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UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. McAFEE, INC. (f/k/a NETWORK ASSOCIATES, INC.), Defendant.	**Case No.** C06-0009 PJH **FINAL JUDGMENT**

FINAL JUDGMENT AS TO DEFENDANT McAFEE, INC.

The Securities and Exchange Commission having filed a Complaint and Defendant McAfee, Inc. ("McAfee" or "Defendant") having executed the Consent of Defendant McAfee, Inc. ("Consent") annexed hereto and incorporated herein, having entered a general appearance, admitted the jurisdiction of this Court over it and over the subject matter of this action, waived service of process, waived the filing of an Answer to the Complaint and the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, waived any right it might have to appeal from the entry of this Final Judgment, and, without admitting or denying any of the allegations of the Complaint, except as to jurisdiction, which it admits, and without trial, argument, or adjudication of any issue of fact or law, having consented to the entry

of this Final Judgment, and it appearing that this Court has jurisdiction over McAfee and the subject matter of this action, and the Court being fully advised in the premises:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that McAfee and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

(a) to employ any device, scheme, or artifice to defraud;

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that McAfee and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

(a) to employ any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements

made, in light of the circumstances under which they were made, not misleading; or

(c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that McAfee and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 13(a) of the Exchange Act [15 U.S.C. § 18m(a)] and Rules 12b-20, 13a-1, and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13], thereunder, by failing to file annual and periodic reports in conformity with the Commission's integrated reporting and disclosure regulations, Regulations S-K and S-X, or by failing to include such further material information as may be necessary to make the required statements, in the light of the circumstances under which they were made, not misleading.

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that McAfee and its agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act by failing, with respect to any issuer which has a class of securities registered pursuant to Section 12 of the Exchange Act or which is required to file reports pursuant to Section 15(d) of the Exchange Act, to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

(a) transactions are executed in accordance with management's general or specific authorization;

(b) transactions are recorded as necessary (a) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (b) to maintain accountability for

assets;

(c) access to assets is permitted only in accordance with management's general or specific authorization; and

(d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is liable for disgorgement of $1, representing profits gained as a result of the conduct alleged in the Complaint, and a civil penalty in the amount of $50,000,000 pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act. Defendant shall satisfy this obligation by paying $50,000,001.00 within ten business days to the Clerk of this Court, together with a cover letter identifying McAfee as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant to this Final Judgment. Defendant shall simultaneously transmit photocopies of such payment and letter to the Commission's counsel in this action. By making this payment, Defendant relinquishes all legal and equitable right, title, and interest in such funds, and no part of the funds shall be returned to Defendant. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 U.S.C. § 1961.

The Clerk shall deposit the funds into an interest bearing account with the Court Registry Investment System ("CRIS") or any other type of interest bearing account that is utilized by the Court. These funds, together with any interest and income earned thereon (collectively, the "Fund"), shall be held in the interest bearing account until further order of the Court. In accordance with 28 U.S.C. § 1914 and the guidelines set by the Director of the Administrative Office of the United States Courts, the Clerk is directed, without further order of this Court, to deduct from the income earned on the money in the Fund a fee not to exceed ten percent of the income earned on the Fund. Such fee shall not exceed that authorized by the Judicial Conference of the United States.

The Commission may by motion propose a plan to distribute the Fund subject to the Court's approval. Such a plan may provide that the Fund shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil penalties pursuant to this Judgment shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Defendant shall not, after offset or reduction of any award of compensatory damages in any Related Investor Action based on Defendant's payment of disgorgement in this action, argue that it is entitled to, nor shall it further benefit by, offset or reduction of such compensatory damages award by the amount of any part of Defendant's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Defendant shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this Judgment. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Defendant by or on behalf of one or more investors based on substantially the same facts as alleged in the Complaint in this action.

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein ("Undertakings"), including:

(1) Within forty-five (45) days after the entry of this Final Judgment, engage an independent individual or entity (the "Consultant"), not unacceptable to the Commission staff, to conduct a comprehensive review of the following:

(a) McAfee's policies, procedures, and practices regarding the recognition of revenue, including, but not limited to revenue from companies or entities

in which McAfee has an investment;

(b) McAfee's policies, procedures, and practices regarding the establishment and maintenance of accruals for current and long term income taxes, general and administrative expenses, acquisition expenses, business combinations and restructurings, and liability and contra-asset accounts for payments to customers, product returns, product exchanges, and product discounts;

(c) McAfee's method for accounting for transactions with its distributors, including its method for accounting for product sales, returns, exchanges, discounts, payments, and marketing;

(d) McAfee's internal accounting controls and financial reporting controls (in this regard, the Consultant may, in his or her discretion, rely on McAfee's external accountant's report on the effectiveness of McAfee's financial reporting controls pursuant to Section 404 of the Sarbanes-Oxley Act) as they relate to items (a) through (c) above; and

(e) McAfee's internal auditing policies and practices as they relate to items (a) through (c) above.

(2) The Consultant shall assess whether the practices, policies, and procedures specified in items (1)(a) through (1)(e) above are reasonably designed and implemented to ensure compliance by McAfee with the applicable federal securities laws and accounting rules. The Consultant shall make recommendations for the enhancement of McAfee's practices, policies and procedures as may be necessary in light of the Consultant's review and assessment.

(3) McAfee shall require the Consultant to submit a report of his/her findings and recommendations (the "Report") to the McAfee Board within six (6) months of the Consultant's engagement. McAfee shall direct the Consultant to provide copies of the Report promptly to the Commission's Director of Enforcement.

Within thirty (30) days of the receipt of the Report, the McAfee Board shall adopt all recommendations made by the Consultant, and shall direct McAfee to take steps necessary to implement all such recommendations; provided, however, that within thirty (30) days after the Consultant serves that Report, McAfee, by a determination of the independent members of the McAfee Board, shall in writing advise the Consultant, and the Commission's Director of Enforcement, of any recommendations that it considers to be unduly burdensome, impractical, or costly. With respect to any recommendation that McAfee considers unduly burdensome, impractical or costly, McAfee need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose. As to any recommendation on which McAfee and the Consultant do not agree, such parties shall attempt in good faith to reach an agreement within thirty (30) days after McAfee serves the written advice. In the event McAfee and the Consultant are unable to agree regarding which proposal shall be adopted, McAfee and the Consultant shall seek a determination from the District Court.

(4) Within six (6) months of the McAfee Board's receipt of the Consultant's Report, McAfee's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") shall each certify in writing to the Director of Enforcement that, to the best of his/her knowledge based on reasonable inquiry: (i) all of the Consultant's recommendations adopted by the McAfee Board have been implemented or, if the Consultant determines that any recommendation cannot reasonably be implemented within six (6) months, such recommendation(s) will be implemented within the period specified by the Consultant; and (ii) McAfee has complied fully with all of the undertakings in this Order.

(5) McAfee shall require the Consultant to enter into an agreement that provides that for the period of engagement and for a period of two (2) years from completion of the engagement, the Consultant shall not enter into any employment, consultant,

attorney-client, auditing or other professional relationship with McAfee, or any of its present or former, directors, officers, employees, or agents acting in their capacity as such. The agreement will also provide that the Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Consultant in performance of his/her duties under this Order shall not, without prior written consent of the staff of the Division of Enforcement, enter into any employment, consultant, attorney-client, auditing or other professional relationship with McAfee, or any of its present or former directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two (2) years after the engagement.

(6) McAfee shall expend sufficient funds to permit the Consultant to discharge all of his/her duties, including, but not limited to, providing adequate funds for the retention of outside counsel and/or professionals.

(7) Beginning one (1) year after the date of the certification described in Section VI.(4) above, and each year thereafter for two (2) years (for a total of three (3) additional annual certifications), McAfee's CEO and CFO each shall certify to the Director of Enforcement that, to the best of his/her knowledge based on reasonable inquiry, McAfee remains in compliance with all of the undertakings in this Order.

(8) As soon as is practicable and in no event later than thirty (30) days after the entry of Final Judgment, McAfee shall expand its "Ethics First" Program to allow its customers, distributors, resellers, and suppliers to report any instance of inappropriate, unlawful, or unethical behavior through McAfee's anonymous and confidential ethics hotline.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

VIII.

There being no cause for delay, the clerk of the Court is directed, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, to enter this Final Judgment forthwith.

Dated: February 9, 2006

UNITED STATES DISTRICT JUDGE