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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from _____ to _____

Commission File Number: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

12061 Bluemont Way, Reston, Virginia

(Address of principal executive offices)

94-3221585

(I.R.S. Employer
Identification No.)

20190

(Zip Code)

Registrant's telephone number, including area code: (703) 948-3200

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class
Common stock, \$.001 par value

Shares Outstanding April 19, 2013
150,744,698

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

As required under Item 1—Financial Statements included in this section are as follows:

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VERISIGN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

	March 31, 2013	December 31, 2012
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 78,620	\$ 130,736
Marketable securities	1,483,827	1,425,700
Accounts receivable, net	13,617	11,477
Deferred tax assets	286	44,756
Prepaid expenses and other current assets	38,849	30,795
Total current assets	<u>1,615,199</u>	<u>1,643,464</u>
Property and equipment, net	333,183	333,861
Goodwill	52,527	52,527
Long-term deferred tax assets	52,793	7,299
Other long-term assets	17,411	25,325
Total long-term assets	<u>455,914</u>	<u>419,012</u>
Total assets	<u>\$ 2,071,113</u>	<u>\$ 2,062,476</u>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 119,986	\$ 130,391
Deferred revenues	591,356	564,627
Subordinated convertible debentures, including contingent interest derivative	606,142	—
Deferred tax liabilities	388,923	—
Total current liabilities	<u>1,706,407</u>	<u>695,018</u>
Long-term deferred revenues	255,438	247,955
Subordinated convertible debentures, including contingent interest derivative	—	597,614
Long-term debt	100,000	100,000
Long-term deferred tax liabilities	3,657	386,914
Other long-term tax liabilities	44,747	44,298
Total long-term liabilities	<u>403,842</u>	<u>1,376,781</u>
Total liabilities	<u>2,110,249</u>	<u>2,071,799</u>
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock—par value \$.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none	—	—
Common stock—par value \$.001 per share; Authorized shares: 1,000,000; Issued shares: 319,745 at March 31, 2013 and 318,722 at December 31, 2012; Outstanding shares: 151,185 at March 31, 2013 and 153,392 at December 31, 2012	320	319
Additional paid-in capital	19,777,251	19,891,291
Accumulated deficit	(19,816,032)	(19,900,545)
Accumulated other comprehensive loss	(675)	(388)
Total stockholders' deficit	<u>(39,136)</u>	<u>(9,323)</u>
Total liabilities and stockholders' deficit	<u>\$ 2,071,113</u>	<u>\$ 2,062,476</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Revenues	\$ 236,447	\$ 205,726
Costs and expenses:		
Cost of revenues	47,254	41,256
Sales and marketing	18,104	27,815
Research and development	18,176	14,765
General and administrative	19,649	23,508
Restructuring charges	—	(548)
Total costs and expenses	103,183	106,796
Operating income	133,264	98,930
Interest expense	(12,596)	(12,340)
Non-operating (loss) income, net	(5,777)	807
Income from continuing operations before income taxes	114,891	87,397
Income tax expense	(30,378)	(21,292)
Income from continuing operations, net of tax	84,513	66,105
Income from discontinued operations, net of tax	—	1,904
Net income	84,513	68,009
Unrealized loss on investments, net of tax	(267)	(5)
Realized gain on investments, net of tax, included in net income	(20)	(5)
Other comprehensive loss	(287)	(10)
Comprehensive income	\$ 84,226	\$ 67,999
Basic income per share:		
Continuing operations	\$ 0.55	\$ 0.41
Discontinued operations	—	0.02
Net income	\$ 0.55	\$ 0.43
Diluted income per share:		
Continuing operations	\$ 0.52	\$ 0.41
Discontinued operations	—	0.01
Net income	\$ 0.52	\$ 0.42
Shares used to compute net income per share		
Basic	152,543	159,344
Diluted	161,346	162,881

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 84,513	\$ 68,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment and amortization of other intangible assets	15,118	12,741
Stock-based compensation	7,594	8,130
Excess tax benefit associated with stock-based compensation	(11,808)	(3,567)
Deferred income taxes	4,787	10,560
Other, net	10,742	1,006
Changes in operating assets and liabilities		
Accounts receivable	(2,280)	1,392
Prepaid expenses and other assets	3,210	9,822
Accounts payable and accrued liabilities	4,549	(52,534)
Deferred revenues	34,212	54,719
Net cash provided by operating activities	<u>150,637</u>	<u>110,278</u>
Cash flows from investing activities:		
Proceeds from maturities and sales of marketable securities	706,244	5,060
Purchases of marketable securities	(764,268)	(5,082)
Purchases of property and equipment	(17,115)	(12,917)
Other investing activities	(3,426)	—
Net cash used in investing activities	<u>(78,565)</u>	<u>(12,939)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock from option exercises and employee stock purchase plans	8,733	11,390
Repurchases of common stock	(142,892)	(75,149)
Excess tax benefit associated with stock-based compensation	11,808	3,567
Other financing activities	—	189
Net cash used in financing activities	<u>(122,351)</u>	<u>(60,003)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,837)	2,355
Net (decrease) increase in cash and cash equivalents	(52,116)	39,691
Cash and cash equivalents at beginning of period	130,736	1,313,349
Cash and cash equivalents at end of period	<u>\$ 78,620</u>	<u>\$ 1,353,040</u>
Supplemental cash flow disclosures:		
Cash paid for interest, net of capitalized interest	<u>\$ 20,393</u>	<u>\$ 20,036</u>
Cash paid for income taxes, net of refunds received	<u>\$ 729</u>	<u>\$ 13,186</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

VERISIGN, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**Note 1. Basis of Presentation***Interim Financial Statements*

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by VeriSign, Inc. ("VeriSign" or the "Company") in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, do not include all information and notes normally provided in audited financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and other adjustments) considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for any other interim period or for a full fiscal year. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes contained in VeriSign's fiscal 2012 Annual Report on Form 10-K (the "2012 Form 10-K") filed with the SEC on February 28, 2013.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to current period presentation. Such reclassifications have no effect on net income as previously reported.

Note 2. Cash, Cash Equivalents, and Marketable Securities

The following table summarizes the Company's cash, cash equivalents, and marketable securities:

	March 31, 2013	December 31, 2012
(In thousands)		
Cash	\$ 48,964	\$ 63,578
Money market funds	14,219	38,054
Time deposits	4,372	3,614
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,499,722	1,452,358
Equity securities of a public company	3,105	3,341
Total	\$ 1,570,382	\$ 1,560,945
Included in Cash and cash equivalents	\$ 78,620	\$ 130,736
Included in Marketable securities	\$ 1,483,827	\$ 1,425,700
Included in Other long-term assets (Restricted cash)	\$ 7,935	\$ 4,509

The following table presents the contractual maturities of the debt securities held as of March 31, 2013:

	March 31, 2013		
	Amortized Cost	Unrealized Gains	Fair Value
(In thousands)			
Due within one year	\$ 1,471,062	\$ 170	\$ 1,471,232
Due after one year through three years	28,419	71	28,490
Total	\$ 1,499,481	\$ 241	\$ 1,499,722

The Company's investment in the equity securities of a public company has a cost basis of zero and a fair value of \$3.1 million as of March 31, 2013. Upon shares of the entity becoming publicly traded during 2012, the Company reclassified the investment to available-for-sale securities. The unrealized gain of \$3.1 million is included in Accumulated other comprehensive loss as of March 31, 2013.

Note 3. Fair Value of Financial Instruments

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2013 and December 31, 2012:

	Total Fair Value	Fair Value Measurement Using		
		(Level 1)	(Level 2)	(Level 3)
(In thousands)				
As of March 31, 2013:				
Assets:				
Investments in money market funds	\$ 14,219	\$ 14,219	\$ —	\$ —
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,499,722	1,466,583	33,139	—
Equity securities of public company	3,105	3,105	—	—
Foreign currency forward contracts (1)	367	—	367	—
Total	\$ 1,517,413	\$ 1,483,907	\$ 33,506	\$ —
Liabilities:				
Contingent interest derivative on the Subordinated Convertible Debentures	\$ 17,636	\$ —	\$ —	\$ 17,636
Foreign currency forward contracts (2)	166	—	166	—
Total	\$ 17,802	\$ —	\$ 166	\$ 17,636
As of December 31, 2012:				
Assets:				
Investments in money market funds	\$ 38,054	\$ 38,054	\$ —	\$ —
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	1,452,358	1,419,280	33,078	—
Equity securities of public company	3,341	—	3,341	—
Foreign currency forward contracts (1)	71	—	71	—
Total	\$ 1,493,824	\$ 1,457,334	\$ 36,490	\$ —
Liabilities:				
Contingent interest derivative on the Subordinated Convertible Debentures	\$ 11,203	\$ —	\$ —	\$ 11,203
Foreign currency forward contracts (2)	765	—	765	—
Total	\$ 11,968	\$ —	\$ 765	\$ 11,203

(1) Included in Prepaid expenses and other current assets

(2) Included in Accounts payable and accrued liabilities

The fair value of the Company's investments in money market funds approximates their face value. Such instruments are classified as Level 1 and are included in Cash and cash equivalents.

The fair value of the debt securities consisting of U.S. Treasury bills is based on their quoted market prices and are classified as Level 1. The fair value of the Company's investments in other debt securities are obtained using the weighted average price of available market prices for the underlying securities from various industry standard data providers, large financial institutions and other third-party sources and are classified as Level 2. Debt securities purchased with original maturities in excess of three months are included in Marketable securities.

The equity securities of a public company held by the Company at March 31, 2013 relate to a former cost method investment that the Company had previously written off. Beginning in September 2012, the equity securities held by the Company became publicly traded but were subject to a six month holding period which expired in March 2013. As of March 31, 2013, the investment was no longer restricted from being sold and the fair value was based solely on the quoted market price. As such, the fair value measurement is classified as level 1 at March 31, 2013.

The fair value of the Company's foreign currency forward contracts is based on foreign currency rates quoted by banks or foreign currency dealers and other public data sources.

The Company utilizes a valuation model to estimate the fair value of the contingent interest derivative on the subordinated convertible debentures due August 15, 2037 (“the Subordinated Convertible Debentures”). The inputs to the model include stock price, bond price, risk adjusted interest rates, volatility, and credit spread observations. As several significant inputs are not observable, the overall fair value measurement of the derivative is classified as Level 3. The volatility and credit spread assumptions used in the calculation are the most significant unobservable inputs. As of March 31, 2013, the valuation of the contingent interest derivative assumed a volatility rate of approximately 27%. A hypothetical 5% increase or decrease in the volatility rate would not significantly change the fair value of the contingent interest derivative. The credit spread assumed in the valuation was approximately 4% at March 31, 2013. A hypothetical 1% increase or decrease in the credit spread would not significantly change the fair value of the contingent interest derivative.

The following table summarizes the change in the fair value of the Company’s contingent interest derivative on the Subordinated Convertible Debentures during the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Beginning balance	\$ 11,203	\$ 11,625
Unrealized loss on contingent interest derivative on the Subordinated Convertible Debentures	6,433	813
Ending balance	<u>\$ 17,636</u>	<u>\$ 12,438</u>

Other

The Company’s other financial instruments include cash, accounts receivable, restricted cash, accounts payable, and long-term debt. As of March 31, 2013, the carrying value of these financial instruments approximated their fair value. The fair value of the Company’s Subordinated Convertible Debentures as of March 31, 2013, is \$1.9 billion, and is based on available market information from public data sources. The fair value measurement of the Company’s Subordinated Convertible Debentures is classified as Level 2.

Note 4. Other Balance Sheet Items

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	March 31,	December 31,
	2013	2012
	(In thousands)	
Prepaid expenses	\$ 12,272	\$ 15,413
Non-trade receivables	15,231	15,056
Debt issuance costs	10,799	—
Other	547	326
Total prepaid expenses and other current assets	<u>\$ 38,849</u>	<u>\$ 30,795</u>

Other Long-Term Assets

Other long-term assets consist of the following:

	March 31,	December 31,
	2013	2012
	(In thousands)	
Other tax receivable	\$ 5,811	\$ 5,811
Long-term investments	413	413
Debt issuance costs	644	11,516
Long-term restricted cash	7,935	4,509
Security deposit and other	2,608	3,076
Total other long-term assets	<u>\$ 17,411</u>	<u>\$ 25,325</u>

Debt issuance costs related to the Company's Subordinated Convertible Debentures were reclassified to Prepaid expenses and other current assets from Other long-term assets as the related Subordinated Convertible Debentures were reclassified from long-term liabilities to current liabilities as of March 31, 2013 due to the fact that they are convertible at the option of each holder through June 30, 2013. Refer to Note 8, "Debt and Interest Expense" for further discussion of the Subordinated Convertible Debentures.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	March 31, 2013	December 31, 2012
	(In thousands)	
Accounts payable	\$ 23,410	\$ 23,519
Accrued employee compensation	28,875	38,778
Customer deposits, net	17,643	19,321
Taxes payable and other tax liabilities	32,275	21,918
Other accrued liabilities	17,783	26,855
Total accounts payable and accrued liabilities	\$ 119,986	\$ 130,391

Accrued employee compensation primarily consists of liabilities for employee leave, salaries, payroll taxes, employee contributions to the employee stock purchase plan, and incentive compensation. Accrued employee incentive compensation as of December 31, 2012 was paid during the three months ended March 31, 2013. Taxes payable and other tax liabilities as of March 31, 2013 reflects an increase in current income taxes payable compared to December 31, 2012. Other accrued liabilities include miscellaneous vendor payables and interest on the Subordinated Convertible Debentures which is paid semi-annually in arrears on August 15 and February 15.

Note 5. Stockholders' Deficit

On December 5, 2012, the Company's Board of Directors authorized the repurchase of up to approximately \$458.8 million of common stock, in addition to the \$541.2 million of its common stock remaining available for repurchase under the previous 2010 Share Buyback Program, for a total repurchase authorization of up to \$1.0 billion of its common stock (collectively, the "2012 Share Buyback Program"). The 2012 Share Buyback Program has no expiration date. Purchases made under the 2012 Share Buyback Program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions. During the three months ended March 31, 2013 the Company repurchased 3.0 million shares of its common stock at an average stock price of \$44.16. The aggregate cost of the repurchases under the 2012 Share Buyback Program in the three months ended March 31, 2013 was \$132.0 million. As of March 31, 2013, \$843.6 million remained available for further repurchases under the 2012 Share Buyback Program.

During the three months ended March 31, 2013, the Company placed 0.2 million shares, at an average stock price of \$45.30 and for an aggregate cost of \$10.9 million, into treasury stock for purposes related to tax withholdings upon vesting of Restricted Stock Units ("RSUs").

Since inception the Company has repurchased 168.6 million shares of its common stock for an aggregate cost of \$5.1 billion, which is presented as a reduction of Additional paid-in capital.

Note 6. Calculation of Net Income per Share

The Company computes basic net income per share by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted net income per share gives effect to dilutive potential common shares, including the conversion spread relating to the Subordinated Convertible Debentures, unvested RSUs, outstanding stock options, and employee stock purchases, using the treasury stock method. The following table presents the computation of weighted-average shares used in the calculation of basic and diluted net income per share:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Weighted-average number of common shares outstanding	152,543	159,344
Weighted-average potential shares of common stock outstanding:		
Conversion spread related to the Subordinated Convertible Debentures	7,904	2,541
Unvested RSUs	787	767
Stock options	104	201
Employee stock purchase plan	8	28
Shares used to compute diluted net income per share	161,346	162,881

The following table presents the weighted-average potential shares of common stock that were excluded from the above calculation because their effect was anti-dilutive, and the respective weighted-average exercise prices of the weighted-average stock options outstanding:

	Three Months Ended March 31,	
	2013	2012
	(In thousands, except per share data)	
Weighted-average stock options outstanding	—	60
Weighted-average exercise price	\$ —	\$ 40.81
Weighted-average RSUs outstanding	301	2
Employee stock purchase plan	86	120

Note 7. Stock-based Compensation

Stock-based compensation is classified in the Condensed Consolidated Statements of Operations and Comprehensive Income in the same expense line items as cash compensation. The following table presents the classification of stock-based compensation:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Cost of revenues	\$ 1,540	\$ 1,537
Sales and marketing	1,487	1,516
Research and development	1,895	1,242
General and administrative	2,672	3,835
Total stock-based compensation expense	\$ 7,594	\$ 8,130

The following table presents the nature of the Company's total stock-based compensation:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
RSUs	\$ 6,521	\$ 7,413
Employee stock purchase plan	1,707	1,010
Stock options	83	355
Capitalization (Included in Property and equipment, net)	(717)	(648)
Total stock-based compensation expense	\$ 7,594	\$ 8,130

Note 8. Debt and Interest Expense*Subordinated Convertible Debentures*

In August 2007, Verisign issued \$1.25 billion principal amount of 3.25% subordinated convertible debentures due August 15, 2037, in a private offering. The Subordinated Convertible Debentures are initially convertible, subject to certain conditions, into shares of the Company's common stock at a conversion rate of 29.0968 shares of common stock per \$1,000 principal amount of Subordinated Convertible Debentures, representing an initial effective conversion price of approximately \$34.37 per share of common stock.

Holders of the debentures may convert their Subordinated Convertible Debentures at the applicable conversion rate, in multiples of \$1,000 principal amount, only under the following circumstances:

- during any fiscal quarter beginning after December 31, 2007, if the last reported sale price of the Company's common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price in effect on the last trading day of such preceding fiscal quarter (the "Conversion Price Threshold Trigger");
- during the five business-day period after any 10 consecutive trading-day period in which the trading price per \$1,000 principal amount of Subordinated Convertible Debentures for each day of that 10 consecutive trading-day period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on such day;
- if the Company calls any or all of the Subordinated Convertible Debentures for redemption pursuant to the terms of the Indenture, at any time prior to the close of business on the trading day immediately preceding the redemption date;
- upon the occurrence of any of several specified corporate transactions as specified in the Indenture governing the Subordinated Convertible Debentures; or
- at any time on or after May 15, 2037, and prior to the maturity date.

The Company's common stock price exceeded the Conversion Price Threshold Trigger in the first quarter of 2013. Accordingly, the Subordinated Convertible Debentures are convertible at the option of each holder through June 30, 2013. Further, in the event of conversion, the Company intends, and has the ability, to settle the principal amount of the Subordinated Convertible Debentures in cash, and therefore, has classified the debt component of the Subordinated Convertible Debentures and the embedded contingent interest derivative as current liabilities as of March 31, 2013. On a quarterly basis, the Company must make a determination of whether or not the Subordinated Convertible Debentures are convertible, and accordingly, assess the classification of the related liabilities and assets as long-term or current.

2011 Credit Facility

In April 2013, the Company repaid the \$100.0 million of borrowings that were outstanding under the 2011 Credit Facility as of March 31, 2013 and also paid interest accrued through the repayment date, using proceeds from the issuance of the Company's 4.625% Senior Notes due 2023 as described in Note 12, "Subsequent Events." Accordingly, the \$100.0 million balance outstanding as of March 31, 2013 remained classified in long-term liabilities as it was repaid using the proceeds from new long-term financing.

The following table presents the components of the Company's interest expense:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Contractual interest on the Subordinated Convertible Debentures	\$ 10,156	\$ 10,156
Amortization of debt discount on the Subordinated Convertible Debentures	2,101	1,935
Interest capitalized to Property and equipment, net	(268)	(388)
Credit facility and other interest expense	607	637
Total interest expense	<u>\$ 12,596</u>	<u>\$ 12,340</u>

Note 9. Non-operating (Loss) Income, Net

The following table presents the components of Non-operating (loss) income, net:

	Three Months Ended March 31,	
	2013	2012
(In thousands)		
Interest and dividend income	\$ 643	\$ 300
Unrealized loss on contingent interest derivative on Subordinated Convertible Debentures	(6,433)	(813)
Income from transition services agreements	—	1,093
Other, net	13	227
Total non-operating (loss) income, net	<u>\$ (5,777)</u>	<u>\$ 807</u>

Interest and dividend income is earned principally from the Company's surplus cash balances and marketable securities. Unrealized loss on the contingent interest derivative on the Subordinated Convertible Debentures reflects the change in value of the derivative that resulted primarily from an increase in the Company's stock price. Income from transition services agreements includes fees generated from services provided to the purchasers of divested businesses for a certain period of time to facilitate the transfer of business operations. All transition services were completed in 2012.

Note 10. Income Taxes

The following table presents income tax expense from continuing operations and the effective tax rate:

	Three Months Ended March 31,	
	2013	2012
(Dollars in thousands)		
Income tax expense from continuing operations	\$ 30,378	\$ 21,292
Effective tax rate	26%	24%

The effective tax rate for the three months ended March 31, 2013 and 2012 is lower than the statutory federal rate of 35% primarily due to tax benefits from foreign income taxed at lower rates, partially offset by state income taxes and non-deductible stock based compensation. The effective tax rate for the three months ended March 31, 2012 was also reduced due to the release of a \$2.7 million valuation allowance which related to investments with differing book and tax bases.

As a result of the reclassification of the Company's Convertible Debentures to current liabilities, the Company also reclassified the related deferred tax liability to current liabilities as of March 31, 2013. This change resulted in a shift for the U.S. federal and state tax jurisdictions from a net current deferred tax asset position to a net current deferred tax liability position and from a net long-term deferred tax liability position to a net long-term deferred tax asset position as of March 31, 2013.

Note 11. Contingencies*Legal Proceedings*

On March 5, 2012, a complaint entitled *Warhanek v. Bidzos, et al.* was filed in the United States District Court for the District of Delaware. The complaint asserts derivative claims on behalf of Verisign against current directors D. James Bidzos, William L. Chenevich, Roger H. Moore, Kathleen A. Cote, John D. Roach, Louis A. Simpson, Timothy Tomlinson and a former director, President and Chief Executive Officer Mark D. McLaughlin (the "Director Defendants"). The complaint also asserts one derivative claim against officers and certain former officers Richard H. Goshorn, Christine C. Brennan, and Kevin A. Werner (the "Executive Defendants," and together with the Director Defendants and nominal defendant Verisign, the "Defendants").

The complaint alleges that the Director Defendants fraudulently obtained shareholder approval of certain incentive-based compensation plans by misrepresenting the tax deductibility of certain compensation paid to Verisign's executive officers, including the Executive Defendants. Verisign adopted and obtained shareholder approval of several incentive-based compensation plans, including a 2010 Annual Incentive Compensation Plan ("AICP"), and an Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan ("2006 Plan") and these plans were submitted to shareholders for approval in the 2010 and

2011 Proxy Statements (the “Prior Proxy Statements”), respectively. The complaint alleges that the Prior Proxy Statements falsely disclosed, or failed to adequately disclose, the material terms under which performance-based compensation would be paid under the AICP and the 2006 Plan. The complaint further alleges that the Prior Proxy Statements falsely represented that certain compensation paid to certain employees in excess of \$1 million would be tax deductible.

The complaint asserts derivative claims against the Director Defendants for (1) violations of Section 14(a) of the Exchange Act for making false statements in and omitting material facts from the Prior Proxy Statements; (2) breach of fiduciary duty; and (3) waste of corporate assets. The complaint asserts an additional derivative claim against the Director Defendants and Executive Defendants for unjust enrichment based on compensation payments they received under the AICP or the 2006 Plan, as disclosed in the Prior Proxy Statements. No demand was made on the Board to institute this action, and the complaint alleges that any such demand would be futile because each director is either interested or lacks independence with respect to the challenges to the AICP and 2006 Plan. The relief sought by the complaint includes, among other things, an order nullifying the shareholder approval of the AICP and the 2006 Plan, an injunction requiring correction of the alleged misrepresentations in the Company’s Prior Proxy Statements, and an order requiring equitable accounting, with disgorgement, in favor of the Company for the purported losses it has and will sustain. On May 25, 2012, the defendants filed motions to dismiss this action in its entirety. Oral arguments on the motions to dismiss took place on November 16, 2012 and the matter is now under advisement with the court.

On January 16, 2013, a complaint now captioned *City of Fort Lauderdale General Employees’ Retirement System v. VeriSign, Inc., et al.*, and formerly captioned as *Glaser v. VeriSign, Inc. et al.*, was filed in the United States District Court for the Eastern District of Virginia (Alexandria Division). The complaint asserts claims against the Company, D. James Bidzos and George E. Kilguss, III for alleged violations of Sections 10(b) and 20(a) of the 1934 Exchange Act and Rule 10b-5. The complaint alleges that the defendants made false and misleading statements primarily about the prospects for renewal of the .com registry agreement and with respect to revenue guidance.

The plaintiff seeks to certify a class consisting of those who purchased Verisign common stock between June 25, 2012 and October 25, 2012. The complaint seeks money damages with interest, costs and expenses of litigation including attorney fees, and equitable/injunctive or other and further relief as may be just and proper.

On February 15, 2013, the defendants filed a motion to dismiss the complaint. On March 8, 2013, the court granted plaintiff’s motion to stay a response to defendants’ motion to dismiss until after the appointment of lead plaintiff and lead counsel. On April 12, 2013, the court entered an order appointing lead counsel and as the lead plaintiff the City of Fort Lauderdale General Employees’ Retirement System. The court has also directed the plaintiff to file an amended complaint by April 26, 2013.

Indemnifications

In connection with the sale of the Authentication Services business to Symantec in August 2010, the Company has agreed to indemnify Symantec for certain potential legal claims arising from the operation of the Authentication Services business for a period of sixty months after the closing of the sale transaction. The Company’s indemnification obligations in this regard are triggered only when indemnifiable claims exceed in the aggregate \$4.0 million. Thereafter, the Company is obligated to indemnify Symantec for 50% of all indemnifiable claims. The Company’s maximum indemnification obligation with respect to these claims is capped at \$50.0 million.

While certain legal proceedings and related indemnification obligations to which the Company is a party specify the amounts claimed, such claims may not represent reasonably possible losses. Given the inherent uncertainties of the litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated, except in circumstances where an aggregate litigation accrual has been recorded for probable and reasonably estimable loss contingencies. A determination of the amount of accrual required, if any, for these contingencies is made after careful analysis of each matter. The required accrual may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters. The Company does not believe that any such matter currently being reviewed will have a material adverse effect on its financial condition, results of operations, or cash flows.

Verisign is involved in various other investigations, claims and lawsuits arising in the normal conduct of its business, none of which, in its opinion, will have a material adverse effect on its financial condition, results of operations, or cash flows. The Company cannot assure you that it will prevail in any litigation. Regardless of the outcome, any litigation may require the Company to incur significant litigation expense and may result in significant diversion of management attention.

Note 12. Subsequent Event

On April 16, 2013, the “Company issued \$750.0 million principal amount of 4.625% Senior Notes due 2023 (the “Notes”) at an issue price of 100%. The Notes were issued pursuant to an indenture, dated as of April 16, 2013 (the “Indenture”), among the Company, each of the subsidiary guarantors party thereto and U.S. Bank National Association. The Indenture provides that the Notes are general unsecured senior obligations of the Company and will be guaranteed on an unsecured senior basis by VeriSign Information Services, Inc. (the “Guarantor”). The Company’s Restricted Subsidiaries (as defined in the Indenture) may be required to guarantee the Notes if they incur or guarantee certain indebtedness. The Company used a portion of the net proceeds from the sale of the Notes to repay in full the \$100.0 million of outstanding indebtedness under its unsecured credit facility and to pay accrued and unpaid interest thereunder. The Company intends to use the remaining amount of the net proceeds for general corporate purposes, including, but not limited to, the repurchase of shares under its share repurchase program.

The Company will pay interest on the Notes at 4.625% per annum, semi-annually on May 1 and November 1, commencing on November 1, 2013. The Company may redeem all or a portion of the Notes at any time prior to May 1, 2018 at a price equal to 100% of the principal amount of the Notes plus a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date. In addition, on or before May 1, 2018, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds of certain equity offerings at a redemption price of 104.625% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. The Company may redeem all or a portion of the Notes at any time on or after May 1, 2018 at the applicable redemption prices set forth in the Indenture plus accrued and unpaid interest, if any, to the redemption date. If the Company experiences specific kinds of changes in control and if the Notes are rated below investment grade by both rating agencies that rate the Notes, the Company will be required to make an offer to purchase the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the date of purchase.

The Indenture contains covenants that limit the ability of the Company and/or its Restricted Subsidiaries, under certain circumstances, to, among other things: (i) pay dividends or make distributions on, or redeem or repurchase, its capital stock; (ii) make certain investments; (iii) create liens on assets; (iv) enter into sale/leaseback transactions and (v) merge or consolidate or sell all or substantially all of its assets. These covenants are subject to a number of important limitations and exceptions. The Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, accrued and unpaid interest and any other monetary obligations on all the then outstanding Notes to be due and payable immediately.

On April 16, 2013, the Company and the Guarantor entered into a registration rights agreement (the “Registration Rights Agreement”) with the Initial Purchasers that provides holders of the Notes certain rights relating to registration of the Notes under the Securities Act of 1933, as amended (the “Securities Act”).

Pursuant to the Registration Rights Agreement, the Company and the Guarantor will file an exchange offer registration statement with respect to a registered offer (the “Exchange Offer”) to exchange the Notes for substantially identical notes (the “Exchange Notes”) not later than January 13, 2014 and use commercially reasonable efforts to cause the exchange offer registration statement to become effective under the Securities Act. Upon the exchange offer registration statement being declared effective, the Company and the Guarantor will use their commercially reasonable efforts to consummate the Exchange Offer not later than 60 days after such registration statement becomes effective. If the Company and the Guarantor determine that a registered exchange offer would violate any applicable law or applicable SEC staff interpretations, or if the exchange offer is not completed within 270 days after the closing date, or, in certain circumstances, upon the request of any Initial Purchaser, the Company and the Guarantor will use commercially reasonable efforts to file a shelf registration statement, to cause the shelf registration statement to be declared effective and to keep it effective for a specified period of time. If and for so long as the Company and the Guarantor have not exchanged the Exchange Notes for all Notes validly tendered in accordance with the terms of the Exchange Offer or if a shelf registration statement is required and is not effective, each within a specified period of time, or if an effective shelf registration statement ceases to be effective during the required effectiveness period for more than a specified number of days in any 12-month period (each, as applicable, the “Registration Default”), the annual interest rate borne by the Notes will be increased by 0.25% per annum during the 90-day period immediately following such Registration Default and will increase by 0.25% per annum at the end of each subsequent 90-day period, but in no event shall such increase exceed 1.0% per annum.

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

You should read the following discussion in conjunction with the interim unaudited Condensed Consolidated Financial Statements and related notes.

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. You should also carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q or Current Reports on Form 8-K that we file in 2013 and our 2012 Form 10-K, which was filed on February 28, 2013, which discuss our business in greater detail. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview

We are a global provider of domain name registry services which power the navigation of the Internet by operating a global infrastructure for a portfolio of top-level domains that includes .com, .net, .tv, .edu, .gov, .jobs, .name and .cc as well as two of the world's 13 Internet root servers ("Registry Services"). Our product suite also includes NIA Services consisting of DDoS Protection Services, iDefense and Managed DNS. We have one reportable segment consisting of Registry Services and NIA Services. As of March 31, 2013, we had approximately 123.1 million domain names registered under the .com and .net registries, our principal registries. The number of domain names registered is largely driven by continued growth in online advertising, e-commerce, and the number of Internet users, which is partially driven by greater availability of broadband, as well as advertising and promotional activities carried out by us and third-party registrars. Recently, growth in the number of domain names has been hindered by certain factors, including the overall economic conditions and changes to search algorithms used by Google and other Internet search engines that negatively affect the profitability of certain types of websites, and as a result, reduce demand for new domain name registrations and renewals. Although growth in absolute number of registrations remains greatest in the U.S., growth on an annual percentage basis is expected to be greatest in markets outside of the U.S. over the long-term. Revenues from NIA Services are not significant in relation to our consolidated revenues.

Business Highlights and Trends

- We recorded revenues of \$236.4 million during the three months ended March 31, 2013 which represents an increase of 15% as compared to the same period in 2012.
- We recorded operating income of \$133.3 million during the three months ended March 31, 2013, an increase of 35%, as compared to the same period of the prior year.
- We repurchased approximately 3.0 million shares of our common stock under the 2012 Share Buyback Program for an aggregate cost of \$132.0 million during the three months ended March 31, 2013. Through April 25, 2013, we repurchased an additional 0.6 million shares of our common stock under the 2012 Share Buyback Program for an aggregate cost of \$26.9 million.
- We generated cash flows from operating activities of \$150.6 million during the three months ended March 31, 2013, an increase of 37% as compared to the same period last year.
- The price of our common stock exceeded the Conversion Price Threshold Trigger during the first quarter of 2013, and therefore, the Subordinated Convertible Debentures are convertible into common stock during the second quarter of 2013 at the option of each holder. The debt component of the Subordinated Convertible Debentures, the related embedded contingent interest derivative, and deferred tax liability were reclassified from long-term liabilities to current liabilities, while the associated unamortized debt issuance costs were reclassified from long-term assets to current assets, as of March 31, 2013.
- On April 16, 2013, we issued \$750.0 million aggregate principal amount of 4.625% Senior Notes due 2023. We used \$100.0 million of the proceeds to repay the outstanding indebtedness under our existing revolving credit facility and we intend to use the remaining proceeds for general corporate purposes including, but not limited to, the repurchase of shares under the 2012 Share Buyback Program.

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Pursuant to our agreements with ICANN, Verisign makes available on its website at www.verisigninc.com/zone files containing all active domain names registered in the .com and .net registries. At the same website address, Verisign makes available a summary of the number of active domain names registered in the .com and .net registries and the number of .com and .net domain names that are registered but are not configured for use. These files and the related summary data are updated at least once per day. The update times may vary each day. The summary data provided on the website includes domain names that, at the time of publication, were recently purchased and subject to a five day grace period during which the domain names may be deleted and a credit may be issued to a registrar (the "add grace period"). The number of active domain names subject to the add grace period is typically immaterial. The numbers provided in this Form 10-Q are the numbers as of midnight of the date reported, include domain names registered but not configured for use, and do not include domain names subject to the add grace period and therefore cannot be compared to the summary posted on our website. Information available on, or accessible through, this website is not incorporated herein by reference.

Results of Operations

The following table presents information regarding our results of operations as a percentage of revenues:

	Three Months Ended March 31,	
	2013	2012
Revenues	100 %	100 %
Costs and expenses:		
Cost of revenues	20	20
Sales and marketing	8	14
Research and development	8	7
General and administrative	8	11
Restructuring charges	—	—
Total costs and expenses	44	52
Operating income	56	48
Interest expense	(5)	(6)
Non-operating (loss) income, net	(2)	—
Income from continuing operations before income taxes	49	42
Income tax expense	(13)	(10)
Income from continuing operations, net of tax	36	32
Income from discontinued operations, net of tax	—	1
Net income	36 %	33 %

Revenues

Revenues related to our Registry Services are primarily derived from registrations for domain names in the *.com*, *.net*, *.cc*, *.tv*, *.name*, *.gov*, and *.jobs* domain name registries. Revenues from *.cc*, *.tv*, *.name*, *.gov*, and *.jobs* are not significant in relation to our consolidated revenues. For domain names registered with the *.com* and *.net* registries, we receive a fee from third-party registrars per annual registration that is fixed pursuant to our agreements with ICANN. Individual customers, called registrants, contract directly with third-party registrars or their resellers, and the third-party registrars in turn register the *.com*, *.net*, *.cc*, *.tv*, *.name* and *.jobs* domain names with Verisign. Changes in revenues are driven largely by increases in the number of new domain name registrations and the renewal rate for existing registrations as well as the impact of new and prior price increases, to the extent permitted, by ICANN and the DOC. New registrations and the renewal rate for existing registrations are impacted by continued growth in online advertising, e-commerce, and the number of Internet users, which is partially driven by greater availability of broadband, as well as advertising and promotional activities carried out by us and third-party registrars. On January 15, 2012, we increased our *.com* domain name registration fees by 7% from \$7.34 to \$7.85 and *.net* domain name registration fees by 10% from \$4.65 to \$5.11. We have the contractual right to increase the fees for *.net* domain name registrations by up to 10% each year during the term of our *.net* agreement with ICANN through June 30, 2017. The price of *.com* domain names is fixed at \$7.85 for the duration of the new *.com* Registry Agreement through November 30, 2018, except that prices may be raised by up to 7% each year due to the imposition of any new Consensus Policy or documented extraordinary expense resulting from an attack or threat of attack on the Security and Stability (each as defined in the *.com* Registry Agreement) subject to approval of the DOC. On December 19, 2012, we announced that effective July 1, 2013, the registry fee for *.net* domain names will increase from \$5.11 to \$5.62. We offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate. All revenues paid to us for *.com* and *.net* registrations are in U.S. dollars. Revenues from NIA Services are not significant in relation to our total consolidated revenues.

A comparison of revenues is presented below:

	Three Months Ended March 31,		
	2013	% Change	2012
	(Dollars in thousands)		
Revenues	\$ 236,447	15%	\$ 205,726

The following table compares domain names ending in *.com* and *.net* managed by our Registry Services business:

	March 31, 2013	% Change	March 31, 2012
Active domain names ending in <i>.com</i> and <i>.net</i>	123.1 million	5%	116.7 million

Our revenues increased by \$30.7 million during the three months ended March 31, 2013, as compared to the same period last year, primarily due to a 5% year-over-year increase in the number of domain names ending in *.com* and *.net* and increases in our *.com* and *.net* registry fees in July 2010 and January 2012 as per our agreements with ICANN.

The growth in the number of active domain names was primarily driven by continued Internet growth and new domain name promotional programs. We expect to see continued growth in the number of active domain names in 2013 as a result of further Internet growth. In addition, while we expect to see continued growth internationally in both *.com* and *.net* domain name bases, especially in markets that we have targeted through our marketing programs, recently the ongoing economic instability has limited the rate of growth of the domain name base and may continue to do so in the future. Further, according to published reports, in 2012 Google made, and may continue to make changes to its search algorithm and pay-per-click advertising policies to provide less compensation for certain types of websites. This could make such websites less profitable and we believe resulted in fewer domain registrations in 2012. Moreover, we believe that some first time renewing websites affected by this change did not renew during 2012. Although growth in the domain name base may be limited by these factors, we expect revenues will continue to increase in fiscal 2013 as compared to fiscal 2012 as a result of continued growth in the number of active domain names ending in *.com* and *.net*, increases in our *.com* and *.net* registry fees in July 2010 and January 2012, and the implementation of the increase in *.net* registry fees which will become effective in July 2013.

During the first half of 2012, ICANN began the application process for new gTLDs, including new IDN gTLDs. The application period closed in May 2012, and new domain name registration opportunities for a portion of the approved new gTLDs are expected to be available in 2013. We applied for 14 new gTLDs including 12 transliterations of *.com* and *.net*. In addition, applicants for approximately 220 new gTLDs originally selected us to provide back-end registry services. However, currently, applicants for approximately 200 new gTLDs continue to contract with the Company to provide back-end registry services. We cannot predict whether we will be successful in becoming the registry for all or any of the gTLDs for which we submitted applications or whether any of the applications that remain active for which we would serve as the back-end service provider will be successful. We also cannot predict whether there will be any delays in ICANN's approval process. For

example, ICANN has stated that it will need to limit the maximum number of new gTLDs that may be delegated in a year to 1,000. The application process and availability of domain name registrations for approved new gTLDs applied for by Verisign or Verisign’s customers, and the timing of revenue generation, if any, from these gTLDs is uncertain. We do not expect to generate significant revenues, if any, from new gTLDs before 2014.

We cannot assess the impact, if any, the introduction of these new gTLDs will have on our revenues and results of operations. See Item 1A. “Risk Factors—We may face additional competition, operational and other risks from the introduction of new gTLDs by ICANN, which could have a material adverse effect on our business, results of operations, financial condition and cash flows,” of this Form 10-Q.

Geographic revenues

We generate revenues in the U.S.; Australia, China, India and other Asia Pacific countries (“APAC”); Europe, the Middle East and Africa (“EMEA”); and certain other countries including Canada and Latin American countries.

The following table presents a comparison of our geographic revenues:

	Three Months Ended March 31,		
	2013	% Change	2012
	(Dollars in thousands)		
U.S.	\$ 142,147	13%	\$ 125,928
EMEA	40,001	29%	31,102
APAC	33,659	10%	30,669
Other	20,640	14%	18,027
Total revenues	<u>\$ 236,447</u>		<u>\$ 205,726</u>

Revenues are generally attributed to the country of domicile and the respective regions in which our registrars are located. Revenues from each of the respective regions increased during the three months ended March 31, 2013, as compared to the same period last year, primarily driven by an increase in the number of domain names ending in .com and .net and increases in our .com and .net registry fees in July 2010 and January 2012. The increase in the number of domain names ending in .com and .net was driven by continued Internet growth and domain name promotional programs. The U.S., as a more mature market, where broadband and e-commerce have seen strong market penetration, is expected to see decreasing incremental growth rates in the future. Revenue growth for each region is impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. In the three months ended March 31, 2013 revenue growth in EMEA benefited from several such changes while revenue growth in APAC was negatively impacted. We expect to see larger increases in certain international regions, resulting from greater broadband and Internet penetration and expanding e-commerce as electronic means of payments are increasingly adopted.

Cost of revenues

Cost of revenues consist primarily of salaries and employee benefits expenses for our personnel who manage the operational systems, depreciation expenses, operational costs associated with the delivery of our services, fees paid to ICANN, customer support and training, consulting and development services, costs of facilities and computer equipment used in these activities, telecommunications expense and allocations of indirect costs such as corporate overhead.

A comparison of cost of revenues is presented below:

	Three Months Ended March 31,		
	2013	% Change	2012
	(Dollars in thousands)		
Cost of revenues	\$ 47,254	15%	\$ 41,256

Cost of revenues increased during the three months ended March 31, 2013, as compared to the same period last year, primarily due to increases in registry fees and depreciation expenses. Registry fees increased by \$3.0 million, primarily due to an increase in the .com registry fees paid to ICANN under the renewed .com Registry Agreement which became effective in the fourth quarter of 2012. Depreciation expenses increased by \$2.4 million due to the acceleration of depreciation on an abandoned software product and an increase in purchases of equipment and hardware to support our infrastructure during the three months ended March 31, 2013.

We expect cost of revenues as a percentage of revenues to remain consistent during the remainder of 2013 compared to the three months ended March 31, 2013.

Sales and marketing

Sales and marketing expenses consist primarily of salaries, sales commissions, sales operations and other personnel-related expenses, travel and related expenses, gTLD application costs, trade shows, costs of lead generation, costs of computer and communications equipment and support services, facilities costs, consulting fees, costs of marketing programs, such as online, television, radio, print and direct mail advertising costs, and allocations of indirect costs such as corporate overhead.

A comparison of sales and marketing expenses is presented below:

	Three Months Ended March 31,		
	2013	% Change	2012
	(Dollars in thousands)		
Sales and marketing	\$ 18,104	(35)%	\$ 27,815

Sales and marketing expenses decreased during the three months ended March 31, 2013, as compared to the same period last year, primarily due to a decrease in consulting and advertising expenses, and due to the gTLD application fees paid to ICANN in 2012. Consulting and advertising expenses decreased by \$6.5 million due to the timing of marketing initiatives related to our Registry Services business. In the three months ended March 31, 2012, we incurred fees of \$2.4 million related to applications for new gTLDs.

We expect sales and marketing expenses as a percentage of revenues to increase during the remainder of 2013 compared to the three months ended March 31, 2013 as the volume of marketing initiatives increases.

Research and development

Research and development expenses consist primarily of costs related to research and development personnel, including salaries and other personnel-related expenses, consulting fees, facilities costs, computer and communications equipment, support services used in our service and technology development, and allocations of indirect costs such as corporate overhead.

A comparison of research and development expenses is presented below:

	Three Months Ended March 31,		
	2013	% Change	2012
	(Dollars in thousands)		
Research and development	\$ 18,176	23%	\$ 14,765

Research and development expenses increased during the three months ended March 31, 2013, as compared to the same period last year, primarily due to an increase in salary and employee benefits expenses. Salary and employee benefits expenses increased by \$2.6 million due to an increase in average headcount to support the development of our DNS infrastructure and other new services.

We expect research and development expenses as a percentage of revenues to remain consistent during the remainder of 2013 compared to the three months ended March 31, 2013.

General and administrative

General and administrative expenses consist primarily of salaries and other personnel-related expenses for our executive, administrative, legal, finance, information technology and human resources personnel, costs of facilities, computer and communications equipment, management information systems, support services, professional services fees, certain tax and license fees, and bad debt expense, offset by allocations of indirect costs such as facilities and shared services expenses to other cost types.

A comparison of general and administrative expenses is presented below:

	Three Months Ended March 31,		
	2013	% Change	2012
	(Dollars in thousands)		
General and administrative	\$ 19,649	(16)%	\$ 23,508

General and administrative expenses decreased during the three months ended March 31, 2013, as compared to the same period last year primarily due to a decrease in legal expenses. Legal expenses decreased by \$2.3 million primarily due to a decrease in costs related to litigation, patents and trademarks and a decrease in aggregate fees for outside counsel during the three months ended March 31, 2013.

We expect general and administrative expenses as a percentage of revenues to increase slightly during the remainder of 2013 compared to the three months ended March 31, 2013.

Interest expense

Interest expense consists of contractual interest payments on the Subordinated Convertible Debentures, amortization of debt discount and debt issuance costs on the liability component of our Subordinated Convertible Debentures, interest expenses related to our current \$200.0 million senior unsecured revolving credit facility, offset by capitalized interest.

A comparison of interest expense is presented below:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Contractual interest on the Subordinated Convertible Debentures	\$ 10,156	\$ 10,156
Amortization of debt discount on the Subordinated Convertible Debentures	2,101	1,935
Interest capitalized to Property and equipment, net	(268)	(388)
Credit facility and other interest expense	607	637
Total interest expense	<u>\$ 12,596</u>	<u>\$ 12,340</u>

We expect interest expense to increase during the remainder of 2013 compared to the three months ended March 31, 2013 due to the additional interest payable on the \$750.0 million aggregate principal amount of 4.625% notes issued in April 2013. See Note 12, "Subsequent Event" of our Notes to Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q.

Non-operating (loss) income, net

The following table presents the components of Non-operating (loss) income, net:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Interest and dividend income	\$ 643	\$ 300
Unrealized loss on contingent interest derivative on Subordinated Convertible Debentures	(6,433)	(813)
Income from transition services agreements	—	1,093
Other, net	13	227
Total non-operating (loss) income, net	<u>\$ (5,777)</u>	<u>\$ 807</u>

The unrealized loss on the contingent interest derivative on the Subordinated Convertible Debentures increased during the three months ended March 31, 2013 due to a change in the fair value of the derivative that resulted primarily from an increase in the Company's stock price. Income from transition services agreements includes fees generated from services provided to the purchasers of divested businesses for a certain period of time to facilitate the transfer of business operations. All transition services were completed in 2012.

Income tax expense

The following table presents income tax expense from continuing operations and the effective tax rate:

	Three Months Ended March 31,	
	2013	2012
	(Dollars in thousands)	
Income tax expense from continuing operations	\$ 30,378	\$ 21,292
Effective tax rate	26%	24%

The effective tax rate for the three months ended March 31, 2013 and 2012 is lower than the statutory federal rate of 35% primarily due to tax benefits from foreign income taxed at lower rates, partially offset by state income taxes and non-deductible stock based compensation. The effective tax rate for the three months ended March 31, 2012 was also reduced due to the release of a \$2.7 million valuation allowance which related to investments with differing book and tax bases.

Income from discontinued operations, net of tax

Income from discontinued operations before income taxes for the three months ended March 31, 2012 primarily represents the reversal of certain retained liabilities related to the prior operations of a divested business.

Liquidity and Capital Resources

	March 31, 2013	December 31, 2012
	(In thousands)	
Cash and cash equivalents	\$ 78,620	\$ 130,736
Marketable securities	1,483,827	1,425,700
Total	<u>\$ 1,562,447</u>	<u>\$ 1,556,436</u>

As of March 31, 2013, our principal source of liquidity was \$78.6 million of cash and cash equivalents and \$1.5 billion of marketable securities. The marketable securities consist primarily of debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies meeting the criteria of our investment policy, which is focused on the preservation of our capital through investment in investment grade securities. The cash equivalents consist mainly of amounts invested in money market funds and U.S. Treasury bills purchased with original maturities of less than 90 days. Our marketable securities consist primarily of U.S. Treasury bills with contractual maturities of less than one year. Approximately \$28.5 million of marketable securities held as of March 31, 2013 have contractual maturities between one year and three years. Our cash and cash equivalents are readily accessible. For additional information on our investment portfolio, see Note 2, "Cash, Cash Equivalents, and Marketable Securities," of our Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

As of March 31, 2013, the amount of cash and cash equivalents and marketable securities held by foreign subsidiaries was \$1.3 billion. Our intent is to permanently reinvest outside of the U.S. those funds held by foreign subsidiaries that have not been previously taxed in the U.S. Currently, we do not anticipate that we will need funds that were generated from foreign operations to fund our domestic operations. In the event funds from foreign operations are needed to fund operations in the U.S. and if U.S. tax has not already been previously provided, we would be required to accrue and pay additional U.S. taxes in order to repatriate these funds.

As of March 31, 2013, we had \$1.25 billion principal amount outstanding of 3.25% Convertible Debentures due 2037 (See Note 8 "Debt and Interest Expense" of the accompanying condensed consolidated financial statements). The Convertible Debentures will mature in August 2037, unless earlier repurchased, redeemed or converted.

Our common stock price exceeded the Conversion Price Threshold Trigger in the first quarter of 2013. Accordingly, the Subordinated Convertible Debentures are convertible at the option of the holder through June 30, 2013. We do not expect a material amount of the Convertible Debentures to be converted in the near term as the trading price of the debentures exceeds the value that is likely to be received upon conversion. However, we cannot provide any assurance that the trading price of the debentures will continue to exceed the value that would be derived upon conversion or that the holders will not elect to convert the Convertible Debentures.

If a holder elects to convert its Convertible Debentures, we are permitted under the Indenture to pursue an exchange in lieu of conversion or to settle the conversion value (as defined in the Indenture) in cash, stock, or a combination thereof. If we choose not to pursue or cannot complete an exchange in lieu of conversion, we currently have the intent and the ability (based on current facts and circumstances) to settle the principal amount of the Subordinated Convertible Debentures in cash. However, if the principal amount of the Subordinated Convertible Debentures that holders actually elect to convert exceeds our cash on hand and cash from operations, we will need to draw cash from existing financing or pursue additional sources of financing to settle the Subordinated Convertible Debentures in cash. We cannot provide any assurances that we will be able to obtain new sources of financing on terms acceptable to us or at all, nor can we assure that we will be able to obtain such financing in time to settle the Subordinated Convertible Debentures that holders elect to convert.

On April 16, 2013 we issued \$750.0 million aggregate principal amount of 4.625% percent senior, unsecured notes due 2023 in a private offering. The Notes will mature on May 1, 2023. The Company used \$100.0 million of the proceeds to repay the outstanding balance under its existing revolving credit facility and intends to use the remaining proceeds for general corporate purposes including, but not limited to, the repurchase of shares under the 2012 Share Buyback Program. The revolving credit facility remains open with an available borrowing capacity of \$200.0 million. For more information about the Notes, see Note 12, "Subsequent Event" of our Notes to Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q.

We believe existing cash, cash equivalents and marketable securities, and funds generated from operations, together with our ability to arrange for additional financing should be sufficient to meet our working capital, capital expenditure requirements, and to service our debt for the next 12 months. We regularly assess our cash management approach and activities in view of our current and potential future needs.

In summary, our cash flows for the three months ended March 31, 2013 and 2012 are as follows:

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Net cash provided by operating activities	\$ 150,637	\$ 110,278
Net cash used in investing activities	(78,565)	(12,939)
Net cash used in financing activities	(122,351)	(60,003)
Effect of exchange rate changes on cash and cash equivalents	(1,837)	2,355
Net (decrease) increase in cash and cash equivalents	<u>\$ (52,116)</u>	<u>\$ 39,691</u>

Cash flows from operating activities

Our largest source of operating cash flows is cash collections from our customers. Our primary uses of cash from operating activities are for personnel related expenditures, and other general operating expenses, as well as payments related to taxes, interest and facilities.

Net cash provided by operating activities increased in the three months ended March 31, 2013 due to a decrease in cash paid to employees and vendors, an increase in cash received from customers, and a decrease in income taxes paid compared to the same period of the prior year. Payments to employees and vendors decreased primarily due to a reduction in operating expenses and the timing of payments to vendors. Cash received from customers increased primarily due to growth in sales in the three months ended March 31, 2013. The decrease in income taxes paid in the three months ended March 31, 2013 was due to higher taxes paid by our foreign subsidiaries in the first quarter of 2012 following the expiration of a tax holiday in one of the jurisdictions in Switzerland.

Cash flows from investing activities

The changes in cash flows from investing activities primarily relate to purchases, maturities and sales of marketable securities, and purchases of property and equipment.

Net cash used in investing activities increased in the three months ended March 31, 2013 due to an increase in purchases of marketable securities and an increase in purchases of property and equipment, partially offset by an increase in the proceeds from sales and maturities of marketable securities compared to the same period of the prior year.

Cash flows from financing activities

The changes in cash flows from financing activities primarily relate to share repurchases, stock option exercises, our employee stock purchase plan (“ESPP”), and excess tax benefits from stock-based compensation.

Net cash used in financing activities increased in the three months ended March 31, 2013 primarily due to an increase in the amount of share repurchases and a decrease in the proceeds from stock option exercises compared to the same period of the prior year, partially offset by an increase in realized excess tax benefits from exercises of stock options and vesting of RSUs. In April 2013, we issued \$750.0 million aggregate principal amount of 4.625% senior notes which will mature on May 1, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our market risk exposures since December 31, 2012.

ITEM 4. CONTROLS AND PROCEDURES

Based on our management's evaluation, with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as of March 31, 2013, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting

Because of their inherent limitations, our disclosure controls and procedures and our internal control over financial reporting may not prevent material errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to risks, including that the control may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under “Legal Proceedings” in Note 11, “Contingencies,” of our Notes to Condensed Consolidated Financial Statements in Part I, Item 1, of this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to other information in this Form 10-Q, the following risk factors should be carefully considered in evaluating us and our business because these factors currently have a significant impact or may have a significant impact on our business, operating results or financial condition. Actual results could differ materially from those projected in the forward-looking statements contained in this Form 10-Q as a result of the risk factors discussed below and elsewhere in this Form 10-Q and in other filings we make with the SEC.

Risks relating to our business

Our operating results may fluctuate and our future revenues and profitability are uncertain.

Our operating results have varied in the past and may fluctuate significantly in the future as a result of a variety of factors, many of which are outside our control. These factors include the following:

- current global economic and financial conditions as well as their impact on e-commerce, financial services, and the communications and Internet industries;
- volume of new domain name registrations and renewals;
- the long sales and implementation cycles for, and potentially large order sizes of, some of our services and the timing and execution of individual customer contracts;
- our success in direct marketing and promotional campaigns and the impact of such campaigns on new registrations and renewal rates;
- in the case of our Registry Services business, any changes to the scope and success of marketing efforts by third-party registrars or their resellers;
- market acceptance of our services by our existing customers and by new customers;
- customer renewal rates and turnover of customers of our services, and in the case of our Registry Services business, the customers of the distributors of our services;
- continued development of our distribution channels for our products and services, both in the U.S. and abroad;
- the impact of price changes in our products and services or our competitors’ products and services;
- the impact of decisions by distributors to offer competing or replacement products or modify or cease their marketing practices;
- the availability of alternatives to our products;
- seasonal fluctuations in business activity;
- the introduction of new gTLDs, which could cause security, stability and resiliency problems that could harm our business;
- changes in marketing expenses related to promoting and distributing our services or services provided by third-party registrars or their resellers;
- potential attacks, including hacktivism, by nefarious actors, which could threaten the reliability or the perceived reliability of our products and services;
- potential attacks on the service offerings of our distributors, such as DDoS attacks, which could limit the availability of their service offerings and their ability to offer our products and services;
- changes in policies regarding Internet administration imposed by governments or governmental authorities inside or outside the U.S.;
- potential disruptions in regional registration behaviors due to catastrophic natural events or armed conflict;
- changes in the level of spending for information technology-related products and services by our customers; and
- the uncertainties, costs and risks as a result of the sale of our Authentication Services business, including costs related to any retained liability related to existing and future claims.

Our operating expenses may increase. If an increase in our expenses is not accompanied by a corresponding increase in our revenues, our operating results will suffer, particularly as revenues from some of our services are recognized ratably over the term of the service, rather than immediately when the customer pays for them, unlike our sales and marketing expenditures, which are expensed in full when incurred.

Due to all of the above factors, our revenues and operating results are difficult to forecast. Therefore, we believe that period-to-period comparisons of our operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. Also, operating results may fall below our expectations and the expectations of securities analysts or investors in one or more future periods. If this were to occur, the market price of our common stock would likely decline.

Our operating results may continue to be adversely affected as a result of unfavorable market, economic, social and political conditions.

An unstable global economic, social and political environment may have a negative impact on demand for our services, our business and our foreign operations, including the ongoing hostilities in the Middle East, natural disasters, the eurozone crisis and the U.S. economic environment which is affected by the debt ceiling crisis and the renewed threats of ratings downgrades. For example, recently the ongoing economic instability in Europe has possibly limited the rate of growth of the domain name base and may continue to do so in the future. In addition, the economic, social and political environment has or may negatively impact, among other things:

- our customers' continued growth and development of their businesses and our customers' ability to continue as going concerns or maintain their businesses, which could affect demand for our products and services;
- current and future demand for our services, including decreases as a result of reduced spending on information technology and communications by our customers;
- price competition for our products and services;
- the price of our common stock;
- our liquidity;
- our ability to service our debt, to obtain financing or assume new debt obligations;
- our ability to obtain payment for outstanding debts owed to us by our customers or other parties with whom we do business; and
- our ability to execute on any share repurchase plans.

In addition, to the extent that the economic, social and political environment impacts specific industry and geographic sectors in which many of our customers are concentrated, that may further negatively impact our business. If the market, economic, social and political conditions in the U.S. and globally do not improve, or if they further deteriorate, we may experience material adverse impacts on our business, operating results, financial position and cash flows as a consequence of the above factors or otherwise.

The operation of our business depends on numerous factors.

The successful operation of our business depends on numerous factors, many of which are not entirely under our control, including, but not limited to, the following:

- the use of the Internet and other IP networks, and the extent to which domain names and the DNS are used for e-commerce and communications;
- changes in Internet user behavior, Internet platforms, mobile devices and web-browsing patterns;
- growth in demand for our services;
- the competition for any of our services;
- the perceived security of e-commerce and communications over the Internet;
- the perceived security of our services, technology, infrastructure and practices;
- the loss of customers through industry consolidation or customer decisions to deploy in-house or competitor technology and services;
- our continued ability to maintain our current, and enter into additional, strategic relationships;
- our ability to successfully market our services to new and existing distributors and customers;
- our ability to develop new products, services or other offerings;
- our success in attracting, integrating, training, retaining and motivating qualified personnel;
- our response to competitive developments;
- the successful introduction, and acceptance by our current or new customers, of new products and services, including our NIA Services;
- potential disruptions in regional registration behaviors due to catastrophic natural events and armed conflict;
- seasonal fluctuations in business activity;
- our ability to implement remedial actions in response to any attacks by nefarious actors; and
- the successful introduction of enhancements to our services to address new technologies and standards, alternatives to our products and services and changing market conditions.

Substantially all of our revenue is derived from our Registry Services business. Limitations on our ability to raise prices on .com registrations and any failure to renew key agreements could, materially and adversely affect our business, results of operations, financial condition and cash flows.

Our Registry Services business, which derives most of its revenues from registration fees for domain names, generates substantially all of our revenue. If there is a disruption in the Registry Services business, including any disruption from changes in the domain name industry, changes in or challenges to our agreements with ICANN, including any changes resulting from legal challenges to these agreements, changes in our customers' or Internet users' preferences, a downturn in the economy or changes in technology related to the use of domain names, there may be a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, a failure of the DOC to approve the renewal of the .com Registry Agreement prior to the expiration of its current term on November 30, 2018 could have a material adverse effect on our business.

Under the terms of the .com Registry Agreement and the Cooperative Agreement, there is uncertainty whether the DOC will approve any exercise by the Company of its right to increase the price per .com domain name under certain circumstances and whether the Company will be able to successfully demonstrate to the DOC that market conditions warrant removal of the pricing restrictions on .com domain names, each of which could materially and adversely affect our business and results of operations. There is also uncertainty of future revenue and profitability and potential fluctuations in quarterly operating results due to the potential increase in expenses and costs coupled with such factors as restrictions on increasing prices under the .com Registry Agreement and the Cooperative Agreement or any other changes to pricing terms in these agreements upon renewal.

Issues arising from our agreements with ICANN, the DOC and the GSA could harm our Registry Services business.

We are parties to agreements (i) with the DOC with respect to certain aspects of the DNS, (ii) with ICANN and the DOC as the exclusive registry of domain names within the .com gTLD and (iii) with ICANN with respect to being the exclusive registry for the .net and .name gTLDs.

We face risks arising from our agreements with ICANN and the DOC, including the following:

- ICANN could adopt or promote policies, including Consensus Policies, procedures or programs that are unfavorable to us as the registry operator of the .com, .net and .name gTLDs, that are inconsistent with our current or future plans, or that affect our competitive position;
- under certain circumstances, ICANN could terminate one or more of our agreements to be the registry for the .com, .net or .name gTLDs and the DOC could refuse to grant its approval to the renewal of the .com Registry Agreement on similar terms, or at all, and if any of the foregoing events occur, in the case of the .com and .net Registry Agreements, it would have a material adverse impact on our business;
- if we seek a price increase with respect to the .com domain name during the term of the .com Registry Agreement or at the time of the renewal of the .com Registry Agreement, the DOC could refuse to approve price increases with respect to the .com domain name;
- the DOC's or ICANN's interpretation of provisions of our agreements with either of them could differ from ours;
- under certain circumstances, the GSA could terminate our agreement to be the registry for the .gov gTLD, which could have a material adverse impact on how the Registry Services business is perceived; and
- contracts within our Registry Services business face, and could continue to face challenges, including possible legal challenges resulting from our activities or the activities of ICANN, registrars, registrants and others, and any adverse outcome from such challenges could have a material adverse effect on our business.

In addition, under the .com, .net and .name Registry Agreements, as well as the Cooperative Agreement with the DOC, we are prohibited from holding a greater than 15% ownership interest in any ICANN accredited registrar. This prohibition on cross-ownership currently applies to all but one of the eighteen ICANN gTLDs, and ICANN is currently considering requests to remove the restriction from a number of other existing gTLDs. This prohibition does not apply to ccTLDs and ICANN has adopted a proposal to allow, with certain exceptions, the operators of new gTLDs to also own, be owned 100% by, or otherwise be affiliated with, a registrar.

The impact of these changes to the distribution channel is uncertain but could have a material adverse effect on our business if operators of new gTLDs or existing gTLDs are able to obtain competitive advantages through such vertical integration. If Verisign were to seek removal of the cross-ownership restriction contained in its agreements with ICANN with respect to new or existing gTLDs, it is uncertain whether ICANN and/or the DOC approval would be obtained.

Challenges to Internet administration or changes to our pricing terms could harm our Registry Services business.

Risks we face from challenges by third parties, including governmental authorities in the U.S. and other countries, to our role in the ongoing operation of the Internet include:

- legal, regulatory or other challenges could be brought, including challenges to the agreements governing our relationship with the DOC or ICANN, or to the legal authority underlying the roles and actions of the DOC, ICANN or us;
- the U.S. Congress could take action that is unfavorable to us;
- ICANN could fail to maintain its role, potentially resulting in instability in DNS administration; and
- some governments and governmental authorities outside the U.S. have in the past disagreed, and may in the future disagree, with the actions, policies or programs of ICANN, the U.S. Government and us relating to the DNS. The Affirmation of Commitments established several multi-party review panels and contemplates a greater involvement by foreign governments and governmental authorities in the oversight and review of ICANN. These periodic review panels may take positions that are unfavorable to Verisign.

As a result of these and other risks, it may be difficult for us to introduce new services in our Registry Services business and we could also be subject to additional restrictions on how this business is conducted, which may not also apply to our competitors.

Our international operations subject our business to additional economic risks that could have an adverse impact on our revenues and business.

As of March 31, 2013, we had 137, or 13%, of our employees outside the U.S. Expansion into international markets has required and will continue to require significant management attention and resources. We may also need to tailor some of our services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our services and in developing international distribution or operating relationships. We may not succeed in expanding our services into new international markets or expand our presence in existing markets. Failure to do so could harm our business. Moreover, local laws and customs in many countries differ significantly from those in the U.S. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. law or regulations applicable to us. There can be no assurance that all of our employees, contractors and agents will not take actions in violation of such policies, procedures, laws and/or regulations. Violations of laws, regulations or internal policies and procedures by our employees, contractors or agents could result in financial reporting problems, fines, penalties, or prohibition on the importation or exportation of our products and services and could have a material adverse effect on our business. In addition, we face risks inherent in doing business on an international basis, including, among others:

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate;
- differing and uncertain regulatory requirements;
- legal uncertainty regarding liability, enforcing our contracts and compliance with foreign laws;
- tariffs and other trade barriers and restrictions;
- difficulties in staffing and managing foreign operations;
- longer sales and payment cycles;
- problems in collecting accounts receivable;
- currency fluctuations, as a small portion of our international revenues are not always denominated in U.S. dollars and some of our costs are denominated in foreign currencies;
- high costs associated with repatriating profits to the U.S., which could impact us due to the large percentage of our cash currently held by us outside the U.S. (see “Management’s discussion and analysis of financial condition-Liquidity and capital resources”);
- potential problems associated with adapting our services to technical conditions existing in different countries;
- difficulty of verifying customer information;
- political instability;
- failure of foreign laws to protect our U.S. proprietary rights adequately;
- more stringent privacy policies in some foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;
- seasonal reductions in business activity;
- potentially conflicting or adverse tax consequences; and
- reliance on third parties in foreign markets in which we only recently started doing business.

We are exposed to risks faced by financial institutions.

The hedging transactions we have entered into expose us to credit risk in the event of default by one of our counterparties. Despite the risk control measures we have in place, a default by one of our counterparties, or liquidity problems in the financial services industry in general, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our marketable securities portfolio could experience a decline in market value, which could materially and adversely affect our financial results.

As of March 31, 2013, we had \$1.6 billion in cash, cash equivalents, marketable securities and restricted cash, of which \$1.5 billion was invested in marketable securities. The marketable securities consist primarily of debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies meeting the criteria of our investment policy, which is focused on the preservation of our capital through the investment in investment grade securities. We currently do not use derivative financial instruments to adjust our investment portfolio risk or income profile.

These investments, as well as any cash deposited in bank accounts, are subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by unusual events, such as the eurozone crisis and the U.S. debt ceiling crisis, which have affected various sectors of the financial markets and led to global credit and liquidity issues. Over the past several years, the volatility and disruption in the global credit market reached unprecedented levels. If the global credit market deteriorates further, our investment portfolio may be impacted and we could determine that some of our investments have experienced an other-than-temporary decline in fair value, requiring an impairment charge which could adversely impact our financial results, results of operations and cash flows.

Governmental regulation and the application of new and existing laws may slow business growth, increase our costs of doing business, create potential liability and have an adverse effect on our business.

Application of new and existing laws and regulations to the Internet and communications industry can be unclear. The costs of complying or failing to comply with these laws and regulations could limit our ability to operate in our current markets, expose us to compliance costs and substantial liability and result in costly and time-consuming litigation.

Foreign, federal or state laws could have an adverse impact on our business, financial condition, results of operations and cash flows, and our ability to conduct business in certain foreign countries. For example, laws designed to restrict who can register and who can distribute domain names, the online distribution of certain materials deemed harmful to children, online gambling (especially as we consider providing NIA Services and Registry Services to this sector), counterfeit goods, and cybersquatting; laws designed to require registrants to provide additional documentation or information in connection with domain name registrations; and laws designed to promote cyber security may impose significant additional costs on our business or subject us to additional liabilities. We have contracts pursuant to which we provide services to the U.S. government and even though these contracts are immaterial, they impose compliance costs, including compliance with the Federal Acquisition Regulation, which could be significant to the Company.

Due to the nature of the Internet, it is possible that state or foreign governments might attempt to regulate Internet transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future. Any such developments could increase the costs of regulatory compliance for us, affect our reputation, force us to change our business practices or otherwise materially harm our business. In addition, any such new laws could impede growth of or result in a decline in domain name registrations, as well as impact the demand for our services.

We rely on third parties who maintain and control root zone servers and route Internet communications.

We currently administer and operate only two of the 13 root zone servers. The others are administered and operated by independent operators on a non-regulated basis. Root zone servers are name servers that contain authoritative data for the very top of the DNS hierarchy. These servers have the software and data needed to locate name servers that contain authoritative data for the TLDs. These root zone servers are critical to the functioning of the Internet. Consequently, our Registry Services business could be harmed if any of the independent operators fails to include or provide accessibility to the data that it maintains in the root zone servers that it controls, or if it or any of the third parties routing Internet communications presents inconsistent data for the TLDs or DNS generally.

Changes in Internet user behavior, either as a result of evolving technologies or user practices, may impact the demand for domain names.

Currently, Internet users often navigate to a website either by directly typing its domain name into a web browser or through the use of a search engine. If (i) web browser or Internet search technologies were to change significantly; (ii) Internet search engines were to change the value of their algorithms on the use of a domain for finding a website; (iii) Internet users' preferences or practices were to shift away from direct navigation; (iv) Internet users were to significantly increase the use of web and mobile device applications to locate and access content; or (v) Internet users were to increasingly use third level domains or alternate identifiers, such as social networking and microblogging sites, in each case the demand for domain names could decrease.

Changes in the level of spending on online advertising and/or the way that online networks compensate owners of websites could impact the demand for domain names.

Some domain name registrars and registrants seek to generate revenue through advertising on their websites; changes in the way these registrars and registrants are compensated (including changes in methodologies and metrics) by advertisers and advertisement placement networks, such as Google and Yahoo!Bing, have, and may continue to, adversely affect the market for those domain names favored by such registrars and registrants which has resulted in, and may continue to result in, a decrease in demand and/or the renewal rate for those domain names. For example, according to published reports, Google has in the past (and may in the future) changed its search algorithm and pay-per-click advertising policies to provide less compensation for certain types of websites. This has made such websites less profitable which has resulted in, and may continue to result in, fewer domain registrations and renewals. In addition, as a result of the general economic environment, spending on online advertising and marketing may not increase or may be reduced, which in turn, may result in a further decline in the demand for those domain names.

Changes in state taxation laws and regulations may discourage the registration or renewal of domain names for e-commerce.

Many Internet merchants are not currently required to pay sales or other similar taxes in respect of shipments of goods into most states. However, state taxation laws and regulations may change in the future and one or more states may seek to impose sales tax collection obligations on out-of-state companies that engage in online commerce. For example, the State of Georgia passed a law that requires certain online retailers to collect sales taxes starting October 1, 2012. The enactment of any such law in any state may impair the growth of e-commerce and discourage the registration or renewal of domain names for e-commerce.

Reduced marketing efforts or other operational changes among third party registrars or their resellers as a result of consolidation or changes in ownership, management, or strategy could harm our Registry Services business.

Third-party registrars and their resellers utilize substantial marketing efforts to increase the demand and/or renewal rates for domain names. Consolidation in the registrar or reseller industry or changes in ownership, management, or strategy among individual registrars or resellers could result in significant changes to their business, operating model and cost structure. Such changes could include reduced marketing efforts or other operational changes that could adversely impact the demand and/or the renewal rates for domain names. Our Registry Services business, which generates substantially all of our revenue, derives most of its revenues from registrations and renewals of domain names, and decreased demand for and/or renewals of domain names could cause a material adverse effect on our business, results of operations, financial condition and cash flows.

Undetected or unknown defects in our services could harm our business and future operating results.

Services as complex as those we offer or develop could contain undetected defects or errors. Despite testing, defects or errors may occur in our existing or new services, which could result in compromised customer data, loss of or delay in revenues, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to our reputation, tort or warranty claims, increased insurance costs or increased service and warranty costs, any of which could harm our business. The performance of our services could have unforeseen or unknown adverse effects on the networks over which they are delivered as well as on third-party applications and services that utilize our services, which could result in legal claims against us, harming our business. Furthermore, we often provide implementation, customization, consulting and other technical services in connection with the implementation and ongoing maintenance of our services, which typically involves working with sophisticated software, computing and communications systems. Our failure or inability to meet customer expectations in a timely manner could also result in loss of or delay in revenues, loss of market share, failure to achieve market acceptance, injury to our reputation and increased costs.

If we encounter system interruptions or failures, we could be exposed to liability and our reputation and business could suffer.

We depend on the uninterrupted operation of our various systems, secure data centers and other computer and communication networks. Our systems and operations are vulnerable to damage or interruption from:

- power loss, transmission cable cuts and other telecommunications failures;
- damage or interruption caused by fire, earthquake, and other natural disasters;
- attacks, including hacktivism, by hackers or nefarious actors;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism, terrorist attacks and other events beyond our control;
- State suppression of Internet operations; and
- any failure to implement effective and timely remedial actions in response to any damage or interruption.

Most of our systems are located at, and most of our customer information is stored in, our facilities in New Castle, Delaware; Dulles, Virginia; and Fribourg, Switzerland. To the extent we are unable to partially or completely switch over to our primary alternate or tertiary sites, any damage or failure that causes interruptions in any of these facilities or our other computer and communications systems could materially harm our business. Although we carry insurance for property damage, we do not carry insurance or financial reserves for interruptions or potential losses arising from terrorism.

In addition, our Registry Services business and certain of our other services depend on the efficient operation of the Internet connections from customers to our secure data centers and from our customers to the Shared Registration System. These connections depend upon the efficient operation of Internet service providers and Internet backbone service providers, all of which have had periodic operational problems or experienced outages in the past beyond our scope of control.

A failure in the operation of our TLD name zone servers, the domain name root zone servers, or other events could result in the deletion of one or more domain names from the Internet for a period of time or a misdirection of a domain name to a different server. A failure in the operation of our Shared Registration System could result in the inability of one or more other registrars to register and maintain domain names for a period of time. In the event that a registrar has not implemented back-up services recommended by us in conformance with industry best practices, the failure could result in permanent loss of transactions at the registrar during that period. A failure in the operation or update of the master database that we maintain could also result in the deletion of one or more TLDs from the Internet and the discontinuation of second-level domain names in those TLDs for a period of time or a misdirection of a domain name to a different server. Any of these problems or outages could decrease customer satisfaction, harming our business or resulting in adverse publicity that could adversely affect the market's perception of the security of e-commerce and communications over the Internet as well as of the security or reliability of our services.

In addition, a failure in our NIA Services could have a negative impact on our reputation and our business could suffer.

If we experience security breaches, we could be exposed to liability and our reputation and business could suffer.

We retain certain customer and employee information in our secure data centers and various registration systems. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. The Company, as an operator of critical infrastructure, is frequently targeted and experiences a high rate of attacks. These include the most sophisticated form of attacks, such as advanced persistent threat ("APT") attacks and zero-hour threats, which means that the threat is not compiled or has been previously unobserved within our observation and threat indicators space until the moment it is launched, making these attacks virtually impossible to anticipate and difficult to defend against. The Shared Registration System, the domain name root zone servers and TLD name zone servers that we operate are critical hardware and software to our Registry Services operations. We expend significant time and money on the security of our facilities and infrastructure. Despite our security measures, we have been subject to a security breach, as first disclosed in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, and our infrastructure may in the future be vulnerable to physical break-ins, computer viruses, attacks by hackers or nefarious actors or similar disruptive problems, including hacktivism. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our secure data centers and domain name registration systems may jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability, customers could be reluctant to use our services and we could be at risk for loss of various security and standards-based compliance certifications needed for certain of our businesses, all or any of which could adversely affect our reputation and harm our business. Such an occurrence could also result in adverse publicity and therefore adversely affect the market's perception of the security of e-commerce and communications over the Internet as well as of the security or reliability of our services.

We are frequently subject to large-scale DDoS attacks

Our networks have been and likely will continue to be subject to DDoS attacks of increasing size and sophistication. We have adopted mitigation techniques, procedures and strategies to defend against such attacks but there can be no assurance that we will be able to defend against every attack especially as the attacks increase in size and sophistication. Any successful attack, or partially successful attack, could disrupt our networks, increase response time, and generally hamper our ability to provide reliable service to our Registry Services customers and the broader Internet community. Further, we sell DDoS protection services to NIA Services customers. Although our contracts with these customers provide that we may prioritize all or part of these services at no liability to us in order to preserve our operational stability, the provision of such services might expose us to very large-scale DDoS attacks against those customers, in addition to any directed specifically against us and our networks.

We rely on our intellectual property, and any failure by us to protect, or any misappropriation of, our intellectual property could harm our business.

Our success depends in part on our internally developed technologies and intellectual property. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our trade secrets or other forms of our intellectual property without authorization. Furthermore, the laws of foreign countries may not protect our proprietary rights in those countries to the same extent U.S. law protects these rights in the U.S. In addition, it is possible that others may independently develop substantially equivalent intellectual property. If we do not effectively protect our intellectual property, our business could suffer. Additionally, we have filed patent applications with respect to certain of our technology in the U.S. Patent and Trademark Office and patent offices outside the U.S. Patents may not be awarded with respect to these applications and even if such patents are awarded, third parties may seek to oppose or otherwise challenge our applications, and such patents' scope may differ significantly from what was requested in the patent applications and may not provide us with sufficient protection of our intellectual property. In the future, we may have to resort to litigation to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This type of litigation is inherently unpredictable and, regardless of its outcome, could result in substantial costs and diversion of management attention and technical resources. Some of the software and protocols used in our business are based on standards set by standards setting organizations such as the Internet Engineering Task Force ("IETF"). To the extent any of our patents are considered "standards essential patents," we may be required to license such patents to our competitors on reasonable and non-discriminatory terms.

We also license third-party technology that is used in our products and services to perform key functions. These third-party technology licenses may not continue to be available to us on commercially reasonable terms or at all. The loss of or our inability to obtain or maintain any of these technology licenses could hinder or increase the cost of our launching new products and services, entering into new markets and/or otherwise harm our business. Some of the software and protocols used in our Registry Services business are in the public domain or may otherwise become publicly available, which means that such software and protocols are equally available to our competitors.

We rely on the strength of our Verisign brand to help differentiate ourselves in the marketing of our products. Dilution of the strength of our brand could harm our business. We are at risk that we will be unable to register, build equity in, or enforce the new logo for Verisign.

We could become subject to claims of infringement of intellectual property of others, which could be costly to defend and could harm our business.

We cannot be certain that we do not and will not infringe the intellectual property rights of others. Claims relating to infringement of intellectual property of others or other similar claims have been made against us in the past and could be made against us in the future. It is possible that we could become subject to additional claims for infringement of the intellectual property of third parties. The international use of our logo could present additional potential risks for third party claims of infringement. Any claims, with or without merit, could be time consuming, result in costly litigation and diversion of technical and management personnel attention, cause delays in our business activities generally, or require us to develop a non-infringing logo or technology or enter into royalty or licensing agreements. Royalty or licensing agreements, if required, may not be available on acceptable terms or at all. If a successful claim of infringement were made against us, we could be required to pay damages or have portions of our business enjoined. If we could not identify and adopt an alternative non-infringing logo, develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, our business could be harmed.

A third party could claim that the technology we license from other parties infringes a patent or other proprietary right. Litigation between the licensor and a third party or between us and a third party could lead to royalty obligations for which we are not indemnified or for which indemnification is insufficient, or we may not be able to obtain any additional license on commercially reasonable terms or at all.

In addition, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights in Internet-related businesses are uncertain and still evolving. Because of the growth of the Internet and Internet-related businesses, patent applications are continuously being filed in connection with Internet-related technology. There are a significant number of U.S. and foreign patents and patent applications in our areas of interest, and we believe that there has been, and is likely to continue to be, significant litigation in the industry regarding patent and other intellectual property rights.

We could become involved in claims, lawsuits or investigations that may result in adverse outcomes.

In addition to possible intellectual property litigation and infringement claims, we are, and may in the future, become involved in other claims, lawsuits and investigations. Such proceedings may initially be viewed as immaterial but could prove to be material. Litigation is inherently unpredictable, and excessive verdicts do occur. Adverse outcomes in lawsuits and investigations could result in significant monetary damages, including indemnification payments, or injunctive relief that could adversely affect our ability to conduct our business and may have a material adverse effect on our financial condition, results of operations and cash flows. Given the inherent uncertainties in litigation, even when we are able to reasonably estimate the amount of possible loss or range of loss and therefore record an aggregate litigation accrual for probable and reasonably estimable loss contingencies, the accrual may change in the future due to new developments or changes in approach. In addition, such investigations, claims and lawsuits could involve significant expense and diversion of management's attention and resources from other matters. See Note 11, "Contingencies" *Legal Proceedings*, of our Notes to Condensed Consolidated Financial Statements in Part I, Item 1, of this Quarterly Report on Form 10-Q for further information.

We must establish and maintain strategic, channel and other relationships.

One of our significant business strategies has been to enter into strategic or other similar collaborative relationships in order to reach a larger customer base than we could reach through our direct sales and marketing efforts, including in international markets. We may need to enter into additional relationships to execute our business plan. We may not be able to enter into additional, or maintain our existing, strategic relationships on commercially reasonable terms. If we fail to enter into additional relationships, we would have to devote substantially more resources to the distribution, sale and marketing of our services than we would otherwise.

Our success in obtaining results from these relationships will depend both on the ultimate success of the other parties to these relationships and on the ability of these parties to market our services successfully.

Furthermore, any changes by our distributors to their existing marketing strategies could have a material adverse effect on our business. Similarly, if one or more of our distributors were to encounter financial difficulties, or if there were a significant reduction in marketing expenditures by our distributors (including registrars or their resellers), as a result of industry consolidation or otherwise, it could have a material adverse effect on our business, including a decrease in domain name registrations and renewals. Failure of one or more of our strategic, channel or other relationships to result in the development and maintenance of a market for our services could harm our business. If we are unable to maintain our existing relationships or to enter into additional relationships, this could harm our business.

With the introduction of new gTLDs, many of our registrars, based upon their registrant needs, may choose to focus their short- or long-term marketing efforts on these new offerings, and if we are unable to maintain their focus on our products and services or move through them to engage the same registrants, this could harm our business.

We continue to explore new strategic initiatives, the pursuit of any of which may pose significant risks and could have a material adverse effect on our business, financial condition and results of operations.

We are exploring a variety of possible strategic initiatives which may include, among other things, the pursuit of new revenue streams, services or products, changes to our offerings or initiatives to leverage our patent portfolio.

Any such strategic initiative may involve a number of risks, including: the diversion of our management's attention from our existing business to develop the initiative, related operations and any requisite personnel; possible material adverse effects on our results of operations during and after the development process; and our possible inability to achieve the intended objectives of the initiative. Further, if we leverage our patent portfolio, we could face increased litigation risks. Such initiatives may result in a reduction of cash or increased costs. We may not be able to successfully or profitably develop, integrate, operate, maintain and manage any such initiative and the related operations or employees in a timely manner or at all. Furthermore, under our agreements with ICANN, we are subject to certain restrictions in the operation of *.com*, *.net* and *.name*, including required ICANN approval of new registry services for such TLDs. If any new initiative requires ICANN review, we cannot predict whether this process will prevent us from implementing the initiative in a timely manner or at all.

The success of our NIA Services depends in part on the acceptance of our services.

We are investing in our NIA Services, and the future growth of these services depends, in part, on the commercial success, acceptance, and reliability of our NIA Services. These services will suffer if our target customers do not adopt or use these services. We are not certain that our target customers will choose our NIA Services or continue to use these services even after adoption.

We rely on third parties to provide products which are incorporated in our NIA Services.

The NIA Services incorporate and rely on third party hardware and software products, many of which have unique capabilities. If Verisign is unable to procure these third party products, the NIA Services may malfunction, not perform as well as they should perform, not perform as well as they have been performing or not perform as planned, and our business could suffer.

Many of our target markets are evolving, and if these markets fail to develop or if our products and services are not widely accepted in these markets, our business could be harmed.

Our Registry Services and NIA Services businesses are developing services in emerging markets, including services that involve naming and directory services other than registry and related infrastructure services. These emerging markets are rapidly evolving, may never gain wide acceptance and may not grow. Even if these markets grow, our services may not be widely accepted. Accordingly, the demand for our services in these markets is very uncertain. The factors that may affect market acceptance of our services in these markets include the following:

- market acceptance of products and services based upon technologies other than those we use;
- public perception of the security of our technologies and of IP and other networks;
- the introduction and consumer acceptance of new generations of mobile devices;
- the ability of the Internet infrastructure to accommodate increased levels of usage; and
- government regulations affecting Internet access and availability, e-commerce and telecommunications over the Internet.

If the market for e-commerce and communications over IP and other networks does not grow or these services are not widely accepted in the market, our business could be materially harmed.

We depend on key employees to manage our business effectively, and we may face difficulty attracting and retaining qualified leaders.

We depend on the performance of our senior management team and other key employees, and we have experienced changes in our management team during the last few years. If we are unable to attract, integrate, retain and motivate these individuals and additional highly skilled technical and sales and marketing employees, and implement succession plans for these personnel, our business may suffer.

We have anti-takeover protections that may discourage, delay or prevent a change in control that could benefit our stockholders.

Our amended and restated Certificate of Incorporation and Bylaws contain provisions that could make it more difficult for a third party to acquire us without the consent of our Board of Directors ("Board"). These provisions include:

- our stockholders may take action only at a duly called meeting and not by written consent;
- special meetings of our stockholders may be called only by the chief executive officer, the president or our Board, and cannot be called by our stockholders;
- our Board must be given advance notice regarding stockholder-sponsored proposals for consideration at annual meetings and for stockholder nominations for the election of directors;
- vacancies on our Board can be filled until the next annual meeting of stockholders by majority vote of the members of the Corporate Governance and Nominating Committee, or a majority of directors then in office if no such committee exists, or a sole remaining director; and
- our Board has the ability to designate the terms of and issue new series of preferred stock without stockholder approval.

In addition, Section 203 of the General Corporation Law of Delaware prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns or within the last three years has owned 15% or more of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless in the same transaction the interested stockholder acquired 85% ownership of our voting stock (excluding certain shares) or the business combination is approved in a prescribed manner. Section 203 therefore may impact the ability of an acquirer to complete an acquisition of us after a successful tender offer and accordingly could discourage, delay or prevent an acquirer from making an unsolicited offer without the approval of our Board.

Changes in, or interpretations of, tax rules and regulations may adversely affect our effective tax rates.

We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to audit by various tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and accruals. Should additional taxes be assessed as a result of an audit or litigation, an adverse effect on our income tax provision and net income in the period or periods for which that determination is made could result.

A significant portion of our foreign earnings for the current fiscal year was earned by our Swiss subsidiaries. Our effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates.

Various legislative proposals that would reform U.S. corporate tax laws have been proposed by the Obama administration as well as members of Congress, including proposals that would significantly impact how U.S. multinational corporations are taxed on foreign earnings. We are unable to predict whether these or other proposals will be implemented. Although we cannot predict whether or in what form any proposed legislation may pass, if enacted, such legislation could have a material adverse impact on our tax expense or cash flow.

Our inability to indefinitely reinvest our foreign earnings could materially adversely affect our results of operations, financial condition and cash flows.

Deferred income taxes are not provided on most of the undistributed earnings of our foreign subsidiaries because these earnings are intended to be indefinitely reinvested and we do not plan to initiate any action that would precipitate the payment of income taxes thereon. We consider the following matters, among others, in evaluating our plans for indefinite reinvestment: the forecasts, budgets and financial requirements of the parent and subsidiaries for both the long and short term; the tax consequences of a decision to reinvest; and any U.S. and foreign government programs designed to influence remittances. If factors change and as a result we are unable to indefinitely reinvest the foreign earnings, the income tax expense and payments may differ significantly from the current period and could materially adversely affect our results of operations, financial condition and cash flows.

We may be exposed to potential risks if we do not have an effective system of disclosure controls or internal controls over financial reporting.

As a public company, we are subject to the rules and regulations of the SEC, including those that require us to report on and receive an attestation from our independent registered public accounting firm regarding our internal control over financial reporting. Despite our efforts, if we were to fail to maintain an effective system of disclosure controls or internal control over financial reporting, we may not be able to accurately or timely report on our financial results or adequately identify and reduce fraud. As a result, our financial position could be harmed and current and potential future security holders could lose confidence in us and/or our reported financial results, which may cause a negative effect on our stock price, and we could be exposed to litigation or regulatory proceedings, which may be costly or divert management attention.

We are subject to the risks of owning real property.

We own the land and building in Reston, Virginia, which constitutes our headquarters facility. Ownership of this property, as well as our data centers in Dulles, Virginia and New Castle, Delaware, may subject us to risks, including:

- adverse changes in the value of the properties, due to interest rate changes, changes in the commercial property markets, or other factors;
- ongoing maintenance expenses and costs of improvements;
- the possible need for structural improvements in order to comply with zoning, seismic, disability law, or other requirements;
- the possibility of environmental contamination and the costs associated with fixing any environmental problems; and
- possible disputes with neighboring owners, service providers or others.

Risks relating to the competitive environment in which we operate

The business environment is highly competitive and, if we do not compete effectively, we may suffer price reductions, reduced gross margins and loss of market share.

General: New technologies and the expansion of existing technologies may increase competitive pressure. We cannot assure that competing technologies developed by others or the emergence of new industry standards will not adversely affect our competitive position or render our services or technologies noncompetitive or obsolete. In addition, our markets are characterized by announcements of collaborative relationships involving our competitors. The existence or announcement of any such relationships could adversely affect our ability to attract and retain customers. As a result of the foregoing and other factors, we may not be able to compete effectively with current or future competitors, and competitive pressures that we face could materially harm our business.

Competition in Registry Services: We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to establish a Web presence, including registries offering services related to the *.info*, *.org*, *.mobi*, *.biz*, *.pro*, *.aero*, *.museum*, *.coop* and *.xxx* gTLDs and registries offering services related to ccTLDs. ICANN currently has registry agreements with 16 registries for the operation of 18 gTLDs. In addition, there are over 250 Latin script ccTLD registries and 38 IDN ccTLD registries. Furthermore, under our agreements with ICANN, we are subject to certain restrictions in the operation of *.com*, *.net* and *.name* on pricing, bundling, methods of distribution, the introduction of new registry services and use of registrars that do not apply to ccTLDs and therefore may create a competitive disadvantage. If other registries launch marketing campaigns for new or existing TLDs, including forms of marketing campaigns that we are prohibited from running under the terms of our agreements with ICANN, which result in registrars or their resellers giving other TLDs greater prominence on their websites, advertising or marketing materials, we could be at a competitive disadvantage and our business could suffer.

We also face competition from service providers that offer outsourced domain name registration, resolution and other DNS services to organizations that require a reliable and scalable infrastructure. Among the competitors are Neustar, Inc., Afilias Limited, ARI Registry Services and Nominet UK, Inc. In addition, to the extent end-users navigate using search engines or social media, as opposed to direct navigation, we may face competition from search engine operators such as Google, Microsoft, and Yahoo!, operators of social networks such as Facebook, and operators of microblogging tools such as Twitter. Furthermore, to the extent end-users increase the use of web and phone applications to locate and access content, we may face competition from providers of such web and mobile applications.

Competition in NIA Services: Several of our current and potential competitors have longer operating histories and/or significantly greater financial, technical, marketing and other resources than we do and therefore may be able to respond more quickly than we can to new or changing opportunities, technologies, standards and customer requirements. Many of these competitors also have broader and more established distribution channels that may be used to deliver competing products or services directly to customers through bundling or other means. If such competitors were to bundle competing products or services for their customers, we may experience difficulty establishing or increasing demand for our products and services or distributing our products successfully.

We face competition in the network intelligence and availability services industry from companies or services such as iSight Partners, IBM X-Force, Secunia ApS, Dell SecureWorks, McAfee, Inc., Prolexic Technologies, Inc., AT&T Inc., Verizon Communications, Inc., Dyn, Inc., Neustar, Inc., OpenDNS, BlueCat Networks, Inc., Infoblox Inc., Nominum, Inc., Afilias Limited and Akamai Technologies, Inc.

We may face additional competition, operational and other risks from the introduction of new gTLDs by ICANN, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Additional competition to our business may arise from the introduction of new TLDs by ICANN. ICANN announced the introduction of new gTLDs, which include IDN gTLDs. On October 30, 2009, ICANN approved a fast track process for the awarding of new IDN ccTLDs and such new IDN ccTLDs have started to be introduced into the root. On June 13, 2012, ICANN announced it received 1930 applications to operate over 1400 unique new gTLDs, with new registration opportunities expected to be available beginning in 2013. We do not yet know the impact, if any, that these new domain extensions may have on our business, including if or how the introduction of these new gTLDs will affect registrations for *.com* and *.net* and therefore have a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, as set forth in the Verisign Labs Technical Report #1130007 version 2.2: New gTLD Security and Stability Considerations released on March 28, 2013, we believe there are issues regarding the deployment of the new gTLDs that should be addressed before any new gTLDs are delegated, and we do not know whether these issues will be addressed by ICANN sufficiently, if at all.

Applicants for new gTLDs include companies which may have greater financial, marketing and other resources than we do, including companies that are existing competitors, domain name registrars and new entrants into the domain name industry. Furthermore, ICANN will allow the operators of new gTLDs to also own, be owned 100% by or otherwise affiliated with a registrar, whereas we are currently prohibited by our agreements with ICANN and the DOC from owning more than 15% of a registrar. As a result, operators of new gTLDs may be able to obtain competitive advantages through such vertical integration. ICANN has also approved a process pursuant to which an operator of an existing gTLD could apply to become a registrar with respect to a new gTLD. At least one gTLD operator has successfully used this process; however, it is uncertain whether we would seek, or whether ICANN and/or the DOC would approve, the necessary changes to Verisign's existing agreements to allow us to vertically integrate with respect to new gTLDs, in which case, we may be at a competitive disadvantage.

We have applied for 14 gTLDs, including 12 IDN gTLDs. There is no certainty that we will ultimately obtain these gTLDs, and even if we are successful in obtaining one or more of these new domain extensions, there is no guarantee that such extensions will be any more successful than the domain name extensions obtained by our competitors. Similarly, while we originally entered into agreements to provide back-end registry services to other applicants for approximately 220 new gTLDs, and currently, applicants for approximately 200 new gTLDs continue to contract with the Company to provide back-end registry services, there is no guarantee that such applicants with which we have entered into agreements will be successful in obtaining one or more of these new domain extensions, that such domain extensions will be successful, or that we will ultimately provide back-end registry services for such amount of new gTLDs. Furthermore, ICANN has stated that it will need to limit the maximum number of new gTLDs that may be delegated in a year to 1,000 which could delay the granting of some gTLDs. Even though IDN gTLDs have been given priority, other factors related to the application process that could delay or disrupt an application and the timing of revenue generation, if any, from these gTLDs. The timing of revenue may also be dependent on how diligently our customers proceed to delegation and launch following the completion of the application process and our customers' respective launch plans for the new gTLDs.

In addition, our agreements to provide back-end registry services directly to other applicants and indirectly through reseller relationships expose us to operational and other risks. For example, the increase in the number of gTLDs for which we provide registry services on a standalone basis or as a back-end service provider could further increase costs or increase the frequency or scope of targeted attacks from nefarious actors. Finally, IDN TLDs face additional challenges in that current desktop and mobile device software does not ubiquitously recognize IDN TLDs and may be slow to adopt standards even if demand for such products is strong.

Our inability to react to changes in our industry and successfully introduce new products and services could harm our business.

The Internet and communications network services industries are characterized by rapid technological change and frequent new product and service announcements which require us continually to improve the performance, features and reliability of our services, particularly in response to competitive offerings or alternatives to our products and services. In order to remain competitive and retain our market share, we must continually improve our access technology and software, support the latest transmission technologies, and adapt our products and services to changing market conditions and our customers' and Internet users' preferences and practices, or launch entirely new products and services in anticipation of, or in response to, market trends. We cannot assure that we will be able to adapt to these challenges or anticipate or respond successfully or in a cost effective way to adequately meet them. Our failure to do so would adversely affect our ability to compete and retain customers or market share.

Risks related to the sale of our Authentication Services business and the completion of our divestitures

We face risks related to the terms of the sale of the Authentication Services business.

Under the agreement reached with Symantec for the sale of our Authentication Services business (the "Symantec Agreement"), we agreed to several terms that may pose risks to us, including the potential for confusion by the public with respect to Symantec's right to use certain of our trademarks, brands and domain names, as well as the risk that current or potential investors in or customers of the Company may incorrectly attribute to the Company problems with Symantec products or services that currently use the VERISIGN brand pursuant to a license granted by the Company to Symantec. Any such confusion may have a negative impact on our reputation, our brand and the market for our products and services. In addition, we may determine that certain assets transferred to Symantec could have been useful in our Naming Services businesses or in other future endeavors, requiring us to forego future opportunities or design or purchase alternatives which could be costly and less effective than the transferred assets. Further, we may not be able to achieve the full financial benefits we expect from the sale of our Authentication Services business.

Under the terms of the Symantec Agreement, we have licensed rights to certain of our domain name registrations to Symantec. We are at risk that our customers will go to a URL for a licensed domain name and be unable to locate our Registry or NIA Services. In addition, we will continue to maintain the registration rights for the domain names licensed to Symantec for which Symantec has sole control over the displayed content, and we may be subject to claims of infringement if Symantec posts content that is alleged to infringe the rights of a third party.

We continue to be responsible for certain liabilities following the divestiture of certain businesses.

Under the agreements reached with the buyers of certain divested businesses, including the Authentication Services business, we remain liable for certain liabilities related to the divested businesses. There is a possibility that we will incur unanticipated costs and expenses associated with management of liabilities relating to the businesses we have divested, including requests for indemnification by the buyers of the divested businesses. These liabilities could potentially relate to (i) breaches of contractual representations and warranties we gave to the buyers of the divested businesses, or (ii) certain liabilities relating to the divested businesses that we retained under the agreements reached with the buyers of the divested businesses. Such liabilities could include certain litigation matters, including actions brought by third parties. Where responsibility for such liabilities is to be contractually allocated to the buyer or shared with the buyer or another party, it is possible that the buyer or the other party may be in default for payments for which they are responsible, obligating us to pay amounts in excess of our agreed-upon share of those obligations.

Following the divestiture of certain businesses, our ability to compete in certain market sectors is restricted.

Under the agreements reached with buyers for the Authentication Services and messaging services businesses we divested, we are restricted from competing, either directly or indirectly, with those businesses for a defined period of time pursuant to negotiated non-compete arrangements.

Risks related to our securities

We have a considerable number of common shares subject to future issuance.

As of March 31, 2013, we had one billion authorized common shares, of which 151.2 million shares were outstanding. In addition, of our authorized common shares, 17.0 million common shares were reserved for issuance pursuant to outstanding equity and employee stock purchase plans ("Equity Plans"), and 36.4 million shares were reserved for issuance upon conversion of the Subordinated Convertible Debentures. As a result, we keep substantial amounts of our common stock available for issuance upon exercise or settlement of equity awards outstanding under our Equity Plans and/or the conversion of Subordinated Convertible Debentures into our common stock. Issuance of all or a large portion of such shares would be dilutive to existing security holders, could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities.

Our financial condition and results of operations could be adversely affected if we do not effectively manage our liabilities.

As a result of the sale of the Subordinated Convertible Debentures and our 4.625% Senior Notes due 2023 (the "Notes"), we have a substantial amount of long-term debt outstanding. In addition to the Convertible Debentures and the Notes, we have an unsecured credit facility with a borrowing capacity of \$200.0 million and the ability to request from time to time that the lenders thereunder agree on a discretionary basis to increase the aggregate commitments amount by up to \$150.0 million. As of March 31, 2013, we had borrowed \$100.0 million under the unsecured credit facility, although we repaid the principal amount outstanding under the unsecured credit facility with the proceeds from the Notes offering.

It is possible that we may need to incur additional indebtedness in the future in the ordinary course of business. The terms of our unsecured credit facility and the indenture governing the Notes allow us to incur additional debt subject to certain limitations and will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. If new debt is added to current debt levels, the risks and limitations related to our level of indebtedness could intensify. Specifically, a high level of indebtedness could have adverse effects on our flexibility to take advantage of corporate opportunities, including the following:

- making it more difficult for us to satisfy our debt obligations;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements, or requiring us to make non-strategic divestitures, particularly when the availability of financing in the capital markets is limited;

- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- having to repatriate cash held by foreign subsidiaries which would require us to accrue and pay additional U.S. taxes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in our businesses and the markets in which we compete;
- placing us at a possible competitive disadvantage compared to other, less leveraged competitors and competitors that may have better access to capital resources; and
- increasing our cost of borrowing.

The terms of our unsecured credit facility and the indenture governing the Notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions and create the risk of default on such indebtedness.

The credit agreement that governs our unsecured credit facility and the indenture governing the Notes contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest. The unsecured credit facility imposes, under certain circumstances, restrictions on our ability to:

- permit our subsidiaries to incur or guarantee indebtedness;
- pay dividends or other distributions or repurchase or redeem our capital stock unless we meet specified leverage and interest expense coverage ratios;
- prepay, redeem or repurchase certain debt;
- issue certain preferred stock or similar equity securities;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

In addition, the restrictive covenants in our unsecured credit facility require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

The indenture governing the Notes also includes, subject to certain exceptions, limitations on our ability to create liens on our or our subsidiaries' assets to secure debt, engage in certain sale/leaseback transactions, permit our subsidiaries to incur or guarantee indebtedness, merge or consolidate with another person or sell or otherwise dispose of all or substantially all of our assets and, under certain circumstances, pay dividends or other distributions or repurchase or redeem capital stock or prepay, redeem or repurchase certain debt.

A breach of the covenants or restrictions under our unsecured credit facility or the indenture governing the Notes could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under our unsecured credit facility would permit the lenders under our unsecured credit facility to terminate all commitments to extend further credit under that agreement. In the event our lenders or noteholders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. Moreover, in the event funds from foreign operations are needed to repay our debt obligations and U.S. tax has not already been provided, we would be required to accrue and pay additional U.S. taxes in order to repatriate these funds. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations.

Our unsecured credit facility restricts our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct a substantial portion of our operations through our subsidiaries, certain of which are not guarantors of our indebtedness. We expect to service our debt obligations primarily with cash flow generated from our guarantor subsidiary. Therefore, repayment of our indebtedness is substantially dependent on the generation of cash flow by our guarantor subsidiary and its ability to make such cash available to us, by dividend, debt repayment or otherwise. Our non-guarantor subsidiaries do not have any obligation to pay amounts due on our indebtedness or to make funds available for that purpose. Our guarantor subsidiary may not be able to, or may not be permitted to, on commercially reasonable terms, or at all, make distributions to enable us to make payments in respect of our indebtedness. Our guarantor subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries on commercially reasonable terms, or at all. While our unsecured credit facility limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our guarantor subsidiary, we may be required to repatriate cash from our foreign subsidiaries, which would be subject to U.S. federal income tax, or may otherwise be unable to make required principal and interest payments on our indebtedness.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our debt obligations. If we cannot make scheduled payments on our debt, we will be in default and holders of the notes could declare all outstanding principal and interest to be due and payable, the lenders under our unsecured credit facility could terminate their commitments to loan money, certain holders of our Subordinated Convertible Debentures could declare all outstanding principal and interest to be due and payable and we could be forced into bankruptcy or liquidation.

We may not have the ability to repurchase the Subordinated Convertible Debentures in cash upon the occurrence of a fundamental change, or to pay cash upon the conversion of Subordinated Convertible Debentures; occurrence of certain events related to our Subordinated Convertible Debentures might have significant adverse accounting, disclosure, tax, and liquidity implications.

As a result of the sale of the Subordinated Convertible Debentures, we have a substantial amount of debt outstanding. Holders of our outstanding Subordinated Convertible Debentures will have the right to require us to repurchase the Subordinated Convertible Debentures upon the occurrence of a fundamental change as defined in the indenture governing the Subordinated Convertible Debentures dated as of August 20, 2007 between the Company and U.S. Bank National Association, as Trustee (the "Indenture"). Although, in certain situations, the Indenture requires us to pay this repurchase price in cash, we may not have sufficient funds to repurchase the Subordinated Convertible Debentures in cash or have the ability to arrange necessary financing on acceptable terms or at all.

The Subordinated Convertible Debentures became convertible on April 1, 2013 due to our stock price exceeding the conversion price threshold trigger, and, if holders elect to convert their Subordinated Convertible Debentures, we are permitted under the Indenture to pursue an exchange in lieu of conversion or to settle the Settlement Amount (as defined in the Indenture) in cash, stock, or a combination thereof. We currently have the intent and the ability (based on current facts and circumstances) to settle the principal amount of the Subordinated Convertible Debentures in cash. However, if the principal amount of the Subordinated Convertible Debentures due to holders as a result of rights to convert or require repurchase exceeds our cash on

hand and cash from operations, we will need to draw cash from existing financing or pursue additional sources of financing to settle the Subordinated Convertible Debentures in cash. We cannot provide any assurances that we will be able to obtain new sources of financing on terms acceptable to us or at all, nor can we assure that we will be able to obtain such financing in time to settle the Subordinated Convertible Debentures that holders elect to convert or require the Company to repurchase.

If we do not have adequate cash available, either from cash on hand, funds generated from operations or existing financing arrangements, or cannot obtain additional financing arrangements, we will not be able to settle the principal amount of the Subordinated Convertible Debentures in cash and, in the case of settlement of conversion elections, will be required to settle the principal amount of the Subordinated Convertible Debentures in stock. If we settle any portion of the principal amount of Convertible Debentures in stock, it will result in immediate dilution to the interests of existing security holders and the dilution could be material to such security holders.

If our intent to settle the principal amount in cash changes, or if we conclude that we no longer have the ability, in the future, we will be required to change our accounting policy for earnings per share from the treasury stock method to the if-converted method. Earnings per share will most likely be lower under the if-converted method as compared to the treasury stock method.

If the amount paid (in cash or stock) to settle the Subordinated Convertible Debentures (i.e., the Settlement Amount) is less than the adjusted issue price, under the Internal Revenue Code and the regulations thereunder, the difference is included in taxable income as recapture of previous interest deductions. The adjusted issue price grows over the term of the Convertible Debentures due to the difference between the interest deduction for tax, using a comparable yield rate of 8.5%, and the coupon rate of 3.25%, compounded annually. The settlement amount will vary based on the stock price at settlement date. Depending on the Settlement Amount for the Subordinated Convertible Debentures at the settlement date, the amount included in taxable income as a result of this recapture could be substantial, which could adversely impact our cash flow.

A fundamental change may constitute an event of default or prepayment under, or result in the acceleration of the maturity of, our then-existing indebtedness. Our ability to repurchase the Subordinated Convertible Debentures in cash or make any other required payments may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. Our failure to repurchase the Subordinated Convertible Debentures when required would result in an event of default with respect to the Subordinated Convertible Debentures.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

Any rating assigned to our debt securities could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Any lowering of our rating likely would make it more difficult or more expensive for us to obtain additional debt financing in the future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents the share repurchase activity during the three months ended March 31, 2013:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
			(Shares in thousands)	
January 1 – 31, 2013	737	\$ 39.53	737	\$946.4 million
February 1 – 28, 2013	854	\$ 45.09	854	\$907.9 million
March 1 – 31, 2013	1,397	\$ 46.03	1,397	\$843.6 million
	<u>2,988</u>		<u>2,988</u>	

(1) On December 5, 2012, the Board authorized the repurchase of up to \$458.8 million in our common stock, in addition to \$541.2 million remaining available for repurchase under the previous 2010 Share Buyback Program for a total repurchase authorization of \$1.0 billion of our common stock (collectively “the 2012 Share Buyback Program”). The 2012 Share Buyback Program has no expiration date. Purchases made under the 2012 Share Buyback Program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions.

ITEM 6. EXHIBITS

As required under Item 6—Exhibits, the exhibits filed as part of this report are provided in this separate section. The exhibits included in this section are as follows:

Exhibit Number	Exhibit Description
4.1	Indenture dated as of April 16, 2013, between VeriSign, Inc., each of the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to exhibit 4.1 to Current Report on Form 8-K filed on April 17, 2013).
4.2	Form of Note (included in Exhibit 4.1).
10.01	Registration Rights Agreement dated April 16, 2013, by and among VeriSign, Inc., Verisign Information Services, Inc. and J.P. Morgan Securities LLC, as representative of the several initial purchasers (incorporated by reference to exhibit 10.1 to Current Report on Form 8-K filed on April 17, 2013).
10.02	VeriSign, Inc. 2006 Equity Incentive Plan Form of Employee Restricted Stock Unit Agreement +
10.03	VeriSign, Inc. 2006 Equity Incentive Plan Form of Performance-Based Restricted Stock Unit Agreement +
10.04	VeriSign, Inc. 2006 Equity Incentive Plan Form of Performance-Based Restricted Stock Unit Agreement +
31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).
31.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).
32.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *
32.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

+ Indicates a management contract or compensatory plan or arrangement

* As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed with the SEC and are not incorporated by reference in any filing of VeriSign, Inc. under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

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: April 25, 2013

By: _____
/s/ D. JAMES BIDZOS
D. James Bidzos
Chief Executive Officer

Date: April 25, 2013

By: _____
/s/ GEORGE E. KILGUSS, III
George E. Kilguss, III
Chief Financial Officer

VERISIGN, INC.
2006 EQUITY INCENTIVE PLAN
EMPLOYEE RESTRICTED STOCK UNIT AGREEMENT

The Board of Directors of VeriSign, Inc. has approved a grant to you (the "**Participant**" named below) of Restricted Stock Units ("**RSUs**") pursuant to the VeriSign, Inc. 2006 Equity Incentive Plan (the "**Plan**"), as described below. Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

Participant: _____

Number of RSUs: _____

Date of Grant: _____

Expiration Date: The date on which settlement of all RSUs granted hereunder occurs, with earlier expiration upon the Termination Date.

Vesting Schedule: The RSUs will vest as follows:

(a). 25% on the latest to occur of (i) the first anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act); and (iv) if applicable, the date of certification of achievement of the applicable Performance Factors by the Committee.

(b). 25% on the latest to occur of (i) the second anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act); and (iv) if applicable, the date of certification of achievement of the applicable Performance Factors by the Committee.

(c). 25% on the latest to occur of (i) the third first anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act); and (iv) if applicable, the date of certification of achievement of the applicable Performance Factors by the Committee.

(d). 25% on the latest to occur of (i) the fourth anniversary of the Date of Grant; (ii) the date next following the Date of Grant on which such Shares may be issued from the Plan in compliance with the requirements for use of the Form S-8 Registration Statement pursuant to which the Plan and such Shares have been registered with the SEC; and (iii) the date next following the Date of Grant on which the Company's common stock is listed on a "national securities exchange" (as defined in Sec. 6 of the Exchange Act); and (iv) if applicable, the date of certification of achievement of the applicable Performance Factors by the Committee.

1. Settlement. Settlement of vested RSUs shall be made within 30 days following the applicable date of vesting under the above vesting schedule (provided that if at the time of settlement Participant is a “specified employee” of the Company under Section 409A, and settlement would be treated as a payment made on separation of service, then if required to avoid the taxes imposed by Section 409A settlement shall be delayed by six (6) months (or if earlier, until death), or such other period of time as is then required to avoid such taxes. Notwithstanding any provision to the contrary in this agreement, to the extent necessary to avoid the imposition of any taxes under Section 409A, no payment or distribution under this agreement that becomes payable by reason of a Participant’s termination of employment with the Company will be made to such Participant unless such Participant’s termination of employment constitutes a “separation from service” (as such term is defined in Section 409A). For purposes of this agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A. Settlement of vested RSUs shall be in Shares; provided, that pursuant to Section 7, if Shares may not be withheld as a result of foreign tax law, then an appropriate number of RSUs may or may not be automatically settled in cash, depending upon the taxable jurisdiction. In addition, if determined by the Committee in its discretion at the time of payment, RSUs may also be settled in cash or some combination of cash and Shares. The Participant shall pay to the Company the aggregate par value of the Shares issued prior to their issuance (par value being \$0.001 per Share) with such payment deemed to have been made for each Share, by Participant’s services from the Date of Grant to the first applicable vesting date. Participant agrees that, if necessary due to applicable law, Participant shall pay to the Company each affected Share’s par value by making appropriate payroll deductions from funds due the Participant. Notwithstanding the issuance of Shares in settlement of the RSUs or the delivery of one or more stock certificates for such Shares, the Shares shall be subject to applicable restrictions on transfer or sale, if any, as may be set forth in the Participant’s written employment or service contract with the Company or pursuant to any policy adopted by the Company, now or hereafter existing, that imposes stock ownership requirements, stock retention requirements or stock sale restrictions on the Participant. To enforce any restrictions or requirements on the Participant’s Shares, the Committee may require the Participant to deposit all certificates, together with stock powers or other instruments of transfer approved by the Committee appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions or requirements have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions or requirements to be placed on the certificates.

2. No Stockholder Rights. Unless and until such time as Shares are issued in settlement of vested RSUs, the Participant shall have no ownership of the Shares allocated to the RSUs and shall have no right to vote such Shares, subject to the terms, conditions and restrictions described in the Plan and herein.

3. Dividend Equivalents. Any dividends paid in cash on Shares of the Company shall be credited to the Participant as additional RSUs as if the RSUs previously held by the Participant were outstanding Shares (in such number as determined by the Committee), as follows: such credit shall be made in whole and/or fractional RSUs and shall be based on the Fair Market Value of the Shares on the date of payment of such dividend. All such additional RSUs shall be subject to the same vesting requirements applicable to the RSUs in respect of which they were credited and shall be settled in accordance with, and at the time of, settlement of the vested RSUs to which they are related.

4. No Transfer. The RSUs and any interest therein (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, and (ii) shall, if the Participant’s continuous employment with the Company or any of its affiliates shall terminate for any reason (except as otherwise provided in the Plan or Section 5 below), be forfeited to the Company forthwith, and all the rights of the Participant to such RSUs shall immediately terminate.

5. Termination.

(i) In the event of a Participant's Termination by the Company or by the Participant, the Committee shall settle in Shares, the value of any vested RSUs (based on the then Fair Market Value of Shares deemed allocated to such vested RSUs on the date of such Termination), subject to Section 1 hereof.

(ii) In the event of a Participant's Termination due solely to death or Disability while any RSUs granted hereunder remain unvested, all RSUs that are unvested as of such Termination shall immediately accelerate in full, and the Committee shall settle the value of such RSUs on the date of such Termination. Settlement of the RSUs shall be subject to Section 1 hereof.

(iii) In case of any dispute as to whether Termination has occurred, the Committee shall have sole discretion to determine whether such Termination has occurred and the effective date of such Termination.

6. Acknowledgement. The Company and the Participant agree that the RSUs are granted under and governed by this Restricted Stock Unit Agreement and by the provisions of the Plan (incorporated herein by reference). The Participant: (i) acknowledges receipt of a copy of the Plan and the Plan prospectus, (ii) represents that the Participant has carefully read and is familiar with their provisions, and (iii) hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan. In the event that upon the 30th day after the Date of Grant, the Participant has not refused the RSUs by notice to the Company pursuant to Section 12 hereof, the Participant shall be deemed to have accepted the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan.

7. Tax Consequences. The Participant acknowledges that there may be adverse tax consequences upon settlement of the RSUs or disposition of the Shares, if any, received in connection therewith and that the Company recommends that Participant should consult a tax adviser prior to such settlement or disposition. In particular, Participant must make arrangements, satisfactory to the Company, for satisfaction of any applicable foreign, federal, state or local income tax withholding requirements or social security requirements related to the grant of the RSUs or Participant's receipt of Shares in settlement thereof, including, in either case, any dividend paid in respect thereof. In the event settlement of the RSUs is made in Shares, the Company will satisfy the minimum statutory withholding tax obligation by withholding a certain number of Shares otherwise deliverable from the total number of Shares deliverable to the Participant upon settlement unless Shares may not be withheld as a result of foreign tax law (in which case an appropriate number of RSUs may or may not be automatically settled in cash, depending upon the taxable jurisdiction). In the event that any RSUs are settled in cash, or Shares may not be withheld as a result of foreign tax law, the Participant hereby authorizes the Company to withhold the required minimum amount from Participant's other sources of compensation from the Company or any Parent or Subsidiary.

8. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and Participant with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

9. VeriSign Incentive Compensation Recovery Policy in the Case of Inaccurate Financial Statements. The Committee has adopted an incentive compensation recovery policy (the "Policy") which applies to all Section 16 executive officers and such other officers as the Committee may designate. The Policy applies whenever there is an inaccurate financial statement, and, as a result, a covered executive has received materially more incentive compensation than would have otherwise occurred. To the extent you are subject to the Policy, you agree that the Committee has discretion to seek recovery of any such overpayment received under this Agreement per the terms of the Policy.

10. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

11. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Virginia as such laws are applied to agreements between Virginia residents entered into and to be performed entirely within Virginia, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

12. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing (including email) and addressed to Participant at the participant's Company email address, the address of record or to such other address as Participant may designate in writing from time to time to the Company or may be posted on the Participant's E*Trade VeriSign employee stock plan account at www.etrade.com. All notices shall be deemed effectively given upon personal delivery, (i) three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), (ii) one (1) business day after its deposit with any return receipt express courier (prepaid), (iii) one (1) business day after transmission by fax or telecopier, (iv) upon receipt if sent by the Company to the Participant's email address at the Company, or (v) upon posting on the Participant's E*Trade VeriSign employee stock plan account at www.etrade.com.

13. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

14. Headings. The captions and headings of this Agreement are included for ease of reference only and are to be disregarded in interpreting or construing this Agreement.

15. Entire Agreement; Modification. The Plan and this Restricted Stock Unit Agreement for these RSUs constitute the entire agreement and understanding of the parties with respect to the subject matter herein and supersede all prior understandings and agreements, whether oral or written, between the parties hereto with respect to the specific subject matter hereof. This Restricted Stock Unit Agreement may be amended only by a written instrument executed by an authorized representative of the Company and effectively given to the Participant pursuant to the methods of delivery set forth in Section 12 above. Any such amendment shall be deemed effective thirty (30) calendar days after the date on which it is effectively given to the Participant as described in Section 12 above, provided the Participant does not provide the Company with a written notice within that thirty (30) day period rejecting the amendment.

Please sign your name in the space provided below on this Restricted Stock Unit Agreement and return an executed copy to: Stock Administration, Attn: Chris Ricci, VeriSign, Inc., 12061 Bluemont Way, Reston, VA 20190.

VERISIGN, INC.

PARTICIPANT

By:

(Signature)

(Please print name)

(Please print name)

(Please print title)

VERISIGN, INC.

2006 EQUITY INCENTIVE PLAN

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

The Board of Directors of VeriSign, Inc. has approved a grant to you (the "*Participant*" named below) of Performance-Based Restricted Stock Units ("*RSUs*") pursuant to the VeriSign, Inc. 2006 Equity Incentive Plan (the "*Plan*"), as described below. Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

Participant: _____

Number of RSUs: _____

Date of Grant: _____

1. Grant of Awards. The Company has granted to Participant [NUMBER] RSUs, subject to the terms of this Agreement and the terms of the Plan. The number of RSUs awarded to Participant represents a target award for the Performance Period (as defined below) (the "Target Award"). The number of RSUs of Participant's actual earned award (the "Actual Award") will be based upon the level of achievement of the performance goals for the relevant performance periods as set forth in Exhibit A-1 – Performance Goals and Payout Scale for Performance-Based RSUs granted in 2013, as determined by the Compensation Committee (the "Committee"). Each RSU represents the right to receive one (1) Share of Common Stock as set forth herein.

2. Performance Multiplier. The Performance Multiplier shall be determined by reference to achievement of the performance goals for the applicable performance period as set forth in Exhibit A-1. The Performance Multiplier may be zero or 100% of the Target Award. In the event the Committee determines that the Performance Multiplier equals zero, all RSUs will be forfeited automatically on such date and all the rights of Participant to such RSUs shall immediately terminate.

3. Performance Period. The performance period to which this Agreement applies commences on January 1, [INSERT YEAR] and ends on December 31, [INSERT YEAR] (the "Performance Period").

4. Vesting Schedule. Participant's Actual Award will vest as follows:

(a) One-third will be eligible to vest on the later of the date the Committee certifies achievement of the applicable performance goal as set forth in Exhibit A-1, for the period commencing January 1, 2013 and ending December 31, 2013 (the "Certification Period") and the date the Company receives an unqualified signed opinion of the Company's financial statements from its independent registered public accounting firm for the Certification Period (the "Vesting Date"); and

(b) One-third will be eligible to vest on second anniversary of the Date of Grant; and

(c) One-third will be eligible to vest on third anniversary of the Date of Grant.

5. Settlement. Settlement of vested RSUs shall be made within 30 days following the applicable date of vesting under the above vesting schedule (provided that if at the time of settlement Participant is a "specified employee" of the Company under Section 409A, and settlement would be treated as a payment made on separation of service, then if required to avoid the taxes imposed by Section 409A settlement shall be delayed by six (6) months (or if earlier,

until death), or such other period of time as is then required to avoid such taxes). Notwithstanding any provision to the contrary in this agreement, to the extent necessary to avoid the imposition of any taxes under Section 409A, no payment or distribution under this agreement that becomes payable by reason of a Participant's termination of employment with the Company will be made to such Participant unless such Participant's termination of employment constitutes a "separation from service" (as such term is defined in Section 409A). For purposes of this agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A. Settlement of vested RSUs shall be in Shares; provided, that pursuant to Section 11, if Shares may not be withheld as a result of foreign tax law, then an appropriate number of RSUs may or may not be automatically settled in cash, depending upon the taxable jurisdiction. In addition, if determined by the Committee in its discretion at the time of payment, RSUs may also be settled in cash or some combination of cash and Shares. The Participant shall pay to the Company the aggregate par value of the Shares issued prior to their issuance (par value being \$0.001 per Share) with such payment deemed to have been made for each Share, by Participant's services from the Date of Grant to the first applicable vesting date. Participant agrees that, if necessary due to applicable law, Participant shall pay to the Company each affected Share's par value by making appropriate payroll deductions from funds due the Participant. Notwithstanding the issuance of Shares in settlement of the RSUs or the delivery of one or more stock certificates for such Shares, the Shares shall be subject to applicable restrictions on transfer or sale, if any, as may be set forth in the Participant's written employment or service contract with the Company or pursuant to any policy adopted by the Company, now or hereafter existing, that imposes stock ownership requirements, stock retention requirements or stock sale restrictions on the Participant. To enforce any restrictions or requirements on the Participant's Shares, the Committee may require the Participant to deposit all certificates, together with stock powers or other instruments of transfer approved by the Committee appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions or requirements have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions or requirements to be placed on the certificates.

6. No Stockholder Rights. Unless and until such time as Shares are issued in settlement of vested RSUs, the Participant shall have no ownership of the Shares allocated to the RSUs and shall have no right to vote such Shares, subject to the terms, conditions and restrictions described in the Plan and herein.

7. Dividend Equivalents. On or following the First Vesting Date, any dividends paid in cash on Shares of the Company shall be credited to the Participant as additional RSUs as if the RSUs held by the Participant were outstanding Shares, as follows: such credit shall be made in whole and/or fractional RSUs and shall be based on the Fair Market Value of the Shares on the date of payment of such dividend. All such additional RSUs shall be subject to the same time- and performance-based vesting requirements applicable to the RSUs in respect of which they were credited and shall be settled in accordance with, and at the time of, settlement of the vested RSUs to which they are related.

8. No Transfer. The RSUs and any interest therein: (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, and (ii) shall, if the Participant's continuous employment with the Company or any of its affiliates shall terminate for any reason (except as otherwise provided in the Plan or Section 9 below), be forfeited to the Company forthwith, and all the rights of the Participant to such RSUs shall immediately terminate.

9. Termination.

(i) In the event of a Participant's Termination by the Company or by the Participant, all unvested RSUs shall (except as otherwise provided in the Plan or herein), be forfeited to the Company forthwith, and all the rights of the Participant to such RSUs shall immediately terminate and the Committee shall settle, in Shares, the value of any vested RSUs (based on the then Fair Market Value of Shares deemed allocated to such vested RSUs on the date of such Termination), as soon as practicable thereafter.

(ii) In the event of a Participant's Termination due solely to death or Disability while any RSUs granted hereunder remain unvested, the RSUs that are unvested shall accelerate as follows: (a) if such Termination occurs during the performance period and before the conclusion of such performance period, then the RSUs will fully accelerate based on the target performance achievement; and (b) if such Termination occurs after the

conclusion of the performance period but before the award for such performance period has been paid, then the RSUs will fully accelerate based upon the actual performance achievement.

(iii) In case of any dispute as to whether Termination has occurred, the Committee shall have sole discretion to determine whether such Termination has occurred and the effective date of such Termination.

10. Acknowledgement. The Company and the Participant agree that the RSUs are granted under and governed by this Performance-Based Restricted Stock Unit Agreement and by the provisions of the Plan (incorporated herein by reference). The Participant: (i) acknowledges receipt of a copy of the Plan and the Plan prospectus, (ii) represents that the Participant has carefully read and is familiar with their provisions, and (iii) hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan. In the event that upon the 30th day after the Date of Grant, the Participant has not refused the RSUs by notice to the Company pursuant to Section 16 hereof, the Participant shall be deemed to have accepted the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan.

11. Tax Consequences. The Participant acknowledges that there may be adverse tax consequences upon settlement of the RSUs or disposition of the Shares, if any, received in connection therewith and that the Company recommends that Participant should consult a tax adviser prior to such settlement or disposition. In particular, Participant must make arrangements, satisfactory to the Company, for satisfaction of any applicable foreign, federal, state or local income tax withholding requirements or social security requirements related to the grant of the RSUs or Participant's receipt of Shares in settlement thereof, including, in either case, any dividend paid in respect thereof. In the event settlement of the RSUs is made in Shares, the Company will satisfy the minimum statutory withholding tax obligation by withholding a certain number of Shares otherwise deliverable from the total number of Shares deliverable to the Participant upon settlement unless Shares may not be withheld as a result of foreign tax law (in which case an appropriate number of RSUs may or may not be automatically settled in cash, depending upon the taxable jurisdiction). In the event that any RSUs are settled in cash, or Shares may not be withheld as a result of foreign tax law, the Participant hereby authorizes the Company to withhold the required minimum amount from Participant's other sources of compensation from the Company or any Parent or Subsidiary.

12. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and Participant with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

13. VeriSign Incentive Compensation Recovery Policy in the Case of Inaccurate Financial Statements. The Committee has adopted an incentive compensation recovery policy (the "Policy") which applies to all Section 16 executive officers and such other officers as the Committee may designate. The Policy applies whenever there is an inaccurate financial statement, and, as a result, a covered executive has received materially more incentive compensation than would have otherwise occurred. To the extent you are subject to the Policy, you agree that the Committee has discretion to seek recovery of any such overpayment received under this Agreement per the terms of the Policy.

14. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

15. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Virginia as such laws are applied to agreements between Virginia residents entered into and to be performed entirely within Virginia, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

16. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing (including email) and addressed to Participant at the participant's Company email address, the address of record or to such other address as Participant may designate in writing from time to time to the Company or may be posted on the Participant's E*Trade VeriSign employee stock plan account at www.etrade.com. All notices shall be deemed effectively given upon personal delivery, (i) three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), (ii) one (1) business day after its deposit with any return receipt express courier (prepaid), (iii) one (1) business day after transmission by fax or telecopier, (iv) upon receipt if sent by the Company to the Participant's email address at the Company, or (v) upon posting on the Participant's E*Trade VeriSign employee stock plan account at www.etrade.com.

17. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

18. Headings. The captions and headings of this Agreement are included for ease of reference only and are to be disregarded in interpreting or construing this Agreement.

19. Entire Agreement; Modification. The Plan and this Performance-Based Restricted Stock Unit Agreement for these RSUs constitute the entire agreement and understanding of the parties with respect to the subject matter herein and supersede all prior understandings and agreements, whether oral or written, between the parties hereto with respect to the specific subject matter hereof. This Performance-Based Restricted Stock Unit Agreement may be amended only by a written instrument executed by an authorized representative of the Company and effectively given to the Participant pursuant to the methods of delivery set forth in Section 16 above. Any such amendment shall be deemed effective thirty (30) calendar days after the date on which it is effectively given to the Participant as described in Section 16 above, provided the Participant does not provide the Company with a written notice within that thirty (30) day period rejecting the amendment.

Please sign your name in the space provided below on this Performance-Based Restricted Stock Unit Agreement and return an executed copy to: Stock Administration, Attn: Christopher Ricci, VeriSign, Inc., 12061 Bluemont Way, Reston, VA 20190.

VERISIGN, INC.

PARTICIPANT

By:

(Signature)

(Signature)

(Please print name)

(Please print name)

(Please print title)

VERISIGN, INC.

2006 EQUITY INCENTIVE PLAN

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

The Board of Directors of VeriSign, Inc. has approved a grant to you (the "*Participant*" named below) of Performance-Based Restricted Stock Units ("*RSUs*") pursuant to the VeriSign, Inc. 2006 Equity Incentive Plan (the "*Plan*"), as described below. Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan.

Participant: _____

Number of RSUs: _____

Date of Grant: _____

1. Grant of Awards. The Company has granted to Participant [NUMBER] RSUs, subject to the terms of this Agreement and the terms of the Plan. The number of RSUs awarded to Participant represents a target award for the Performance Period (as defined below) (the "Target Award"). The number of RSUs of Participant's actual earned award (the "Actual Award") will be based upon the level of achievement of the performance goals for the relevant performance periods as set forth in Exhibit A – Performance Goals and Payout Scale for Performance-Based RSUs granted in 2013, as determined by the Compensation Committee (the "Committee"). Each RSU represents the right to receive one (1) Share of Common Stock as set forth herein.

2. Performance Multiplier. The Performance Multiplier shall be determined by reference to achievement of the performance goals for the applicable performance period as set forth in Exhibit A. The Performance Multiplier may range from zero to a maximum of 200% of the Target Award. In the event the Committee determines that the Performance Multiplier equals zero, all RSUs will be forfeited automatically on such date and all the rights of Participant to such RSUs shall immediately terminate.

3. Performance Period. The performance period to which this Agreement applies commences on January 1, [INSERT YEAR] and ends on December 31, [INSERT YEAR] (the "Performance Period").

4. Vesting Schedule. Participant's Actual Award will vest as follows:

(a) 50% will be eligible to vest on the later of the date the Committee certifies achievement of the applicable performance goals as set forth in Exhibit A, for the period commencing January 1, 2013 and ending December 31, 2014 (the "First Certification Period") and the date the Company receives an unqualified signed opinion of the Company's financial statements from its independent registered public accounting firm for the First Certification Period (the "First Vesting Date"); and

(b) the remaining 50% will be eligible to vest on the later of the date the Committee certifies achievement of the applicable performance goals as set forth in Exhibit A, for the period commencing January 1, 2013 and ending December 31, 2015 (the "Second Certification Period") and the date the Company receives an unqualified signed opinion of the Company's financial statements from its independent registered public accounting firm for the Second Certification Period (the "Second Vesting Date").

5. Settlement. Settlement of vested RSUs shall be made within 30 days following the applicable date of vesting under the above vesting schedule (provided that if at the time of settlement Participant is a "specified employee" of

the Company under Section 409A, and settlement would be treated as a payment made on separation of service, then if required to avoid the taxes imposed by Section 409A settlement shall be delayed by six (6) months (or if earlier, until death), or such other period of time as is then required to avoid such taxes). Notwithstanding any provision to the contrary in this agreement, to the extent necessary to avoid the imposition of any taxes under Section 409A, no payment or distribution under this agreement that becomes payable by reason of a Participant's termination of employment with the Company will be made to such Participant unless such Participant's termination of employment constitutes a "separation from service" (as such term is defined in Section 409A). For purposes of this agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A. Settlement of vested RSUs shall be in Shares; provided, that pursuant to Section 11, if Shares may not be withheld as a result of foreign tax law, then an appropriate number of RSUs may or may not be automatically settled in cash, depending upon the taxable jurisdiction. In addition, if determined by the Committee in its discretion at the time of payment, RSUs may also be settled in cash or some combination of cash and Shares. The Participant shall pay to the Company the aggregate par value of the Shares issued prior to their issuance (par value being \$0.001 per Share) with such payment deemed to have been made for each Share, by Participant's services from the Date of Grant to the first applicable vesting date. Participant agrees that, if necessary due to applicable law, Participant shall pay to the Company each affected Share's par value by making appropriate payroll deductions from funds due the Participant. Notwithstanding the issuance of Shares in settlement of the RSUs or the delivery of one or more stock certificates for such Shares, the Shares shall be subject to applicable restrictions on transfer or sale, if any, as may be set forth in the Participant's written employment or service contract with the Company or pursuant to any policy adopted by the Company, now or hereafter existing, that imposes stock ownership requirements, stock retention requirements or stock sale restrictions on the Participant. To enforce any restrictions or requirements on the Participant's Shares, the Committee may require the Participant to deposit all certificates, together with stock powers or other instruments of transfer approved by the Committee appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions or requirements have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions or requirements to be placed on the certificates.

6. No Stockholder Rights. Unless and until such time as Shares are issued in settlement of vested RSUs, the Participant shall have no ownership of the Shares allocated to the RSUs and shall have no right to vote such Shares, subject to the terms, conditions and restrictions described in the Plan and herein.

7. Dividend Equivalents. On or following the First Vesting Date, any dividends paid in cash on Shares of the Company shall be credited to the Participant as additional RSUs as if the RSUs held by the Participant were outstanding Shares, as follows: such credit shall be made in whole and/or fractional RSUs and shall be based on the Fair Market Value of the Shares on the date of payment of such dividend. All such additional RSUs shall be subject to the same time- and performance-based vesting requirements applicable to the RSUs in respect of which they were credited and shall be settled in accordance with, and at the time of, settlement of the vested RSUs to which they are related.

8. No Transfer. The RSUs and any interest therein: (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, and (ii) shall, if the Participant's continuous employment with the Company or any of its affiliates shall terminate for any reason (except as otherwise provided in the Plan or Section 9 below), be forfeited to the Company forthwith, and all the rights of the Participant to such RSUs shall immediately terminate.

9. Termination.

(i) In the event of a Participant's Termination by the Company or by the Participant, all unvested RSUs shall (except as otherwise provided in the Plan or herein), be forfeited to the Company forthwith, and all the rights of the Participant to such RSUs shall immediately terminate and the Committee shall settle, in Shares, the value of any vested RSUs (based on the then Fair Market Value of Shares deemed allocated to such vested RSUs on the date of such Termination), as soon as practicable thereafter.

(ii) In the event of a Participant's Termination due solely to death or Disability while any RSUs granted hereunder remain unvested, the RSUs that are unvested shall accelerate as follows: (a) if such Termination

occurs during the performance period and before the conclusion of such performance period, then the RSUs will fully accelerate based on the target performance achievement; and (b) if such Termination occurs after the conclusion of the performance period but before the award for such performance period has been paid, then the RSUs will fully accelerate based upon the actual performance achievement.

(iii) In case of any dispute as to whether Termination has occurred, the Committee shall have sole discretion to determine whether such Termination has occurred and the effective date of such Termination.

10. Acknowledgement. The Company and the Participant agree that the RSUs are granted under and governed by this Performance-Based Restricted Stock Unit Agreement and by the provisions of the Plan (incorporated herein by reference). The Participant: (i) acknowledges receipt of a copy of the Plan and the Plan prospectus, (ii) represents that the Participant has carefully read and is familiar with their provisions, and (iii) hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan. In the event that upon the 30th day after the Date of Grant, the Participant has not refused the RSUs by notice to the Company pursuant to Section 16 hereof, the Participant shall be deemed to have accepted the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan.

11. Tax Consequences. The Participant acknowledges that there may be adverse tax consequences upon settlement of the RSUs or disposition of the Shares, if any, received in connection therewith and that the Company recommends that Participant should consult a tax adviser prior to such settlement or disposition. In particular, Participant must make arrangements, satisfactory to the Company, for satisfaction of any applicable foreign, federal, state or local income tax withholding requirements or social security requirements related to the grant of the RSUs or Participant's receipt of Shares in settlement thereof, including, in either case, any dividend paid in respect thereof. In the event settlement of the RSUs is made in Shares, the Company will satisfy the minimum statutory withholding tax obligation by withholding a certain number of Shares otherwise deliverable from the total number of Shares deliverable to the Participant upon settlement unless Shares may not be withheld as a result of foreign tax law (in which case an appropriate number of RSUs may or may not be automatically settled in cash, depending upon the taxable jurisdiction). In the event that any RSUs are settled in cash, or Shares may not be withheld as a result of foreign tax law, the Participant hereby authorizes the Company to withhold the required minimum amount from Participant's other sources of compensation from the Company or any Parent or Subsidiary.

12. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and Participant with all applicable state and federal laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Common Stock may be listed or quoted at the time of such issuance or transfer.

13. VeriSign Incentive Compensation Recovery Policy in the Case of Inaccurate Financial Statements. The Committee has adopted an incentive compensation recovery policy (the "Policy") which applies to all Section 16 executive officers and such other officers as the Committee may designate. The Policy applies whenever there is an inaccurate financial statement, and, as a result, a covered executive has received materially more incentive compensation than would have otherwise occurred. To the extent you are subject to the Policy, you agree that the Committee has discretion to seek recovery of any such overpayment received under this Agreement per the terms of the Policy.

14. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors and assigns.

15. Governing Law; Severability. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Virginia as such laws are applied to agreements between Virginia residents entered into and to be performed entirely within Virginia, excluding that body of laws pertaining to conflict of laws. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision

will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

16. Notices. Any notice required to be given or delivered to the Company shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing (including email) and addressed to Participant at the participant's Company email address, the address of record or to such other address as Participant may designate in writing from time to time to the Company or may be posted on the Participant's E*Trade VeriSign employee stock plan account at www.etrade.com. All notices shall be deemed effectively given upon personal delivery, (i) three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested), (ii) one (1) business day after its deposit with any return receipt express courier (prepaid), (iii) one (1) business day after transmission by fax or telecopier, (iv) upon receipt if sent by the Company to the Participant's email address at the Company, or (v) upon posting on the Participant's E*Trade VeriSign employee stock plan account at www.etrade.com.

17. Further Instruments. The parties agree to execute such further instruments and to take such further action as may be reasonably necessary to carry out the purposes and intent of this Agreement.

18. Headings. The captions and headings of this Agreement are included for ease of reference only and are to be disregarded in interpreting or construing this Agreement.

19. Entire Agreement; Modification. The Plan and this Performance-Based Restricted Stock Unit Agreement for these RSUs constitute the entire agreement and understanding of the parties with respect to the subject matter herein and supersede all prior understandings and agreements, whether oral or written, between the parties hereto with respect to the specific subject matter hereof. This Performance-Based Restricted Stock Unit Agreement may be amended only by a written instrument executed by an authorized representative of the Company and effectively given to the Participant pursuant to the methods of delivery set forth in Section 16 above. Any such amendment shall be deemed effective thirty (30) calendar days after the date on which it is effectively given to the Participant as described in Section 16 above, provided the Participant does not provide the Company with a written notice within that thirty (30) day period rejecting the amendment.

Please sign your name in the space provided below on this Performance-Based Restricted Stock Unit Agreement and return an executed copy to: Stock Administration, Attn: Christopher Ricci, VeriSign, Inc., 12061 Bluemont Way, Reston, VA 20190.

VERISIGN, INC.

PARTICIPANT

By:

(Signature)

(Signature)

(Please print name)

(Please print name)

(Please print title)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, D. James Bidzos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of VeriSign, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2013

By: _____ /s/ D. JAMES BIDZOS

D. James Bidzos
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, George E. Kilguss, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of VeriSign, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2013

By: _____ /S/ GEORGE E. KILGUSS, III
George E. Kilguss, III
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, D. James Bidzos, Chief Executive Officer of VeriSign, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2013, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2013

/S/ D. JAMES BIDZOS

D. James Bidzos
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, George E. Kilguss, III, Chief Financial Officer of VeriSign, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2013, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 25, 2013

/S/ GEORGE E. KILGUSS, III

George E. Kilguss, III
Chief Financial Officer

