October 21, 1996 as instrument no. 13489802, Official Records.

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i) Payoff and Reconvey Deed of Trust recorded October 21, 1996, under Series No. 13489802, Official Records.

j) Payoff and Release Financing Statement recorded October 21,1996, under Series no. 13489805, Official Records.

k) Terminate or Exercise Option to Purchase recorded October 21, 1996, under Series No. 13489802, Official Records.

l) Release Assignment of Rents recorded October 21, 1996, under Series No. 13489803, Official Records.

m) Pay first installment 1998-1999 Taxes.

In addition, the final policy when issued, will include as exceptions any matters which intervene between the date of our Commitment for Title Insurance and the closing date.

The attached proforma policy and endorsements are subject to final underwriting approval by our underwriting department and any reinsurers.

If you have any questions or comments please let me know.

Very truly yours,

L. Lance Lewis

Advisory Title Officer - Special Projects

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