

REGISTRATION NO. 333-40789

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VERISIGN, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

7371
(PRIMARY STANDARD INDUSTRIAL
CLASSIFICATION CODE NUMBER)

94-3221585
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

1390 SHOREBIRD WAY
MOUNTAIN VIEW, CALIFORNIA 94043
(650) 961-7500
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

DANA L. EVAN
CHIEF FINANCIAL OFFICER
VERISIGN, INC.
1390 SHOREBIRD WAY
MOUNTAIN VIEW, CALIFORNIA 94043
(650) 961-7500
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

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PALO ALTO, CALIFORNIA 94304-
1050
(650) 493-9300

(650) 494-0600

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR

DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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 +INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
 +REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +
 +SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
 +OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +
 +BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +
 +THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +
 +SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +
 +UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +
 +ANY SUCH STATE. +
 +++++

PROSPECTUS (Subject to Completion)

Issued January 2, 1998

Shares

[LOGO OF VERISIGN APPEARS HERE]

COMMON STOCK

ALL OF THE SHARES OF COMMON STOCK OFFERED HEREBY ARE BEING SOLD BY THE COMPANY. PRIOR TO THIS OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN \$ AND \$ PER SHARE. SEE "UNDERWRITERS" FOR A DISCUSSION OF THE FACTORS TO BE CONSIDERED IN DETERMINING THE INITIAL PUBLIC OFFERING PRICE. APPLICATION HAS BEEN MADE TO LIST THE SHARES OF COMMON STOCK ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "VRSN."

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 5 HEREOF.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE \$ A SHARE

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)
	-----	-----	-----
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

-
- (1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriters."
 - (2) Before deducting expenses payable by the Company estimated at \$.
 - (3) The Company has granted the Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of additional Shares at the price to public less underwriting discounts and commissions for the purpose of covering over-allotments, if any. If the Underwriters exercise such option in full, the total price to public, underwriting discounts and commissions and proceeds to Company will be \$, \$ and \$, respectively. See "Underwriters."

The Shares are offered, subject to prior sale, when, as and if accepted by the Underwriters named herein and subject to approval of certain legal matters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, counsel for the Underwriters. It is expected that delivery of the Shares will be made on or about , 1998 at the office of Morgan Stanley & Co. Incorporated, New York, N.Y., against payment therefor in immediately available funds.

MORGAN STANLEY DEAN WITTER

HAMBRECHT & QUIST

WESSELS, ARNOLD & HENDERSON

NO PERSON IS AUTHORIZED IN CONNECTION WITH ANY OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN AS CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES OR AN OFFER TO, OR A SOLICITATION OF, ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

UNTIL _____, 1998 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATIONS OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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 The Company intends to furnish its stockholders with annual reports containing consolidated financial statements audited by an independent public accounting firm and quarterly reports containing unaudited consolidated financial data for the first three quarters of each year.

 VeriSign(TM) is a trademark exclusively licensed to the Company and Channel Signing Digital IDSM, Digital IDSM, Digital ID CenterSM, EDI Server IDSM, Financial Server IDSM, Global Server IDSM, NetSureSM, Secure Server IDSM, Software Developer Digital IDSM, Universal Digital IDSM, VeriSign OnSiteSM, VeriSign SETSM, VeriSign V-CommerceSM and WorldTrustSM are service marks of the Company. This Prospectus also includes trademarks of companies other than the Company.

 Unless the context otherwise requires, the terms "VeriSign" and the "Company" refer to VeriSign, Inc., a Delaware corporation, and its majority-owned subsidiary, VeriSign Japan K.K. ("VeriSign Japan"). Except as otherwise noted herein, information in this Prospectus (i) assumes no exercise of the Underwriters' over-allotment option, (ii) gives effect to the conversion of all outstanding shares of Preferred Stock of the Company into shares of Common Stock of the Company, which will occur upon the closing of this offering, (iii) gives effect to the increase in the authorized shares of Common Stock to

50,000,000 shares to be effected in January 1998 and (iv) gives effect to the filing, upon the closing of this offering, of a Restated Certificate of Incorporation, authorizing 5,000,000 shares of undesignated Preferred Stock.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, SHARES OF COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITERS."

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and the Consolidated Financial Statements and notes thereto appearing elsewhere in this Prospectus.

THE COMPANY

VeriSign is the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over the Internet and over intranets and extranets using the Internet Protocol (collectively, "IP Networks"). The Company has established strategic relationships with industry leaders, including Cisco, McAfee Associates, Microsoft, Netscape, RSA, Security Dynamics, VeriFone and VISA, to enable widespread deployment of the Company's digital certificate technology and products and to assure their interoperability among a wide variety of applications. The Company's digital certificates, called Digital IDs, are enabled in millions of copies of Microsoft and Netscape Web browsers, tens of thousands of copies of popular Web servers and a variety of other software applications. The Company believes that it has issued more digital certificates than any other company, having issued over 1.5 million of its Digital IDs for individuals and over 35,000 of its Digital IDs for Web sites. In addition to providing Digital IDs for individuals and Web sites, the Company provides turn-key and custom digital certificate solutions needed by organizations, such as Dow Jones, NOVUS/Discover and VISA, to conduct trusted and secure communications and commerce over IP networks. The Company markets its products and services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and OEMs, and intends to continue to expand these distribution channels.

THE OFFERING

Common Stock offered.....	shares
Common Stock to be outstanding after the offering.....	shares(1)
Use of proceeds.....	For general corporate purposes, including capital expenditures and working capital. See "Use of Proceeds."
Proposed Nasdaq National Market symbol.....	VRSN

SUMMARY CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PERIOD FROM APRIL 12, 1995 (INCEPTION) TO DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1996 1997	
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CONSOLIDATED STATEMENT OF OPERATIONS DATA:

Revenues.....	\$ 382	\$ 1,351	\$ 774	\$ 6,115
Total costs and expenses.....	2,524	12,365	7,168	20,891
Operating loss.....	(2,142)	(11,014)	(6,394)	(14,776)
Net loss.....	(1,994)	(10,243)	(5,952)	(12,722)
Pro forma net loss per share(2).....		\$ (.74)	\$ (.47)	\$ (.75)
Shares used in per share computations(2).....		13,836	12,532	17,006

SEPTEMBER 30, 1997

	PRO ACTUAL	PRO FORMA FORMA(3)	PRO FORMA AS ADJUSTED(4)
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CONSOLIDATED BALANCE SHEET DATA:

Cash, cash equivalents and short-term investments.....	\$13,612	\$13,612	\$
Total assets.....	25,659	25,659	
Stockholders' equity.....	15,876	17,876	

(1) Based on the number of shares outstanding as of September 30, 1997. Excludes (i) 2,000,974 shares of Common Stock issuable upon the exercise of options then outstanding, with a weighted average exercise price of \$1.49 per share, and (ii) a maximum of 3,765,282 shares reserved or to be

reserved for issuance under the Company's stock plans. See "Capitalization," "Management--Employee Benefit Plans" and Note 6 of Notes to Consolidated Financial Statements.

- (2) See Note 1 of Notes to Consolidated Financial Statements for an explanation of the determination of the number of shares used in per share computations.
- (3) Pro forma to reflect (i) the conversion of all outstanding shares of Preferred Stock into shares of Common Stock upon the closing of this offering and (ii) the issuance in November 1997 of 250,000 shares of Common Stock, valued at \$2.0 million, in connection with the execution of certain agreements with VeriFone, which included a settlement of claims of VeriFone.
- (4) Pro forma as adjusted to reflect the sale of the _____ shares of Common Stock offered hereby at an assumed initial public offering price of \$ _____ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company. See "Use of Proceeds" and "Capitalization."

THE COMPANY

VeriSign is the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. A digital certificate functions as an electronic credential in the digital world, identifying the certificate owner, authenticating the certificate owner's membership in a given organization or community or establishing the certificate owner's authority to engage in a given transaction, thereby creating a framework for trusted interaction over IP networks. The Company has established strategic relationships with industry leaders, including Cisco, McAfee Associates, Inc. ("McAfee Associates"), Microsoft, Netscape, RSA Data Security Inc. ("RSA"), Security Dynamics Technologies, Inc. ("Security Dynamics"), VeriFone, Inc. ("VeriFone") and Visa International Service Association ("VISA"), to enable widespread deployment of the Company's digital certificate technology and products and to assure their interoperability among a wide variety of applications. The Company's digital certificates, called Digital IDs, are enabled in millions of copies of Microsoft and Netscape Web browsers, tens of thousands of copies of popular Web servers and a variety of other software applications. The Company believes that it has issued more digital certificates than any other company, having issued over 1.5 million of its Digital IDs for individuals and over 35,000 of its Digital IDs for Web sites. In addition to providing Digital IDs for individuals and Web sites, the Company also provides turn-key and custom solutions needed by organizations, such as Dow Jones, NOVUS/Discover and VISA, to conduct trusted and secure communications and commerce over IP networks.

IP networks are revolutionizing communications and commerce because of their global reach, accessibility, use of open standards and ability to enable real-time interaction. The use of IP networks is beginning to extend beyond informal messaging, general information browsing and the exchange of non-sensitive data to a number of more valuable and sensitive activities including business-to-business transactions and electronic data interchange ("EDI"), online retail purchases and payments, Web-based access to account and benefits information and secure messaging for both personal and business use. Forrester Research estimates that Internet business-to-business commerce alone will grow from approximately \$8 billion in 1997 to more than \$327 billion in 2002. However, despite the convenience and the compelling economic incentives for the use of IP networks, they cannot reach their full potential as a platform for global communications and commerce until the current lack of trust and security associated with the use of these networks is resolved. Digital certificates are emerging as the leading technology for establishing a framework for trusted and secure communications and commerce over IP networks, with many Internet security protocols dictating the use of digital certificates. Just as an individual may have many forms of credit cards and IDs, he or she may require multiple digital certificates, each corresponding to a unique digital relationship between the individual and an organization. Thus, there is the potential need over time for hundreds of millions of digital certificates to be issued and managed.

The Company has invested significant resources to develop a highly reliable and secure operations infrastructure, a modular software architecture and a comprehensive set of security and trust practices to enable trusted and secure communications and commerce over IP networks using digital certificates. The Company's Digital ID Centers in Mountain View, California and Kawasaki, Japan are designed to provide the high levels of availability, security and scaleability required to meet the needs of customers for high volume digital certificate issuance and management. The Company's modular WorldTrust software architecture, which serves as the foundation for the Company's products and services, automates many aspects of digital certificate issuance and lifecycle management and provides the scaleability necessary to deploy millions of digital certificates for distinct communities ranging from individual corporations to the entire population of Internet users. The Company also has been instrumental in defining comprehensive trust practices and procedures, which the Company believes has been important in establishing its reputation as the leading provider of digital certificate solutions.

The Company's objective is to enhance its position as the leading provider of digital certificate solutions and infrastructure needed to conduct trusted and secure communications and commerce over IP networks. The Company's strategy to achieve this objective includes leveraging its leadership position to drive market penetration, leveraging and expanding strategic relationships with industry leaders, maintaining leadership in technology, infrastructure and practices and continuing to build the VeriSign brand. The Company markets its products and services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, value-added resellers ("VARs"), systems integrators and original equipment manufacturers ("OEMs"), and intends to continue to expand these distribution channels.

The Company was incorporated in Delaware in April 1995. The Company's executive offices are located at 1390 Shorebird Way, Mountain View, California 94043, its telephone number at this location is (650) 961-7500 and its Web site is located at <http://www.verisign.com>. Information contained in the Company's Web site is not part of this Prospectus.

RISK FACTORS

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the shares of Common Stock offered hereby. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed below, in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and elsewhere in this Prospectus.

Limited Operating History; History of Losses and Anticipation of Future Losses. The Company was incorporated in April 1995 and began introducing its products and services in June 1995. Accordingly, the Company has only a limited operating history on which to base an evaluation of its business and prospects. The Company's prospects must be considered in light of the risks and uncertainties encountered by companies in the early stages of development, particularly companies in new and rapidly evolving markets. The Company's success will depend on many factors, including, but not limited to, the following: the rate and timing of the growth and use of IP networks for communications and commerce and the extent to which digital certificates are used for such communications and commerce; the demand for the Company's products and services; the levels of competition; the perceived security of communications and commerce over IP networks, and of the Company's infrastructure, products and services in particular; and the Company's continued ability to maintain its current, and enter into additional, strategic relationships. To address these risks the Company must, among other things: attract and retain qualified personnel; respond to competitive developments; successfully introduce new products and services; successfully introduce enhancements to its existing products and services to address new technologies and standards; and successfully market its digital certificates and its enterprise and electronic commerce solutions. There can be no assurance that the Company will succeed in addressing any or all of these risks, and the failure to do so would have a material adverse effect on the Company's business, operating results and financial condition. In addition, the Company has experienced substantial net losses in each fiscal period since its inception and, as of September 30, 1997, had an accumulated deficit of \$25.0 million. Such net losses and accumulated deficit resulted from the Company's lack of substantial revenues and the significant costs incurred in the development and sale of the Company's products and services and in the establishment and deployment of the Company's operations infrastructure and practices. The Company's limited operating history, the emerging nature of its market and the factors described under "--Adoption of IP Networks" and "--Potential Fluctuations in Quarterly Operating Results; Unpredictability of Future Revenues," among other factors, make prediction of the Company's future operating results difficult. In addition, the Company intends to increase its expenditures in all areas in order to execute its business plan. As a result, the Company expects to incur substantial additional losses for the foreseeable future. Furthermore, to the extent the Company's majority-owned subsidiary, VeriSign Japan, is unable to continue to fund its operations with investments from minority shareholders, the Company may be required to fund the operations of VeriSign Japan, which could have a material adverse effect on the Company's business, operating results and financial condition. Although the Company has experienced revenue growth in recent periods, there can be no assurance that such growth rates are sustainable and, therefore, they should not be considered indicative of future operating results. There can also be no assurance that the Company will ever achieve significant revenues or profitability or, if significant revenues and profitability are achieved, that they could be sustained. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Strategy."

Adoption of IP Networks. In order for the Company to be successful, IP networks must be adopted as a means of trusted and secure communications and commerce to a sufficient extent and within an adequate time frame. Because trusted and secure communications and commerce over IP networks is new and evolving, it is difficult to predict with any assurance the size of this market and its growth rate, if any. To date, many businesses and consumers have been deterred from utilizing IP networks for a number of reasons, including, but not limited to, potentially inadequate development of network infrastructure, security concerns, inconsistent quality of service, lack of availability of cost-effective, high-speed service, limited numbers of local access points for corporate users, inability to integrate business applications on IP networks, the need to interoperate with multiple

and frequently incompatible products, inadequate protection of the confidentiality of stored data and information moving across IP networks and a lack of tools to simplify access to and use of IP networks. The adoption of IP networks for trusted and secure communications and commerce, particularly by individuals and entities that historically have relied upon traditional means of communications and commerce, will require a broad acceptance of new methods of conducting business and exchanging information. Companies and government agencies that already have invested substantial resources in other methods of conducting business may be reluctant to adopt a new strategy that may limit or compete with their existing efforts. Furthermore, individuals with established patterns of purchasing goods and services and effecting payments may be reluctant to alter those patterns.

The use of IP networks for trusted and secure communications and commerce may not increase or may increase more slowly than expected because the infrastructure required to support widespread trusted and secure communications and commerce on such networks may not develop. For example, the Internet has experienced, and may continue to experience, significant growth in its number of users and amount of traffic. There can be no assurance that the Internet infrastructure will continue to support the demands placed on it by this continued growth or that the performance or reliability of the Internet will not be adversely affected by this continued growth. In addition, IP networks could lose their viability due to delays in the development or adoption of new standards and protocols to handle increased levels of activity or due to increased governmental regulation. Changes in, or insufficient availability of, communications services to support IP networks could result in slower response times and also adversely affect usage of IP networks. If the market for trusted and secure communications and commerce over IP networks fails to develop or develops more slowly than expected, or if the Internet infrastructure does not adequately support any continued growth, the Company's business, operating results and financial condition would be materially adversely affected. See "--Industry Regulation" and "Business--Industry Background" and "--Customers and Markets."

No Assurance of Market Acceptance for Digital Certificates and the Company's Products and Services. The Company's products and services are targeted at the market for trusted and secure communications and commerce over IP networks, a market that is at an early stage of development and is rapidly evolving. Accordingly, demand for and market acceptance of digital certificate solutions are subject to a high level of uncertainty. There can be no assurance that digital certificates will gain market acceptance as a necessary element of trusted and secure communications and commerce over IP networks. In addition, there can be no assurance that the market for the Company's products and services will develop in a timely manner, or at all, or that demand for the Company's products and services will emerge or be sustainable. The factors that may affect the level of market acceptance of digital certificates and, consequently, the Company's products and services, include the following: market acceptance of products and services based upon authentication technologies other than those used by the Company; public perception of the security of digital certificates and of the inherent security levels of IP networks; the ability of the Internet infrastructure to accommodate increased levels of usage; and the enactment of government regulations affecting communications and commerce over IP networks. Even if digital certificates achieve market acceptance, there can be no assurance that the Company's products and services will adequately address the market's requirements. If digital certificates do not achieve market acceptance in a timely manner and sustain such acceptance, or if the Company's products and services in particular do not achieve or sustain market acceptance, the Company's business, operating results and financial condition would be materially adversely affected. See "Business--Industry Background" and "--Customers and Markets."

Potential Fluctuations in Quarterly Operating Results; Unpredictability of Future Revenues. The Company's operating results have varied on a quarterly basis during its short operating history and may fluctuate significantly in the future as a result of a variety of factors, many of which are outside the Company's control. Factors that may affect the Company's quarterly operating results include the following: market acceptance of digital certificates; market acceptance of its products and services, particularly VeriSign OnSite, VeriSign V-Commerce and VeriSign SET; the long sales and implementation cycles for and potentially large order sizes of certain of the Company's products and services; the timing and execution of individual contracts; the timing of releases of new versions of Internet browsers or other third-party software products in which the Company's public root keys are embedded; customer renewal rates for the Company's products and services; the Company's

success in marketing other products and services to its existing customer base and to new customers; development of the Company's direct and indirect distribution channels; market acceptance of the Company's or competitors' new products and services; the amount and timing of expenditures relating to expansion of the Company's operations; price competition or pricing changes; general economic conditions and economic conditions specific to the Internet, intranet and extranet industries. Any one of these factors could cause the Company's revenues and operating results to vary significantly in the future. In addition, the Company will need to expand its operations and attract, integrate, retain and motivate a substantial number of sales and marketing and research and development personnel. The timing of such expansion and the rate at which new personnel become productive could cause material fluctuations in the Company's quarterly results of operations. See "Business--Industry Background" and "--Strategy."

The Company's limited operating history and the emerging nature of its market make prediction of future revenues difficult. The Company's expense levels are based, in part, on its expectations regarding future revenues, and to a large extent such expenses are fixed, particularly in the short term. There can be no assurance that the Company will be able to predict its future revenues accurately and the Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall of revenues in relation to the Company's expectations could cause significant declines in the Company's quarterly operating results.

Due to all of the foregoing factors, the Company's quarterly revenues and operating results are difficult to forecast. The Company believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. Also, it is likely that the Company's operating results will fall below the expectations of the Company, securities analysts or investors in some future quarter. In such event, the market price of the Company's Common Stock could be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

System Interruption and Security Breaches. The Company's success is largely dependent on the uninterrupted operation of its Digital ID Centers and its other computer and communications systems, which is dependent on the Company's ability to protect such systems from loss, damage or interruption caused by fire, earthquake, power loss, telecommunications failure or other events beyond the Company's control. Most of the Company's systems are located at, and most of its customer information is stored in, its facilities in Mountain View, California and Kawasaki, Japan, areas susceptible to earthquakes. Although the Company believes that its existing and planned precautions are adequate to prevent any significant loss of information or system outage, there can be no assurance that unanticipated problems will not cause such loss or failure. Any damage or failure that causes interruptions in the Company's Digital ID Centers and its other computer and communications systems could have a material adverse effect on the Company's business, operating results and financial condition. In addition, the ability of the Company to issue digital certificates is also dependent on the efficient operation of the Internet connections from customers to its Digital ID Centers. Such connections, in turn, are dependent upon efficient operation of Web browsers, Internet Service Providers ("ISPs") and Internet backbone service providers, all of which have had periodic operational problems or experienced outages in the past. Any such problems or outages could adversely affect customer satisfaction with the Company's products and services, which could have a material adverse effect on the Company's business, operating results and financial condition. The Company's success also depends in large part upon the scalability of its systems, which have not been tested at high volumes. As such, it is possible that a substantial increase in demand for the Company's products and services could cause interruptions in the Company's systems that could adversely affect the Company's ability to deliver its products and services. Any such interruptions could have a material adverse effect on the Company's business, operating results and financial condition.

The Company retains confidential customer information in its Digital ID Centers. It is critical to the Company's business strategy that the Company's facilities and infrastructure remain secure and that such facilities and infrastructure are perceived by the marketplace to be secure. Despite the implementation of security measures, the Company's infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by

hackers or similar disruptive problems, and it is possible that in the future the Company may have to expend additional financial and other resources to further address such problems. Any physical or electronic break-ins or other security breaches or compromises of the private root keys stored at the Company's Digital ID Centers may jeopardize the security of information stored on the Company's premises or stored in and transmitted through the computer systems and networks of the businesses and individuals utilizing the Company's products or services, which could result in significant liability to the Company and could deter existing and potential customers from using the Company's products and services. Such an occurrence could result in adverse publicity and therefore adversely affect the market's perception of the security of communications and commerce over IP networks as well as of the security or reliability of the Company's products and services, which would have a material adverse effect on the Company's business, operating results and financial condition. See "Business--The VeriSign Solution," "--Strategy," "--Infrastructure," "--Security and Trust Practices" and "--Facilities."

Competition. The Company's digital certificate solutions are targeted at the new and rapidly evolving market for trusted and secure communications and commerce over IP networks. Although the competitive environment in this market has yet to develop fully, the Company anticipates that it will be intensely competitive, subject to rapid change and significantly affected by new product and service introductions and other market activities of industry participants.

The Company's primary competitors are Entrust Technologies, Inc. ("Entrust"), GTE CyberTrust Solutions Incorporated ("GTE/CyberTrust") and International Business Machines Corporation ("IBM"). The Company also experiences competition from a number of smaller companies that provide digital certificate solutions. The Company expects that competition from established and emerging companies in the financial and telecommunications industries will increase in the near term, and that the Company's primary long-term competitors may not yet have entered the market. Netscape has introduced software products that enable the issuance and management of digital certificates, and the Company believes that other companies could introduce such products. There can be no assurance that additional companies will not offer digital certificate solutions that are competitive with those of the Company. Increased competition could result in pricing pressures, reduced margins or the failure of the Company's products and services to achieve or maintain market acceptance, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

Several of the Company's current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than the Company and therefore may be able to respond more quickly than the Company 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 with their products competing products or services for their customers, the demand for the Company's products and services might be substantially reduced and the ability of the Company to distribute its products successfully and the utilization of its services would be substantially diminished. In addition, browser companies that embed the Company's root keys or otherwise feature the Company as a provider of digital certificate solutions in their Web browsers or on their Web sites could also promote competitors of the Company or charge the Company substantial fees for such promotions in the future. New technologies and the expansion of existing technologies may increase the competitive pressures on the Company. There can be no assurance that competing technologies developed by others or the emergence of new industry standards will not adversely affect the Company's competitive position or render its products or technologies noncompetitive or obsolete. In addition, the market for digital certificates is nascent and is characterized by announcements of collaborative relationships involving competitors of the Company. The existence or announcement of such relationships could adversely affect the Company's ability to attract and retain customers. As a result of the foregoing and other factors, there can be no assurance that the Company will compete effectively with current or future competitors or that competitive pressures faced by the Company will not have a material adverse effect on the Company's business, operating results and financial condition.

In connection with the Company's first round of financing, RSA contributed certain technology to the Company and entered into a noncompetition agreement with the Company pursuant to which RSA agreed that it

would not compete with the Company's certificate authority business for a period of five years. This noncompetition agreement will expire in April 2000. The Company believes that, because RSA (which is now a wholly-owned subsidiary of Security Dynamics) has already developed expertise in the area of cryptography, its barriers to entry would be lower than those that would be encountered by other potential competitors of the Company should it choose to enter any of the Company's markets. If RSA were to enter into the digital certificate market, the Company's business, operating results and financial condition could be materially adversely affected. See "Business--Competition."

Rapid Technological Change; New Product and Services Introductions. Substantially all of the Company's limited revenues to date have been derived from the sale of digital certificate products and related services. These products and services are expected to account for substantially all of the Company's revenues for the foreseeable future. The emerging market for digital certificate products and related services is characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The emerging nature of this market and its rapid evolution will require that the Company continually improve the performance, features and reliability of its products and services, particularly in response to competitive offerings and that it introduce new products and services or enhancements to existing products and services as quickly as possible and prior to its competitors. The success of new product introductions is dependent on several factors, including proper new product definition, timely completion and introduction of new products, differentiation of new products from those of the Company's competitors and market acceptance of the Company's new products and services. There can be no assurance that the Company will be successful in developing and marketing new products and services that respond to competitive and technological developments and changing customer needs. The failure of the Company to develop and introduce new products and services successfully on a timely basis and to achieve market acceptance for such products and services could have a material adverse effect on the Company's business, operating results and financial condition. In addition, the widespread adoption of new Internet, networking or telecommunication technologies or standards or other technological changes could require substantial expenditures by the Company to modify or adapt its products and services. To the extent that a method other than digital certificates is adopted to enable trusted and secure communications and commerce over IP networks, sales of the Company's existing and planned products and services will be adversely affected and the Company's products and services could be rendered unmarketable or obsolete, which would have a material adverse effect on the Company's business, operating results and financial condition. The Company believes there is a time-limited opportunity to achieve market share, and there can be no assurance that the Company will be successful in achieving widespread acceptance of its products and services or in achieving market share before competitors offer products and services with features similar to the Company's current offerings. Any such failure by the Company could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Products and Services" and "--Research and Development."

Management of Growth and Expansion. The Company is currently experiencing a period of significant expansion. The Company's historical growth has placed, and such growth and any further growth is likely to continue to place, a significant strain on the Company's managerial, operational, financial and other resources. The Company has grown from 30 employees at December 31, 1995 to 162 employees at September 30, 1997. In addition, the Company has opened additional sales offices and has significantly expanded its operations during this time period. The Company's future success will depend, in part, upon the ability of its senior management to manage growth effectively, which will require the Company to implement additional management information systems, to develop further its operating, administrative, financial and accounting systems and controls and to maintain close coordination among its engineering, accounting, finance, marketing, sales and operations organizations. Any failure to implement or improve systems or controls or to manage any future growth and expansion effectively could have a material adverse effect on the Company's business, operating results and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Dependence on Key Personnel. The Company's future success will be highly dependent on the performance of its senior management team and other key employees, many of whom have worked together for only a short

period of time. For example, the Company has only recently hired its Vice President of Sales and Field Operations. The Company's success will also depend on its ability to attract, integrate, motivate and retain additional highly skilled technical and sales and marketing personnel. There is intense competition for senior management and technical and sales and marketing personnel in the areas of the Company's activities. In addition, the Company's stringent hiring practices for all operations personnel and executive management and for certain engineering personnel, which consist of background checks into prospective employees' criminal and financial histories, further limit the number of qualified persons for such positions. See "Business--Security and Trust Practices." The Company has no employment agreements with any of its key executives. In addition, the Company does not maintain key person life insurance for any of its officers or key employees other than Stratton D. Sclavos, its President and Chief Executive Officer. The loss of the services of any of the Company's senior management team or other key employees or the failure of the Company to attract, integrate, motivate and retain additional key employees could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Employees" and "Management."

Need to Establish and Maintain Strategic Relationships. A significant business strategy of the Company is to enter into strategic or other similar collaborative relationships in order to offer products and services to a larger customer base than could be reached through direct sales and marketing efforts. The Company will need to enter into additional strategic relationships to execute its business plan. There can be no assurance that the Company will be able to enter into additional, or maintain its existing, strategic relationships on commercially reasonable terms, if at all. If the Company were unable to enter into additional strategic relationships or maintain its existing strategic relationships, it would be required to devote substantially more resources to the distribution, sale and marketing of its products and services than it would otherwise plan to do. Furthermore, as a result of the Company's emphasis on these relationships, the Company's success will depend both on the ultimate success of the other parties to such relationships, particularly in the use and promotion of IP networks for trusted and secure communications and commerce, and on the ability of these parties to market the Company's products and services successfully. Failure of one or more of the Company's strategic relationships to result in the development and maintenance of a market for the Company's products and services could have a material adverse effect on the Company's business, operating results and financial condition.

In addition, the Company's existing strategic relationships do not, and any future strategic relationships may not, afford the Company any exclusive marketing or distribution rights. There can be no assurance that the other parties to such relationships view their relationships with the Company as significant for their own businesses or that they will not reduce their commitment to the Company at any time in the future. In addition, there can be no assurance that such parties will not pursue alternative technologies or develop alternative products and services in addition to or in lieu of the Company's products and services either on their own or in collaboration with others, including the Company's competitors. Any future inability of the Company to maintain its strategic relationships or to enter into additional strategic relationships could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Strategy," "--Strategic Relationships" and "--Marketing, Sales and Distribution."

Risk of Defects. Products as complex as those offered or developed by the Company frequently contain undetected defects or failures that may be detected at any point in the product's life. There can be no assurance that, despite testing by the Company and potential customers, defects or errors will not occur in existing or new products, which could result in loss of or delay in revenues, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation, increased insurance costs or increased service and warranty costs, any of which could have a material adverse effect on the Company's business, operating results and financial condition. Furthermore, the Company often renders implementation, customization, consulting and other technical services in connection with the implementation of the Company's enterprise and electronic commerce solutions and its digital certificate service and product development agreements. The performance of these services typically involves working with sophisticated software, computing and networking systems. The Company's failure or inability to meet customer expectations or project milestones 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 reputation and increased costs. Because customers rely on the Company's

digital certificate solutions for critical security applications, any significant defects or errors in the Company's products or services, or in the products of third parties that embed the Company's products, might discourage such third parties or other customers from utilizing the Company's products and services or result in tort or warranty claims, which could have a material adverse effect on the Company's business, operating results and financial condition. Although the Company attempts to reduce the risk of losses resulting from such claims through warranty disclaimers and liability limitation clauses in its sales agreements, there can be no assurance that such contractual provisions would be enforceable in every instance or at all. Furthermore, although the Company maintains errors and omissions insurance, there can be no assurance that such insurance coverage will adequately cover the Company for such claims or that such other measures will be effective in limiting the Company's liability. If a court refused to enforce the liability-limiting provisions of the Company's contracts for any reason, or if liabilities arose that were not contractually limited or adequately covered by insurance, the Company's business, operating results and financial condition could be materially and adversely affected. See "Business--Products and Services" and "--Research and Development."

Potentially Lengthy Sales and Implementation Cycles for Certain Products and Services. A key element of the Company's strategy is to market certain of its products and services directly to large companies and government agencies. Based on its sales experience to date, the Company expects that the sale and implementation of its enterprise and electronic commerce solutions to such entities will typically involve a lengthy education process and a significant technical evaluation and commitment of capital and other resources. The sale and implementation of the Company's enterprise and electronic commerce solutions will be subject to the risk of delays associated with customers' internal budget and other procedures for approving large capital expenditures, deploying new technologies within their networks and testing and accepting new technologies that affect key operations. For these and other reasons, the sales and implementation cycles associated with certain of the Company's products and services are expected to be lengthy, potentially lasting from three to 12 months, and are expected to be subject to a number of significant risks that are beyond the Company's control. Because of the anticipated lengthy sales and implementation cycle and the potentially large size of such orders, if orders forecasted for a specific customer for a particular quarter are not realized or revenues are not otherwise recognized in that quarter, the Company's operating results for that quarter could be materially adversely affected. See "--Potential Fluctuations in Quarterly Operating Results; Unpredictability of Future Revenues" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risks Relating to Cryptography Technology. The Company's digital certificate products and related services are dependent on the use of public key cryptography technology, which depends in part on the application of certain mathematical principles known as "factoring." The security afforded by public key cryptography technology is predicated on the assumption that the factoring of the composite of large prime numbers is difficult. Should an easy factoring method be developed, then the security afforded by encryption products utilizing public key cryptography technology would be reduced or eliminated. Furthermore, any significant advance in techniques for attacking cryptographic systems could also render some or all of the Company's existing products and services obsolete or unmarketable. There can be no assurance that such developments will not occur. Moreover, even if no breakthroughs in factoring or other methods of attacking cryptographic systems are made, factoring problems can theoretically be solved by computer systems significantly faster and more powerful than those presently available. If such improved techniques for attacking cryptographic systems are ever developed, the Company would likely have to reissue digital certificates to some or all of its customers, which could adversely affect market perception of the reliability of the Company's products and services or otherwise have a material adverse effect on the Company's business, operating results and financial condition. In the past there have been public announcements of the successful decoding of certain cryptographic messages. The publicity around any breaches could adversely affect the public perception as to the safety of the public key cryptography technology included in the Company's digital certificates. Such adverse public perception could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Industry Background" and "--Products and Services."

Risks Associated with International Operations. Revenues of VeriSign Japan and revenues from other international customers accounted for approximately 15% of the Company's revenues for the nine months ended

September 30, 1997. A key component of the Company's strategy is to expand its international operations and its international sales and marketing activities. Expansion into these markets has required and will continue to require significant management attention and resources and may require the Company to localize its products and services for a particular market and to enter into international distribution and operating relationships. The Company has limited experience in localizing its products and in developing international distribution or operating relationships. There can be no assurance that the Company will be successful in expanding its product and service offerings into international markets. In addition to the uncertainty regarding the Company's ability to generate revenues from foreign operations and expand its international presence, there are certain risks inherent in doing business on an international basis, including, among others, regulatory requirements, legal uncertainty regarding liability, export and import restrictions, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely affect the success of the Company's international operations. All of the Company's international revenues from sources other than VeriSign Japan are denominated in U.S. dollars. To the extent the Company expands its international operations and has additional portions of its international revenues denominated in foreign currencies, the Company could become subject to increased risks relating to foreign currency exchange rate fluctuations. There can be no assurance that one or more of the factors discussed above will not have a material adverse effect on the Company's future international operations and, consequently, on the Company's business, operating results and financial condition. See "--Industry Regulation," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business--Strategy" and "--Marketing, Sales and Distribution."

Uncertain Maintenance and Strengthening of the VeriSign Brand. The Company believes that maintaining and strengthening the VeriSign brand is critical to achieving widespread acceptance of its digital certificates and related products and services and that the importance of brand recognition will increase as competition in the market for digital certificates and related products and services increases. Promoting and positioning the VeriSign brand will depend largely on the success of the Company's marketing efforts and the ability of the Company to provide, on an uninterrupted basis, high quality, secure, trustworthy and cost effective digital certificate solutions. The Company will also be dependent on the success of its strategic relationships in order to promote its brand and increase brand awareness. See "--Need to Establish and Maintain Strategic Relationships." If current or potential customers do not perceive the Company's products and services as secure or trustworthy, the Company will be unsuccessful in maintaining and strengthening its brand. Furthermore, in order to promote the VeriSign brand in response to competitive pressures, the Company may find it necessary to increase its marketing budget or otherwise increase its financial commitment to creating and maintaining brand loyalty among customers. If the Company fails to promote and maintain its brand or incurs excessive expenses in an attempt to promote and maintain its brand, or if the Company's existing or future strategic relationships fail to promote the Company's brand or increase brand awareness, the Company's business, operating results and financial condition could be materially adversely affected. See "Business--Strategy" and "--Marketing, Sales and Distribution."

Dependence on Authentication Information. The Company relies upon information provided by third-party sources to authenticate the identity of customers requesting certain of the Company's digital certificates. This information is presently only available from a limited number of sources and the Company currently procures such information from single sources. The Company's reliance on these single sources involves certain risks and uncertainties, including the possibility of delayed or discontinued availability. Any such delay or unavailability, coupled with any inability of the Company to develop alternative sources quickly and cost-effectively, could materially impair the Company's ability to deliver certain of its digital certificates on a timely basis and result in the cancellation of orders, increased costs and injury to reputation, which could have a material adverse effect on the Company's business, operating results and financial condition. The Company's reliance on third-party information sources for authentication has also limited the distribution of certain of its digital certificates outside of the United States, where access to such sources has been unavailable or limited. Additionally, accurate authentication of the identity of the individuals and entities to which the Company issues its digital certificates is necessary for such digital certificates to provide security. Therefore, the inaccuracy of authentication information

on which the Company relies, including information the Company receives from third parties, could result in material injury to the Company's reputation and tort or warranty claims from customers relying upon the Company's digital certificates, which could have a material adverse effect on the Company's business, operating results and financial condition. See "--Risk of Defects" and "Business--Products and Services."

Industry Regulation. Exports of software products utilizing encryption technology are generally restricted by the U.S. and various foreign governments. All cryptographic products require export licenses from certain U.S. government agencies. Although the Company has obtained approval to export its Global Server ID product and none of the Company's other products and services is currently subject to export controls under U.S. law, there can be no assurance that the list of products and countries for which export approval is required, and the regulatory policies with respect thereto, will not be revised from time to time to include digital certificate products and related services, or that the Company will be able to obtain necessary regulatory approvals for the export of future products. The inability of the Company to obtain required approvals under these regulations could adversely affect the ability of the Company to make international sales. Furthermore, competitors of the Company may also seek to obtain approvals to export products that could increase the amount of competition faced by the Company. There are currently no federal laws or regulations that specifically control certification authorities, but a limited number of states have enacted legislation or regulations with respect to certification authorities. If the market for digital certificates grows, the United States, state or foreign governments may choose to enact further regulations governing digital certificate authorities or other providers of digital certificate products and related services. Such regulations or the costs of complying with such regulations could have a material adverse effect on the Company's business, operating results and financial condition.

Many companies conducting commercial transactions over IP networks do not collect sales or other similar taxes with respect to shipments of goods into other states or foreign countries or with respect to other transactions conducted between parties in different states or countries. It is possible that states or foreign countries may seek to impose sales taxes on out of state companies that engage in commerce over IP networks. In the event that states or foreign countries succeed in imposing sales or other taxes on Internet commerce, the growth of the use of IP networks for commerce could slow substantially, which could have a material adverse effect on the Company's business, operating results and financial condition.

Due to the increasing popularity of the Internet and other IP networks, it is possible that laws and regulations may be enacted covering issues such as user privacy, pricing, content and quality of products and services. For example, the Telecommunications Act of 1996 prohibits the transmission over the Internet of certain types of information and content. The increased attention focused upon these issues as a result of the adoption of other laws or regulations may reduce the rate of growth of the Internet or the use of other IP networks, which in turn could result in decreased demand for the Company's products and services or could otherwise have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Industry Background."

Intellectual Property; Potential Litigation. The Company relies primarily on a combination of copyrights, trademarks, trade secret laws, restrictions on disclosure and other methods to protect its intellectual property and trade secrets. The Company also enters into confidentiality agreements with its employees and consultants, and generally controls access to and distribution of its documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's intellectual property or trade secrets without authorization. In addition, there can be no assurance that others will not independently develop substantially equivalent intellectual property. There can be no assurance that the precautions taken by the Company will prevent misappropriation or infringement of its technology. A failure by the Company to protect its intellectual property in a meaningful manner could have a material adverse effect on the Company's business, operating results and financial condition. In addition, litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management and technical resources, either of which could have a material adverse effect on the Company's business, operating results and financial condition.

The Company also relies on certain licensed third-party technology, such as public key cryptography technology licensed from RSA and other technology that is used in the Company's products to perform key functions. There can be no assurance that these third-party technology licenses will continue to be available to the Company on commercially reasonable terms or at all, and the loss of any of these technologies could have a material adverse effect on the Company's business, operating results and financial condition. Moreover, in the Company's current license agreements, the licensor has agreed to defend, indemnify and hold the Company harmless with respect to any claim by a third party that the licensed software infringes any patent or other proprietary right. Although these licenses are fully paid, there can be no assurance that the outcome of any litigation between the licensor and a third party or between the Company and a third party will not lead to royalty obligations of the Company for which the Company is not indemnified or for which such indemnification is insufficient, or that the Company will be able to obtain any additional license on commercially reasonable terms or at all. In the future, the Company may seek to license additional technology to incorporate in its products and services. There can be no assurance that any third-party technology licenses that the Company may be required to obtain in the future will be available to the Company on commercially reasonable terms or at all. The loss of or inability to obtain or maintain any of these technology licenses could result in delays in introduction of the Company's products or services until equivalent technology, if available, is identified, licensed and integrated, which could have a material adverse effect on the Company's business, operating results and financial condition.

From time to time, the Company has received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights. In September 1995, the Company applied to the United States Patent and Trademark Office to register the VeriSign name as a trademark. VeriFone, Inc. ("VeriFone") challenged the validity of the Company's application in August 1996 and, in September 1996, commenced a civil action in federal district court alleging trademark infringement and unfair competition. The parties settled this litigation on November 21, 1997, entered into a licensing arrangement and are currently negotiating an OEM agreement. The Company also issued an aggregate of 250,000 shares of Common Stock to VeriFone in connection with the foregoing transactions. There can be no assurance that infringement or other claims will not be asserted or prosecuted against the Company in the future or that any past or future assertions or prosecutions will not materially adversely affect the Company's business, operating results and financial condition. Any such claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel, cause product shipment delays or require the Company to develop non-infringing technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company, or at all. In the event of a successful claim of product infringement against the Company and the failure or inability of the Company to develop non-infringing technology or license the infringed or similar technology on a timely basis, the Company's business, operating results and financial condition could be materially adversely affected. See "Business--Intellectual Property."

Year 2000 Compliance. Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with such "Year 2000" requirements. Although the Company believes that its products and systems are Year 2000 compliant, the Company utilizes third-party equipment and software that may not be Year 2000 compliant. Failure of such third-party equipment or software to operate properly with regard to the year 2000 and thereafter could require the Company to incur unanticipated expenses to remedy any problems, which could have a material adverse effect on the Company's business, operating results and financial condition. Furthermore, the purchasing patterns of customers or potential customers may be affected by Year 2000 issues as companies expend significant resources to correct their current systems for Year 2000 compliance. These expenditures may result in reduced funds available to implement the infrastructure needed to conduct trusted and secure communications and commerce over IP networks or to purchase products and services such as those offered by the Company, which could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--Industry Background."

Future Capital Needs; Uncertainty of Additional Funding. The Company may require additional capital to finance its growth and marketing and research and development projects beyond the next 12 months. The Company's capital requirements will depend on many factors including, but not limited to, demand for the Company's products and services and the extent to which such products achieve market acceptance and the timing of such market acceptance, the timing of and extent to which the Company invests in new technology, the expenses of sales and marketing and new product development, the extent to which competitors are successful in developing their own products and services and increasing their own market share and brand awareness, the success of the Company's strategic relationships, the costs involved in maintaining and enforcing intellectual property rights, the level and timing of revenues, available borrowings under line of credit arrangements, the degree and timing of growth of IP networks for trusted and secure communications and commerce, and other factors. To the extent that resources are insufficient to fund the Company's activities, the Company may need to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Strategic relationships, if necessary to raise additional funds, may require the Company to relinquish rights to certain of its technologies or products. The failure of the Company to raise capital when needed could have a material adverse effect on the Company's business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of the Company by its then-current stockholders would be reduced. Furthermore, such equity securities might have rights, preferences or privileges senior to those of the Company's Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Liquidity and Capital Resources."

Certain Anti-Takeover Provisions. Upon completion of this offering, the Company's Board of Directors will have the authority to issue up to 5,000,000 shares of Preferred Stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock, while providing flexibility in connection with possible financings, acquisitions or other corporate purposes, may have the effect of delaying, deferring or preventing a change in control of the Company, may discourage bids for the Company's Common Stock at a premium over the market price of the Common Stock and may adversely affect the market price of, and the voting and other rights of the holders of, the Common Stock. The Company has no current plans to issue shares of Preferred Stock. In addition, certain provisions of the Company's Amended and Restated Bylaws will have the effect of delaying, deferring or preventing a change of control of the Company. These provisions will provide, among other things, that the Board of Directors is divided into three classes to serve staggered three-year terms, that stockholders may not take actions by written consent and that the ability of stockholders to call special meetings will be restricted. In addition, the Company is subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The Company's indemnity agreements provide and the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws will provide that the Company will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to the Company, which may be broad enough to include services in connection with takeover defense measures. Such provisions may have the effect of preventing changes in the management of the Company. See "Description of Capital Stock."

Shares Eligible for Future Sale. Sales of a substantial number of shares of Common Stock in the public market following this offering could adversely affect the market price of the Company's Common Stock. The number of shares of Common Stock available for sale in the public market is limited by restrictions under the Securities Act of 1933, as amended (the "Securities Act"), and lock-up agreements executed by each of the security holders of the Company under which such security holders have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this Prospectus without the prior written consent

of Morgan Stanley & Co. Incorporated. Morgan Stanley & Co. Incorporated may, however, in its sole discretion and at any time without notice, release all or any portion of the shares subject to lock-up agreements. In addition to the shares of Common Stock offered hereby (assuming no exercise of the Underwriters' over-allotment option), there will be 17,018,509 shares of Common Stock outstanding as of the date of this Prospectus, all of which are "restricted" shares under the Securities Act. On the date of this Prospectus, no shares other than the shares offered hereby will be eligible for sale. Upon the expiration of lock-up agreements 180 days after the date of this Prospectus, an additional 16,668,509 shares will become eligible for sale in the public market, subject in the case of all but 2,661,052 shares to the volume limitations and other conditions of Rule 144 adopted under the Securities Act ("Rule 144"). The remaining 350,000 shares will become eligible for sale in November 1998, subject to the volume limitations and other conditions of Rule 144. In addition, the Company intends to file a registration statement on Form S-8 with the Securities and Exchange Commission shortly after this offering covering (i) the 2,625,000 shares of Common Stock reserved or to be reserved for issuance under the Company's Equity Incentive Plan, Purchase Plan and Directors Plan, (ii) an additional number of shares of Common Stock to be reserved for issuance under the Equity Incentive Plan equal to the number of shares reserved for future issuance under the 1995 Stock Option Plan and 1997 Stock Option Plan as of the date of this Prospectus (717,482 as of October 31, 1997), and (iii) the shares subject to outstanding options granted under the Company's 1995 Stock Option Plan and 1997 Stock Option Plan as of the date of this Prospectus (2,362,528 as of October 31, 1997). The holders of approximately 14,719,339 shares of Common Stock are also entitled to certain rights with respect to registration of such shares of Common Stock for offer or sale to the public. If such holders, by exercising their registration rights, cause a large number of shares to be registered and sold in the public market, such sales could have a material adverse effect on the market price for the Company's Common Stock. See "Management--Director Compensation," "--Employee Benefit Plans," "Description of Capital Stock--Registration Rights" and "Shares Eligible for Future Sale."

Acquisitions. The Company from time to time may acquire or invest in businesses, technologies and product lines that are complementary to the Company's business. Although the Company currently has no understandings, commitments or agreements with respect to any acquisitions, any such acquisitions would be accompanied by the risks commonly encountered in such transactions, including, among others, the difficulty of assimilating the operations and personnel of the acquired businesses, the potential disruption of the Company's ongoing business, the diversion of the Company's management from the day-to-day operations of the Company, the inability of the Company to incorporate acquired technologies successfully into the Company's products and services, the additional expense associated with amortization of acquired intangible assets, the potential impairment of the Company's relationships with its employees, customers and strategic partners, the inability of the Company to retain key technical and managerial personnel of the acquired business and the inability of the Company to maintain uniform standards, controls, procedures and policies. Because of these and other factors, any such acquisitions, if consummated, could have a material adverse effect on the Company's business, operating results and financial condition. See "Use of Proceeds."

No Prior Trading Market; Possible Volatility of Stock Price. Prior to this offering, there has been no public market for the Common Stock of the Company and there can be no assurance that an active trading market will develop or be sustained upon completion of this offering. The initial public offering price, which will be established by negotiations between the Company and the representatives of the Underwriters based upon a number of factors, may not be indicative of prices that will prevail in the trading market. See "Underwriters" for a discussion of the factors to be considered in determining the initial public offering price. The stock market from time to time has experienced significant price and volume fluctuations. In addition, the market prices of securities of other technology companies, particularly Internet-related companies, have been highly volatile. Factors such as fluctuations in the Company's operating results, announcements of technological innovations or new products or services by the Company or its competitors, analysts' reports and projections, regulatory actions and general market conditions may have a significant effect on the market price of the Company's Common Stock. See "Underwriters."

Control by Existing Stockholders. Upon completion of this offering, the present executive officers, directors and 5% stockholders of the Company and their affiliates will beneficially own approximately % of the Company's outstanding Common Stock (% if the Underwriters' over-allotment option is exercised in full). As a result, these stockholders would be able to significantly influence the management and affairs of the Company and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions such as a merger, consolidation or sale of substantially all of the Company's assets. Such concentration of ownership might have the effect of delaying or preventing a change in control of the Company and might affect the market price of the Company's Common Stock and the voting and other rights of the Company's other stockholders. See "Principal Stockholders."

Immediate and Substantial Dilution. Investors participating in this offering will incur immediate, substantial dilution in the amount of \$ per share. To the extent that outstanding options to purchase the Company's Common Stock are exercised, there will be further dilution. See "Dilution."

Unspecified Use of Proceeds. The Company plans to use substantially all of the net proceeds from this offering for general corporate purposes, including working capital and capital expenditures. The Company may also use a portion of the net proceeds from this offering to acquire or invest in businesses, technologies and product lines that are complementary to the Company's business. The Company has no present plans or commitments and is not currently engaged in any negotiations with respect to such transactions. As a result, the Company will have significant discretion as to the use of the net proceeds from this offering. Pending such uses, the Company intends to invest the net proceeds from this offering in short-term, interest-bearing, investment-grade securities. See "Use of Proceeds."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the _____ shares of Common Stock offered by the Company hereby are estimated to be approximately \$ _____ million (approximately \$ _____ million if the Underwriters' over-allotment option is exercised in full), at an assumed initial public offering price of \$ _____ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company. The primary purposes of this offering are to obtain additional equity capital, create a public market for the Company's Common Stock and facilitate future access by the Company to the public equity markets.

The Company intends to use approximately \$5.0 million of the net proceeds of this offering to fund its capital expenditures for 1998 and to utilize the remainder of the net proceeds of this offering primarily for general corporate purposes, including working capital. The Company may also use a portion of the net proceeds from this offering to acquire or invest in businesses, technologies and product lines that are complementary to the Company's business. The Company has no present plans or commitments and is not currently engaged in any negotiations with respect to such transactions. As a result, the Company will have significant discretion as to the use of the net proceeds from this offering. Pending such uses, the Company intends to invest the net proceeds from this offering in short-term, interest-bearing, investment-grade securities. See "Risk Factors--Acquisitions" and "--Unspecified Use of Proceeds."

DIVIDEND POLICY

The Company has never declared or paid any cash dividends on its Common Stock or other securities and does not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of the Company's equipment line of credit agreement prohibit the payment of dividends on its capital stock.

CAPITALIZATION

The following table sets forth the capitalization of the Company (i) as of September 30, 1997, (ii) on a pro forma basis, giving effect to the conversion of all outstanding shares of Preferred Stock into shares of Common Stock upon the closing of this offering and the issuance in November 1997 of 250,000 shares of Common Stock, valued at \$2.0 million, in connection with the execution of certain agreements with VeriFone, which included a settlement of claims of VeriFone, and (iii) on a pro forma as adjusted basis to reflect the receipt by the Company of the estimated net proceeds from the sale of the shares of Common Stock offered by the Company hereby at an assumed initial public offering price of \$ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company.

	SEPTEMBER 30, 1997		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)		
Stockholders' equity:			
Convertible Preferred Stock, \$.001 par value; actual--10,282,883 shares authorized, 10,031,006 shares issued and outstanding; pro forma and pro forma as adjusted--5,000,000 shares authorized, no shares issued and outstanding	\$ 10	\$ --	\$ --
Common Stock, \$.001 par value; actual--15,940,217 shares authorized, 6,568,257 shares issued and outstanding; pro forma--50,000,000 shares authorized, 16,849,263 shares issued and outstanding; pro forma as adjusted-- shares issued and outstanding(1).....	6	17	
Additional paid-in capital.....	41,651	43,650	
Notes receivable from stockholders.....	(644)	(644)	(644)
Deferred compensation.....	(188)	(188)	(188)
Accumulated deficit.....	(24,959)	(24,959)	(24,959)
Total stockholders' equity.....	15,876	17,876	
Total capitalization.....	\$ 15,876	\$ 17,876	\$

(1) Excludes (i) 2,000,974 shares of Common Stock issuable upon the exercise of options outstanding as of September 30, 1997 under the Company's 1995 Stock Option Plan (the "1995 Stock Option Plan"), with a weighted average exercise price of \$1.49 per share, and 340,282 shares of Common Stock reserved for future issuance thereunder, (ii) 800,000 shares of Common Stock reserved for issuance under the Company's 1997 Stock Option Plan (the "1997 Stock Option Plan"), (iii) 2,000,000 additional shares of Common Stock reserved for issuance under the Company's 1998 Equity Incentive Plan (the "Equity Incentive Plan"), (iv) 500,000 shares of Common Stock to be reserved for issuance under the Company's 1998 Employee Stock Purchase Plan (the "Purchase Plan"), (v) 125,000 shares of Common Stock reserved for issuance under the Company's 1998 Directors Stock Option Plan (the "Directors Plan") and (vi) 17,500 shares of Common Stock subject to a warrant that would become issuable in the event that the Company borrows funds under an equipment loan agreement. See "Management--Employee Benefit Plans," "Description of Capital Stock" and Note 6 of Notes to Consolidated Financial Statements.

DILUTION

The pro forma net tangible book value of the Company's Common Stock as of September 30, 1997 was \$17.9 million, or \$1.06 per share. Pro forma net tangible book value per share is equal to the Company's total tangible assets less its total liabilities, divided by the pro forma shares of Common Stock outstanding as of September 30, 1997. After giving effect to the issuance and sale of the _____ shares of Common Stock offered by the Company hereby (at an assumed initial public offering price of \$ _____ per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company), the Company's as adjusted net tangible book value as of September 30, 1997 would have been \$ _____, or \$ _____ per share. This represents an immediate increase in pro forma net tangible book value of \$ _____ per share to existing stockholders and an immediate dilution of \$ _____ per share to new public investors. The following table illustrates the per share dilution:

Assumed initial public offering price per share.....	\$
Pro forma net tangible book value per share at September 30, 1997.....	\$1.06
Increase in pro forma net tangible book value per share attributable to new public investors.....	-----
As adjusted net tangible book value per share after offering.....	-----
Dilution per share to new public investors.....	\$ =====

The following table summarizes on a pro forma basis, as of September 30, 1997, the difference between the existing stockholders and the purchasers of shares of Common Stock in this offering (at an assumed initial public offering price of \$ _____ per share and before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company) with respect to the number of shares of Common Stock purchased from the Company, the total cash consideration paid and the average price paid per share.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE

Existing stockholders(1).....	16,849,263	%	\$38,640,000	%	\$2.29
New public investors.....					
Total.....		100.0%	\$	100.0%	
	=====	=====	=====	=====	=====

(1) Reflects (i) the conversion of the Preferred Stock upon the closing of this offering and (ii) the issuance in November 1997 of 250,000 shares of Common Stock, valued at \$2.0 million, in connection with the execution of certain agreements with VeriFone, which included a settlement of claims of VeriFone. See "Certain Transactions" for a description of certain noncash consideration paid by Microsoft and RSA for the shares of Common Stock issued to them. See Note 8 of Notes to Consolidated Financial Statements for a description of certain noncash consideration paid for the shares of Common Stock issued in connection with the agreements with VeriFone.

The foregoing discussion and tables assume no exercise of any stock options outstanding as of September 30, 1997 and no exercise of a warrant to purchase 17,500 shares of Common Stock that would become issuable in the event that the Company borrows funds under an equipment loan agreement. As of September 30, 1997, there were options outstanding to purchase a total of 2,000,974 shares of Common Stock with a weighted average exercise price of \$1.49 per share. To the extent that any of these options are exercised, there will be further dilution to new public investors. See "Capitalization," "Management--Employee Benefit Plans" and Note 6 of Notes to Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus. The selected consolidated statement of operations data presented below for the period from April 12, 1995 (inception) to December 31, 1995, the year ended December 31, 1996 and the nine months ended September 30, 1997, and the selected consolidated balance sheet data as of December 31, 1995 and 1996 and September 30, 1997, are derived from consolidated financial statements of the Company that have been audited by KPMG Peat Marwick LLP, independent auditors, and are included elsewhere in this Prospectus. The selected consolidated statement of operations data for the nine months ended September 30, 1996 are derived from unaudited Consolidated Financial Statements included elsewhere in this Prospectus that have been prepared on substantially the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's consolidated operating results for such period. The operating results for the nine months ended September 30, 1997 are not necessarily indicative of the results to be expected for any other interim period, the full fiscal year or any future fiscal year.

	PERIOD FROM APRIL 12, 1995 (INCEPTION) TO		NINE MONTHS ENDED SEPTEMBER 30,	
	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1996	1996	1997

(IN THOUSANDS, EXCEPT PER SHARE DATA)

CONSOLIDATED STATEMENT OF OPERATIONS DATA:

Revenues	\$ 382	\$ 1,351	\$ 774	\$ 6,115
Costs and expenses:				
Cost of revenues.....	412	2,791	1,593	5,166
Sales and marketing.....	790	4,876	2,768	7,264
Research and development....	642	2,058	1,290	3,560
General and administrative...	680	2,640	1,517	2,901
Litigation settlement.....	--	--	--	2,000
Total costs and expenses...	2,524	12,365	7,168	20,891
Operating loss.....	(2,142)	(11,014)	(6,394)	(14,776)
Other income (expense).....	148	(67)	84	860
Loss before minority interest.....	(1,994)	(11,081)	(6,310)	(13,916)
Minority interest in net loss of subsidiary.....	--	(838)	(358)	(1,194)
Net loss.....	\$(1,994)	\$(10,243)	\$(5,952)	\$(12,722)
Pro forma net loss per share(1).....		\$ (.74)	\$ (.47)	\$ (.75)
Shares used in per share computations (1).....		13,836	12,532	17,006

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997

(IN THOUSANDS)

CONSOLIDATED BALANCE SHEET DATA:

Cash, cash equivalents and short-term investments.....	\$ 2,687	\$29,983	\$13,612
Working capital.....	2,284	24,823	6,708
Total assets.....	4,052	36,503	25,659
Long-term obligations.....	--	--	--
Stockholders' equity.....	3,376	28,555	15,876

(1) See Note 1 of Notes to Consolidated Financial Statements for an explanation of the determination of the number of shares used in per share computations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing elsewhere in this Prospectus. The following discussion contains forward-looking statements. The Company's actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

VeriSign is the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. The Company's Digital IDs are enabled in millions of copies of Microsoft and Netscape Web browsers, tens of thousands of copies of popular Web servers and a variety of other software applications. The Company believes that it has issued more digital certificates than any other company, having issued over 1.5 million of its Digital IDs for individuals and over 35,000 of its Digital IDs to organizations, primarily businesses, for their Web sites. Because the Company has issued most of its Digital IDs for individuals on a trial or promotional basis, a significant majority of the Company's revenues to date have been derived from businesses.

The Company was incorporated in April 1995 and introduced its first product, the Secure Server ID for Netscape Commerce Servers, in June 1995. In October 1995, the Company introduced additional Server Digital IDs for the Web server products of Microsoft, IBM, Open Market and other vendors. In May 1996, the Company began providing online enrollment and issuance of client Digital IDs for Netscape Navigator through its Digital ID Center and began shipping another form of Digital ID known as a Software Developer Digital ID for Microsoft's Authenticode program. The Company began issuing Digital IDs for Microsoft's Internet Explorer through the Company's Digital ID Center in August 1996. During 1997, the Company introduced its Universal Digital IDs and three new types of server digital certificate products--its Global Server ID, Financial Server ID and EDI Server ID.

In April 1996, the Company entered the enterprise and electronic commerce markets by introducing custom SET digital certificate solutions targeted at certified banks, payment processors and major card brands. During 1997, the Company introduced VeriSign OnSite and VeriSign V-Commerce, which are enterprise and electronic commerce digital certificate solutions that are targeted at mid-sized to large companies, managed intranets and extranets, payment card industry service providers and Web sites with large customer or user bases. During 1997, the Company began providing technology and products for digital certificate management to OEMs.

Historically, the Company has derived substantially all of its revenues from the sale of Digital IDs and from fees for services rendered in connection with the Company's digital certificate solutions and digital certificate service and product development agreements. Sales of Digital IDs and fees for services each resulted in approximately one-half of the Company's revenues in 1997. The purchase of a Digital ID allows the customer to use the Digital ID for a limited period of time, generally 12 months. After this period, the Digital ID must be renewed for continued usage by the customer. Renewal fees are typically lower than the fees charged for the initial Digital ID. Revenues from the sale or renewal of Digital IDs are deferred and recognized ratably over the life of the digital certificate. Revenues from the Company's enterprise and electronic commerce solutions consist of fees for the issuance of digital certificates, which are recognized ratably over the term of the particular license agreement relating to the enterprise or electronic commerce solution, and fees for set-up services, which are recognized upon completion of the service. Revenues from other services are recognized using the percentage-of-completion method for fixed-fee development arrangements, on a time-and-materials basis for consulting and training services or ratably over the term of the agreement for support and maintenance services. Deferred revenues increased from \$46,000 at December 31, 1995 to \$1.9 million at December 31, 1996 and to \$3.1 million at September 30, 1997. In the future, the Company anticipates that it may receive additional revenues from sales

of software products and value-added services, licensing and royalty fees from licenses of digital certificates and related technology and maintenance, and fees for customer support services.

The Company markets its products and services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and OEMs. Although a significant portion of its revenues to date has been generated through sales from the Company's Web site, the Company intends to increase its direct sales force, both domestically and internationally, and intends to continue to expand its other distribution channels.

In February 1996, the Company formed VeriSign Japan to provide digital certificate solutions to the Japanese market. In connection with the formation of this subsidiary, the Company licensed certain technology and contributed other assets to VeriSign Japan. Subsequent to its formation, additional investors purchased minority interests in VeriSign Japan, and, as of September 30, 1997, the Company owned 51% of the outstanding capital stock of VeriSign Japan. Accordingly, the Company's consolidated financial statements include the accounts of the Company and this subsidiary and the Company's consolidated statements of operations reflect the elimination of the minority shareholders' share of the net losses of the subsidiary. Historically, VeriSign Japan has funded its net losses with investments from minority shareholders. However, to the extent VeriSign Japan is unable to continue to fund its operations principally from investments by minority shareholders, the Company may be required to fund the operations of this subsidiary, which could have a material adverse effect on the Company's business, operating results and financial condition. See "Business--VeriSign Japan."

The Company has experienced substantial net losses in each fiscal period since its inception and, as of September 30, 1997, had an accumulated deficit of \$25.0 million. Such net losses and accumulated deficit resulted from the Company's lack of substantial revenues and the significant costs incurred in the development and sale of the Company's products and services and in the establishment and deployment of the Company's operations infrastructure and practices. The Company intends to increase its expenditures in all areas in order to execute its business plan. As a result, the Company expects to incur substantial additional losses for the foreseeable future. Although the Company has experienced revenue growth in recent periods, there can be no assurance that such growth rates are sustainable and, therefore, they should not be considered indicative of future operating results. There can be no assurance that the Company will ever achieve significant revenues or profitability or, if significant revenues and profitability are achieved, that they could be sustained. See "Risk Factors--Limited Operating History; History of Losses and Anticipation of Future Losses."

RESULTS OF OPERATIONS

REVENUES

The Company's revenues increased from \$382,000 for the period from April 12, 1995 (inception) to December 31, 1995 (the "Inception Period") to \$1.4 million for 1996 and to \$6.1 million for the nine months ended September 30, 1997. Revenues from inception through December 31, 1996 were primarily derived from sales of the Company's Server Digital ID products. The increase in revenues from the Inception Period to 1996 was due primarily to increased market acceptance of Server Digital IDs and, to a lesser extent, SET digital certificate solutions. The increase in revenues from 1996 to the nine months ended September 30, 1997 was due primarily to increased sales of Server Digital IDs and to increased services revenues, which included revenues from digital certificate service and product development agreements. Revenues from the sale of Universal Digital IDs have been nominal because substantially all of the Company's Universal Digital IDs have been issued free of charge on a promotional basis.

Revenues attributable to VISA accounted for approximately 21% and 16% of revenues for 1996 and for the nine months ended September 30, 1997, respectively. No other customer accounted for more than 10% of the Company's revenues during the Inception Period, 1996 or the nine months ended September 30, 1997. Revenues of VeriSign Japan and revenues from other international customers accounted for less than 10% of revenues for the Inception Period and 1996 and approximately 15% of revenues for the nine months ended September 30, 1997.

COSTS AND EXPENSES

The Company's costs and expenses have increased in absolute dollars since inception, primarily due to the overall growth of the Company. The total number of the Company's employees increased from 30 at December 31, 1995 to 162 at September 30, 1997. In addition, the Company opened several new offices, increased its sales and marketing and research and development efforts, and expanded its headquarters and Digital ID Centers during this period. The Company believes that it will need to continue to expand its operations in order to execute its business strategy. Accordingly, the Company intends to continue to increase its costs and expenses in all areas for the foreseeable future.

Cost of Revenues. Cost of revenues consists primarily of costs related to personnel providing digital certificate enrollment and issuance services, customer support and training, consulting and development services, and facilities and computer equipment used in such activities. Cost of revenues also includes fees paid to third parties to verify certificate applicants' identities and insurance premiums for the Company's NetSure warranty plan and errors and omission insurance. Cost of revenues increased from \$412,000 for the Inception Period to \$2.8 million for 1996 and to \$5.2 million for the nine months ended September 30, 1997. Cost of revenues was not material during the Inception Period as a result of the Company's minimal revenues. The increases in 1996 and the nine months ended September 30, 1997 were due primarily to increased facilities costs and related overhead that resulted from building the Company's operations infrastructure, hiring full-time and temporary personnel to support the additional volume of issuances of Server Digital IDs, introduction of additional Server Digital ID products, introduction of the Company's NetSure warranty program, increased costs of errors and omission insurance, increased expenses for access to third-party databases and, during 1997, implementation of the Company's disaster recovery plan. Given the Company's limited operating history, limited history of issuing Digital IDs and evolving industry and business model, the Company believes that analysis of cost of revenues as a percentage of revenues is not yet meaningful.

Sales and Marketing. Sales and marketing expenses consist primarily of costs related to sales, marketing and practices and external affairs personnel, including salaries, sales commissions and other personnel-related expenses, computer equipment and support services used in such activities, facilities costs, consulting fees and costs of marketing programs. Sales and marketing expenses increased from \$790,000 for the Inception Period to \$4.9 million for 1996 and to \$7.3 million for the nine months ended September 30, 1997. These increases were due primarily to increased headcount and, to a lesser extent, increased expenditures for marketing programs. The Company anticipates that sales and marketing expenses will continue to increase in absolute dollars as it expands its direct sales force, hires additional marketing personnel and increases its marketing and promotional activities during 1998. In addition, the Company expects to record, during the fourth quarter of 1997, an \$800,000 charge resulting from the issuance of 100,000 shares of Common Stock to Microsoft in connection with a preferred provider agreement.

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, and computer equipment and support services used in product and technology development. Research and development expenses increased from \$642,000 for the Inception Period to \$2.1 million for 1996 and to \$3.6 million for the nine months ended September 30, 1997. These increases were due primarily to increased personnel to support the design, testing and deployment of, and technical support for, the Company's expanded product offerings and technology. The Company believes that timely development of new and enhanced products and technology are necessary to remain competitive in the marketplace. Accordingly, the Company intends to continue recruiting and hiring experienced research and development personnel and make other investments in research and development. Therefore, the Company expects that research and development expenditures will continue to increase in absolute dollars. To date, all research and development expenses have been expensed as incurred.

General and Administrative. General and administrative expenses consist primarily of salaries and other personnel-related expenses for the Company's administrative, finance and human resources personnel, facilities and computer equipment, support services and professional services fees. General and administrative expenses increased from \$680,000 for the Inception Period to \$2.6 million for 1996 and \$2.9 million for the nine months ended September 30, 1997. These increases were due primarily to increased staffing levels to manage and support the Company's expanding operations. The Company anticipates hiring additional personnel and incurring additional costs related to being a public company, including directors' and officers' liability insurance, investor relations programs and professional services fees. Accordingly, the Company anticipates that general and administrative expenses will continue to increase in absolute dollars.

Litigation Settlement. In September 1996, VeriFone, which subsequently became a wholly-owned subsidiary of Hewlett-Packard Company ("Hewlett-Packard"), filed a lawsuit against the Company alleging, among other things, trademark infringement. In November 1997, the parties executed a definitive agreement under which, among other things, the Company issued an aggregate of 250,000 shares of Common Stock, which were transferred to Hewlett-Packard, and the Company and VeriFone settled such claims. The settlement amount was recorded during the nine months ended September 30, 1997 as a charge of \$2.0 million.

OTHER INCOME (EXPENSE)

Other income (expense) consists primarily of interest earned on the Company's cash, cash equivalents and short-term investments, less interest expense on bank borrowings of VeriSign Japan and the effect of foreign currency transaction gains and losses. The Company had other income of \$148,000 for the Inception Period, other expense of \$67,000 for 1996 and other income of \$860,000 for the nine months ended September 30, 1997. The increase for the nine months ended September 30, 1997 was due to interest earned on the cash proceeds from the Company's November 1996 Series C Preferred Stock financing.

INCOME TAXES

No provision for federal and California income taxes has been recorded because the Company has experienced net losses since inception. As of September 30, 1997, the Company had federal and California net operating loss carryforwards of approximately \$10.5 million in each jurisdiction. These federal and California net operating loss carryforwards will expire, if not utilized, in years 2010 through 2012 and in years 2000 through 2003, respectively. The Tax Reform Act of 1986 imposes substantial restrictions on the utilization of net operating losses and tax credits in the event of an "ownership change" of a corporation. The Company's ability to utilize net operating loss carryforwards may be limited as a result of an "ownership change" as defined in the Internal Revenue Code. The Company does not anticipate that a material limitation on its ability to use such carryforwards and credits will result from this offering. The Company has provided a full valuation allowance on the deferred tax asset because of the uncertainty regarding its realization. The Company's accounting for deferred taxes under Statement of Financial Accounting Standards No. 109 involves the evaluation of a number of factors concerning the realizability of the Company's deferred tax assets. In concluding that a full valuation allowance was required, management primarily considered such factors as the Company's history of operating

losses and expected future losses and the nature of the Company's deferred tax assets. Although management's operating plans assume taxable and operating income in future periods, management's evaluation of all the available evidence in assessing the realizability of the deferred tax assets indicates that such plans were not considered sufficient to overcome the available negative evidence. See Note 7 of Notes to Consolidated Financial Statements.

MINORITY INTEREST IN NET LOSS OF SUBSIDIARY

Minority interest in the net losses of VeriSign Japan was \$838,000 for 1996 and \$1.2 million for the nine months ended September 30, 1997. This increase was due to the increased expenses incurred in establishing and expanding the operations of VeriSign Japan prior to recognizing significant revenues and to an increasing percentage of VeriSign Japan's capital stock being held by minority shareholders. VeriSign Japan is still in an early stage of operations and, therefore, the Company expects that the minority interest in net loss of subsidiary will continue to fluctuate in future periods.

SELECTED QUARTERLY OPERATING RESULTS

The following table sets forth certain consolidated statement of operations data for each quarter of 1996 and the first three quarters of 1997. This information has been derived from the Company's unaudited consolidated financial statements, which, in management's opinion, have been prepared on the same basis as the annual consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the quarters presented. This information should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this Prospectus. The operating results for any quarter are not necessarily indicative of the results for any future period.

	THREE MONTHS ENDED						
	MAR. 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996	MAR. 31, 1997	JUNE 30, 1997	SEPT. 30, 1997
	(IN THOUSANDS)						
Revenues.....	\$ 153	\$ 246	\$ 375	\$ 577	\$ 1,267	\$ 2,249	\$ 2,599
Costs and expenses:							
Cost of revenues.....	304	552	737	1,198	1,419	1,733	2,014
Sales and marketing....	540	1,015	1,213	2,108	2,254	2,686	2,324
Research and development.....	350	417	523	768	1,029	1,222	1,309
General and administrative.....	396	408	713	1,123	953	864	1,084
Litigation settlement..	--	--	--	--	--	--	2,000
Total costs and expenses.....	1,590	2,392	3,186	5,197	5,655	6,505	8,731
Operating loss.....	(1,437)	(2,146)	(2,811)	(4,620)	(4,388)	(4,256)	(6,132)
Other income (expense)..	35	35	14	(151)	469	166	225
Loss before minority interest.....	(1,402)	(2,111)	(2,797)	(4,771)	(3,919)	(4,090)	(5,907)
Minority interest in net loss of subsidiary.....	(2)	(128)	(228)	(480)	(305)	(482)	(407)
Net loss.....	\$(1,400)	\$(1,983)	\$(2,569)	\$(4,291)	\$(3,614)	\$(3,608)	\$(5,500)

REVENUES

The Company has experienced quarter-to-quarter sequential growth in revenues since its inception. These quarterly increases were due primarily to the increased number of Server Digital IDs sold during these periods. In addition, during the first quarter of 1997, the Company completed certain work required under various certificate service and product development agreements and, therefore, recognized the related portion of revenues during that quarter. The Company realized additional services fees during the second quarter of 1997 as a result

of entering into new certificate service and product development agreements and completing work under existing certificate service and product development agreements. During the third quarter of 1997, revenues attributable to digital certificates grew as a result of the increased number of digital certificates sold and an approximately 15% per unit price increase. Revenues also increased in the third quarter of 1997 as a result of the completion of work under other certificate service and product development agreements.

COSTS AND EXPENSES

Cost of Revenues. Throughout 1996, the Company was developing a secure operations and customer support infrastructure as well as related systems. During the fourth quarter of 1996, the Company began building its new Digital ID Center to manage enrollment and issuance of large volumes of Digital IDs and moved its customer support and information systems teams into the new Digital ID Center. Accordingly, facilities costs and related overhead increased significantly in the first quarter of 1997. During the second and third quarters of 1997, the Company added full-time and temporary personnel, particularly for customer support and information systems, in order to support the additional volume of issuances of Server Digital IDs. The Company also devoted additional personnel resources to support work under the Company's product development agreements during this time period. During the second quarter of 1997, the Company introduced its NetSure warranty program, resulting in higher insurance premiums. During the third quarter of 1997, the Company also incurred increased expenses for access to third-party databases to verify certificate applicants' identities and expenses relating to the implementation of the Company's disaster recovery plan.

Sales and Marketing. The quarterly increases in sales and marketing expenses resulted primarily from the building of the Company's sales and marketing organization, which began in 1996. During the third and fourth quarters of 1996, the Company began expanding its marketing organization to include corporate, channel and product marketing programs. In each of the first three quarters of 1997, the Company added sales and marketing personnel to support its expanding product lines, which resulted in higher recruiting, benefits, travel and facilities costs. Sales and marketing expenses were higher in the second quarter of 1997 than the preceding two quarters and the following quarter due to increased expenses incurred pursuing international and domestic strategic relationships, increased public relations activities, Web site management costs and channel development activities.

Research and Development. The sequential quarterly increases in research and development expenses were due primarily to increased personnel and related costs to support the design, testing and deployment of, and technical support for, the Company's expanded product offerings and technology.

General and Administrative. The sequential quarterly increases in general and administrative expenses over the four quarters of 1996 were primarily related to the addition of personnel and related costs to support expansion of the Company's operations. During the fourth quarter of 1996, the Company incurred additional expenses for consulting services, increased legal fees relating to a large number of contract negotiations and increased expenses resulting from a growth in headcount. During the fourth quarter of 1996 and into 1997, the Company incurred increased expenses for a larger facility and for the implementation of additional systems and procedures.

FACTORS AFFECTING OPERATING RESULTS

The Company's operating results have varied on a quarterly basis during its short operating history and may fluctuate significantly in the future as a result of a variety of factors, many of which are outside the Company's control. Factors that may affect the Company's quarterly operating results include the following: market acceptance of digital certificates; market acceptance of its products and services, particularly VeriSign OnSite, VeriSign V-Commerce and VeriSign SET; the long sales and implementation cycles for and potentially large order sizes of certain of the Company's products and services; the timing and execution of individual contracts; the timing of releases of new versions of Internet browsers or other third-party software products in which the Company's public root keys are embedded; customer renewal rates for the Company's products and services;

the Company's success in marketing other products and services to its existing customer base and to new customers; development of the Company's direct and indirect distribution channels; market acceptance of the Company's or competitors' new products and services; the amount and timing of expenditures relating to expansion of the Company's operations; price competition or pricing changes; general economic conditions and economic conditions specific to the Internet, intranet and extranet industries. Any one of these factors could cause the Company's revenues and operating results to vary significantly in the future. In addition, the Company will need to expand its operations and attract, integrate, retain and motivate a substantial number of sales and marketing and research and development personnel. The timing of such expansion and the rate at which new personnel become productive could cause material fluctuations in the Company's quarterly operating results.

The Company's limited operating history and the emerging nature of its market make prediction of future revenues difficult. The Company's expense levels are based, in part, on its expectations regarding future revenues, and to a large extent such expenses are fixed, particularly in the short term. There can be no assurance that the Company will be able to predict its future revenues accurately and the Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall of revenue in relation to the Company's expectations could cause significant declines in the Company's quarterly operating results.

Due to all of the foregoing factors, the Company's quarterly revenues and operating results are difficult to forecast. The Company believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. Also, it is likely that the Company's operating results will fall below the expectations of the Company, securities analysts or investors in some future quarter. In such event, the market price of the Company's Common Stock could be materially and adversely affected.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has financed its operations primarily through private sales of equity securities raising approximately \$42.7 million. At September 30, 1997, the principal source of liquidity for the Company was \$13.6 million of cash, cash equivalents and short-term investments. The Company also has an equipment loan agreement under which it may borrow up to \$3.0 million for purchases of equipment. This equipment loan agreement expires on March 31, 1999. Any amounts borrowed under this equipment loan agreement would bear interest at the rate of 7.5% per annum and would be secured by the equipment purchased with the loan proceeds. In the event that the Company borrows under this equipment loan agreement, it will be obligated to issue to the lender a warrant to purchase 17,500 shares of Common Stock. The Company currently has no plans to borrow any amounts under this equipment loan agreement.

VeriSign Japan has an available credit facility of 250,000,000 yen (approximately \$2.1 million as of September 30, 1997) with a bank, which bears interest at a rate of 1.625% per annum and expires in January 1998. At September 30, 1997, VeriSign Japan had borrowed approximately \$1.5 million under this facility, which borrowings were secured by certain assets of VeriSign Japan. VeriSign Japan also has available a revolving line of credit of up to \$500,000 with a bank that bears interest at 1.625% per annum and expires in April 1998. The line of credit is secured by a letter of credit from the Company in the same amount. There were no borrowings outstanding under this line of credit as of September 30, 1997.

The Company has had significant negative cash flows from operating activities in each fiscal period to date. Net cash used in operating activities for the Inception Period, 1996 and the nine months ended September 30, 1997 was \$1.5 million, \$6.0 million and \$11.8 million, respectively. Net cash used in operating activities in each of these periods was primarily the result of net losses, offset in part by increases in accounts payable and accrued liabilities for the Inception Period and 1996 and deferred revenues in all three fiscal periods.

Net cash used in investing activities for the Inception Period, 1996 and the nine months ended September 30, 1997 was \$1.0 million, \$4.4 million and \$13.5 million, respectively. Net cash used in investing

activities in these periods was primarily the result of capital expenditures for computer equipment, purchased software, office equipment, furniture, fixtures and leasehold improvements. In addition, for the nine months ended September 30, 1997, cash used in investing activities included \$7.7 million of net purchases of short-term investments. Capital expenditures for property and equipment for the Inception Period, 1996 and the nine months ended September 30, 1997 aggregated \$1.0 million, \$4.2 million and \$5.3 million, respectively. The Company's planned capital expenditures for the fourth quarter of 1997 and for 1998 are approximately \$1.2 million and \$5.0 million, respectively, primarily for computer equipment and other leasehold improvements. As of September 30, 1997, the Company also had commitments under noncancelable operating leases of \$6.7 million through 2002.

Cash provided by financing activities for the Inception Period, 1996 and the nine months ended September 30, 1997, was \$5.3 million, \$37.8 million and \$1.3 million, respectively, resulting primarily from net proceeds from the sale of Preferred Stock by the Company. In addition, for 1996 and the nine months ended September 30, 1997, cash provided by financing activities of VeriSign Japan was \$4.4 million and \$1.2 million, respectively, resulting from the sale of its capital stock to minority investors and from the proceeds of its bank borrowings.

The Company believes that the net proceeds from this offering, together with existing cash, cash equivalents and short-term investments, will be sufficient to meet its working capital and capital expenditure requirements for at least the next 12 months. The Company may need to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Strategic relationships, if necessary to raise additional funds, may require the Company to relinquish rights to certain of its technologies or products. The failure of the Company to raise capital when needed could have a material adverse effect on the Company's business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of the Company of its then-current shareholders would be reduced. Furthermore, such equity securities might have rights, preferences or privileges senior to those of the Company's Common Stock. See "Risk Factors-- Future Capital Needs; Uncertainty of Additional Financing."

RECENT ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share, which adjusts the calculation of earnings per share under generally accepted accounting principles. SFAS No. 128 must be adopted by the Company during the first quarter of 1998. See Note 1 of Notes to Consolidated Financial Statements for the effect of SFAS No. 128 on the Company's pro forma net loss per share presentation.

In October 1997, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") No. 97-2, Software Revenue Recognition, which supersedes SOP No. 91-1. The Company will be required to adopt SOP No. 97-2 prospectively for software transactions entered into beginning January 1, 1998. SOP No. 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair values of the elements. The fair value of an element must be based on evidence that is specific to the vendor. If a vendor does not have evidence of the fair value for all elements in a multiple-element arrangement, all revenue from the arrangement is deferred until such evidence exists or until all elements are delivered. The Company's management anticipates that the adoption of SOP No. 97-2 will not have a material effect on the Company's operating results.

BUSINESS

VeriSign is the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. The Company has established strategic relationships with industry leaders, including Cisco, McAfee Associates, Microsoft, Netscape, RSA, Security Dynamics, VeriFone and VISA, to enable widespread deployment of the Company's digital certificate technology and products and to assure their interoperability among a wide variety of applications over IP networks. The Company's Digital IDs are enabled in millions of copies of Microsoft and Netscape Web browsers, tens of thousands of copies of popular Web servers and a variety of other software applications. The Company believes that it has issued more digital certificates than any other company, having issued over 1.5 million of its Digital IDs for individuals and over 35,000 of its Digital IDs for Web sites. In addition to providing Digital IDs for individuals and Web sites, the Company provides turn-key and custom solutions needed by organizations such as Dow Jones, NOVUS/Discover and VISA, to conduct trusted and secure communications and commerce over IP networks. The Company markets its products and services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and OEMs, and intends to continue to expand these distribution channels.

INDUSTRY BACKGROUND

GROWTH OF INTERNET COMMERCE AND COMMUNICATIONS

IP networks are revolutionizing the ways in which companies, government agencies, trading partners and individuals communicate and conduct business. IP networks provide an attractive medium for communications and commerce because of their global reach, accessibility, use of open standards and ability to enable real-time interaction. Organizations are seeking to leverage the capabilities of IP networks to attract new customers, access new markets, improve customer service and satisfaction and lower support and distribution costs. Until recently, IP networks have been used primarily for informal messaging, general information browsing and the exchange of non-sensitive data. The use of IP networks is now beginning to extend beyond these initial uses to a number of more valuable and sensitive activities, including business-to-business transactions and Internet-based EDI, online retail purchases and payments, Web-based access to account and benefits information and secure messaging for both personal and business use. Forrester Research estimates that Internet business-to-business commerce alone will grow from less than \$8 billion in 1997 to more than \$327 billion in 2002.

REQUIREMENT FOR TRUSTED INTERACTION OVER IP NETWORKS

Although openness represents a fundamental strength of IP networks, their accessibility and the anonymity of users resulting from the lack of "face-to-face" interaction create threats to the privacy and integrity of information that is transmitted across or stored on these networks. Despite the convenience and the compelling economic incentives for the use of IP networks, they cannot reach their full potential as a platform for global communications and commerce until the current lack of security and trust associated with these networks is resolved. According to a study conducted in 1997 by Zona Research, Inc., 70% of the businesses and consumers surveyed listed concerns about trust and security as the main impediment to broader use of the Internet for commercial applications. Business concerns include the potential for theft of corporate or customer information, impersonation of employees, loss of reputation and economic loss through fraud. Consumer concerns include the possibility of merchant impersonation and fraud and the risk that third parties may be able to intercept and use personal information such as credit card numbers. Traditional security mechanisms such as passwords and personal identification numbers do not adequately address these issues, as they can be easily lost, forgotten or misappropriated. Some security concerns are being addressed through technologies such as encryption and firewalls, but these technologies do not address the need to establish and maintain a common framework of trust between parties conducting transactions or exchanging sensitive information in the digital world.

In the physical world, trust in communications and commerce is established through a combination of social, business and legal practices that, in some cases, have been developed over hundreds of years. These practices often include the use of physical credentials, such as credit cards, business licenses or employee badges, and the associated legal protections to avoid loss from theft or fraud. The diligence, practices, policies and reputations of the organizations standing behind the issuance, delivery, revocation and renewal of physical credentials provide a readily understood and accepted framework of trust for a given communication or transaction. The physical credentials that embody these proven practices and frameworks of trust and the social interactions that accompany their use cannot be utilized in the digital world. As a result, there is a need for a trusted and convenient way to verify the identity, authority and privilege of the parties involved in communications and commerce over IP networks and to assure their proper and trusted association with a specific organization or community.

EMERGENCE OF DIGITAL CERTIFICATE TECHNOLOGY

Digital certificates are emerging as the leading technology for establishing a framework for trusted and secure communications and commerce over IP networks, with many Internet security protocols dictating the use of digital certificates. A digital certificate is a specially prepared software file that functions as an electronic credential in the digital world, identifying the certificate owner, authenticating the certificate owner's membership in a given organization or community (credit card holder, employee, supply chain participant or citizen) and establishing the certificate owner's authority to engage in a given transaction. Utilizing the principles of public key cryptography, a digital certificate binds a pair of unique mathematical keys, one designated as "private" and securely maintained by its owner, and the other designated as "public" and embedded in the digital certificate. What the owner's private key digitally signs, only the corresponding public key can verify. When properly prepared, issued and administered, digital certificates create a framework for trusted interaction over IP networks, making it possible, for example, to verify with certainty the identity of an account holder or a Web-based business, the source of an electronic message or the integrity of electronically distributed software or content.

Significant efforts are underway to utilize digital certificates as "vehicles of trust" for securely transmitting e-mail, accessing information on public and private Web sites, purchasing retail goods and services and conducting other financial transactions such as electronic securities trading. The leading vendors of Web browser, Web server, electronic mail, electronic payment and content distribution applications have incorporated digital certificate technology as the framework for establishing trusted and secure communications and commerce over IP networks and are embedding support for digital certificates in their products. A number of standard protocols that are being widely adopted for communications and commerce require the use of digital certificates. These protocols include the Secure Sockets Layer protocol ("SSL") for browser/server authentication and secure data transmission, the Secure Multipurpose Internet Mail Extensions protocol ("S/MIME") for secure e-mail and EDI, the Secure Electronic Transactions protocol ("SET") for secure electronic payments, and the Internet Protocol Security standard ("IP/SEC") for authentication of networking devices. Just as an individual may have many forms of credit cards and IDs, he or she may require multiple digital certificates, each corresponding to a unique digital relationship between the individual and an organization. Thus, there is the potential need over time for hundreds of millions of digital certificates to be issued and managed.

CERTIFICATION AUTHORITIES AND THE NEED FOR TRUSTED INFRASTRUCTURE

Digital certificates are prepared and managed by trusted parties known as Certification Authorities ("CAs"). To prepare a digital certificate for issuance, a CA embeds an individual's or an organization's public key along with specific personal information (name or e-mail address) or organizational information (domain name or affiliation) in the digital certificate, which is then cryptographically "signed" by the CA. The CA's digital signature acts as a tamper-proof electronic seal that verifies the integrity of the information within the digital certificate and validates its use within a specific organization or community. This digital signature is linked to the CA's public "root key," which is embedded in the browser, server or other application used by the

organization or community. Through the embedded public root key, a community member can automatically confirm the authenticity of a digital certificate--and hence the certificate owner's identity, authority and privilege--to verify the source and integrity of any accompanying message or transaction request.

A CA may digitally sign certificates for multiple organizations or communities, each having different rules, qualifications or procedures governing the admission of members. The CA may sign and issue certificates directly to the members of a given community or sign certificates on behalf of other entities (credit card issuers, corporations or government agencies) that wish to control the admission of members into their organizations and grant to them certain authority and privileges.

The successful implementation and management of digital certificates as a mechanism for trusted and secure commerce and communications present a number of issues and challenges for a CA. The CA must establish and maintain rigorous practices, policies and procedures to manage the technical complexities of cryptographic key management and provide for the secure creation and distribution of digital certificates. The CA must carefully manage the entire lifecycle of all digital certificate issued, including identifying and conducting initial due diligence on the owners, tracking digital certificates, providing customer support for digital certificate owners, confirming in real-time the continued validity of each digital certificate and revoking or renewing the digital certificates. To be effective for large public and private communities needing digital certificates, a CA must also have a highly scaleable and flexible infrastructure, be able to provide a full range of digital certificate services in high volume on a 24 hour x 7 day basis and have its public root key embedded in and supported by a wide variety of applications utilized across IP networks.

THE VERISIGN SOLUTION

VeriSign is the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. The Company has established strategic relationships with industry leaders, including Cisco, McAfee Associates, Microsoft, Netscape, RSA, Security Dynamics, VeriFone and VISA to enable widespread deployment of the Company's digital certificate technology and products and to assure their interoperability among a wide variety of applications. The Company believes that it has issued more digital certificates than any other company, having issued over 1.5 million of its Digital IDs for individuals and over 35,000 of its Digital IDs for Web sites. The Company's digital certificates, are enabled in millions of copies of Microsoft and Netscape browsers, tens of thousands of copies of popular Web servers and a variety of software applications. In addition, Microsoft and Netscape have integrated enrollment for the Company's digital certificates into the registration process for their Web browsers, prominently feature the Company and its digital certificate solutions in certain of their products and on their Web sites, have integrated the Company's public root key into their browsers and engage in a variety of joint marketing activities with the Company. In addition to providing Digital IDs for individuals and Web sites, the Company also provides turn-key and custom solutions needed by organizations, such as Dow Jones, NOVUS/Discover and VISA, to conduct trusted and secure communications and commerce over IP networks.

The Company issues and manages digital certificates directly from its Digital ID Centers for consumers, businesses and organizations that use IP networks for trusted and secure communications and commerce. The Company also offers a comprehensive range of digital certificate solutions tailored to meet the specific needs of customers, such as financial institutions and governmental agencies, that wish to issue their own, or have VeriSign issue on their behalf, digital certificates for use within their private intranets and extranets. These solutions vary based on the nature and complexity of the applications, the degree of control customers desire to maintain and the degree of operational responsibility customers wish to delegate. Each of the Company's solutions leverages its infrastructure for managing digital certificates to relieve customers from the burdensome responsibilities and costs of designing, establishing, maintaining and staffing their own digital certificate operations.

The key components of the Company's solution are its scaleable, modular software architecture, highly reliable and secure operations and comprehensive security and trusted practices, which together provide a

platform designed for the timely, rapid deployment of large volumes of digital certificates and the ongoing management of such digital certificates throughout their lifecycles.

. **Scaleable, Modular Software Architecture.** The Company has designed its software to provide the scaleability necessary to support the issuance and management of millions of certificates for distinct communities ranging from individual corporations to the entire population of Internet users. The Company's WorldTrust software automates many of the processes for digital certificate issuance and lifecycle management, including subscriber enrollment, authentication and administration services. The Company's modular software is also distributable over one or many computer systems to enhance scaleability and allow for certain functions of the digital certificate issuance and lifecycle management process to be deployed at customer or affiliate locations while maintaining a secure and reliable link to the Company's Digital ID Centers for back-end processing.

. **Highly Reliable and Secure Operations.** The Company's Digital ID Centers, which are located in Mountain View, California and Kawasaki, Japan and operate on a 24 hour x 7 day basis, support all aspects of issuance and management of digital certificates as well as the delivery of its related digital certificate services. Through the use of state-of-the-art computer, telecommunications, network and monitoring systems, the Company's Digital ID Centers are designed to provide the high levels of availability, security and scaleability necessary to meet the needs of customers for high volume digital certificate issuance and management.

. **Comprehensive Security and Trusted Practices.** The Company has been instrumental in defining comprehensive, industry-endorsed practices and procedures for the legal and business frameworks in which digital certificate relationships are established as well as the physical security and controls that are essential to operate secure, large-scale digital certificate management operations. The Company believes that these practices and procedures are a critical component to the creation of a digital certificate infrastructure required for trusted and secure communications and commerce over IP networks.

STRATEGY

The Company's objective is to enhance its position as the leading provider of digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over IP networks. The Company's strategy to achieve this objective includes the following key elements:

Leverage Leadership Position to Drive Market Penetration. The Company believes that it has developed a leading position in the market for digital certificate solutions and underlying trust infrastructure by being the first to market with a variety of digital certificate products and services, building strategic relationships with industry leaders, issuing more digital certificates than any other company, embedding its public root key in a variety of communications, commerce and other software applications and investing significant resources in developing its comprehensive trust infrastructure. The Company intends to leverage this leadership position to drive further adoption and deployment of its digital certificate solutions and associated trust services. In addition, the Company intends to maintain its first-to-market position by applying its knowledge and experience to new products and services that the Company believes will have significant market potential.

Leverage and Expand Strategic Relationships with Industry Leaders. The Company has established strategic relationships with industry leaders, including Cisco, McAfee Associates, Microsoft, Netscape, RSA, Security Dynamics, VeriFone and VISA. The Company believes that these relationships, as well as others that it intends to pursue, will enable the widespread deployment of the Company's Digital IDs by allowing it to capitalize on the brand recognition and broad customer bases of such strategic partners. For example, both Microsoft and Netscape have incorporated the Company's public root key in their Web browsers and feature the Company and its digital certificate solutions in their products and on their Web sites. The Company believes that this support from Microsoft and Netscape enhances market awareness of the Company and provides a powerful endorsement of the Company's digital certificate solutions and infrastructure. Certain of the Company's strategic

relationships also involve joint marketing activities, which enhance the Company's ability to target large customers and expand overall brand awareness. The Company intends to pursue additional strategic relationships that the Company believes will enhance the marketing and distribution of its products and services.

Maintain Leadership in Technology, Infrastructure and Practices. The Company has developed technical, operational and procedural expertise for the widespread implementation of secure digital certificate solutions. The Company intends to continue to enhance its technology, infrastructure and distributed product architecture to enable further operational scalability in order to provide digital certificate solutions for a variety of industries with high volume certificate issuance requirements. In order to ensure the alignment of its technology with emerging trends, the Company actively participates in industry consortia, standards setting organizations and other trade groups. In addition, the Company is continually enhancing its internal "best practices" and controls to ensure the physical security of its facilities, maintain quality in the execution of its operations, verify the quality and consistency of its services and promote the global acceptance of its digital certificate solutions.

Continue to Build the VeriSign Brand. The Company will continue to promote the VeriSign brand as synonymous with trusted and secure communications and commerce over IP networks. In order to accelerate the acceptance and penetration of its digital certificate solutions, the Company has developed joint marketing relationships with brand leaders such as Microsoft, Netscape, VeriFone and VISA and intends to pursue additional relationships with entities whose brands are well known and widely respected. The Company also utilizes a variety of marketing programs to promote market awareness of the Company and promote the VeriSign brand.

Expand Global Marketing and Distribution. The Company will continue to expand its global marketing and distribution efforts to address the range of markets and applications for digital certificate solutions. The Company intends to add direct sales personnel and expand indirect channels, both domestically and internationally. The Company also plans to leverage its technology infrastructure to establish Digital ID Centers in appropriate international markets. The Company believes that this strategy affords the opportunity to create an international network of digital certificate providers operating under common technology, operations and legal practices to provide a standard for global interoperability.

PRODUCTS AND SERVICES

The Company provides a comprehensive line of digital certificate solutions that are designed to enable trusted and secure communications and commerce over IP networks. All of these solutions and services are based upon the Company's WorldTrust software architecture, scaleable operations infrastructure and comprehensive security and trust practices. See "--Technology and Architecture," "--Infrastructure" and "--Security and Trust Practices."

The following table illustrates the range of the Company's products:

MARKET/CATEGORY	VERISIGN PRODUCT/SERVICE	DESCRIPTION	END-USER LIST PRICE*
Internet IDs Client Digital Certificates	Universal Digital IDs	Digital certificates for individuals for secure e-mail, access control and password replacement	\$9.95-\$29.95 per year
Server Digital Certificates	Server Digital IDs	Digital certificates for organizations' Web sites for encrypted server operations	\$249-\$1,195 per year
Content Signing Digital Certificates	Software Developer Digital IDs	Digital certificates for software developers, content publishers and distributors	\$20-\$400 per year
	Channel Signing Digital IDs	for authenticated software and content distribution	

Enterprise and Electronic Commerce Enterprise Solutions	VeriSign OnSite	Turn-key digital certificate solutions for managed IP network applications for a wide range of mid-sized to large enterprises	\$5,000-\$50,000 per year
Integrated Electronic Commerce Solutions	VeriSign V-Commerce	Customized solutions for Fortune 1000 companies and Web sites with very large customer or user bases	\$50,000-\$500,000 per year
SET Certificate Solutions	VeriSign SET	Managed solutions for card brands, banks and payment processors	\$50,000-\$500,000 per year

* The Company typically receives a percentage of the end-user list price for Internet IDs that are sold through the Company's distribution channels. The terms and conditions for the Company's enterprise, integrated electronic commerce and SET certificate solutions, including sales prices and discounts from list prices, may be negotiated in individual transactions based on certificate volumes, associated services and required customization and thus may vary from customer to customer.

The Company derived approximately one-half of its revenues in 1997 from Internet IDs, principally Server Digital IDs for businesses, and approximately one-third of its revenues in 1997 from enterprise and electronic commerce products. There can be no assurance that the Company will be able to continue to increase its revenues from these sources or that these products and services will achieve widespread market acceptance. See "Risk Factors--Limited Operating History; History of Losses and Anticipation of Future Losses" and "--No Assurance of Market Acceptance for Digital Certificates and the Company's Products and Services."

INTERNET IDS

The Company issues Internet IDs directly to individuals and organizations engaged in communications and commerce over the Internet. These Internet IDs allow individuals, organizations and software developers to protect the privacy and integrity of their communications by establishing the identity, authority or privilege of the parties involved to avoid impersonations or identity "spoofing" and malicious security breaches. Since its inception, the Company has issued over 1.5 million of its Digital IDs for individuals and over 35,000 of its Digital IDs for Web sites. The purchase of a Digital ID allows the customer to use the Digital ID for a limited period of time, generally 12 months. After this period, the Digital ID must be renewed for continued usage by the customer. The Company has also established a warranty protection program, the NetSure Protection Plan, that provides warranty coverage to its customers at varying levels up to \$250,000 in the event of economic loss due to the theft, impersonation, corruption or loss of an Internet ID. VeriSign has insured itself against losses under such coverage with United States Fidelity and Guaranty Company.

Client Digital Certificates. VeriSign's Universal Digital IDs are issued directly to individuals to enable users to exchange digitally signed and encrypted e-mail using the S/MIME protocol. Universal Digital IDs can also be used to replace passwords for more convenient access to and enhanced security of Web sites.

The Company currently offers two versions of Universal Digital IDs and plans to offer a third version in the second half of 1998. These versions are differentiated principally by the subscriber identity authentication procedures and due diligence performed by the Company prior to issuance and the amount of NetSure warranty protection provided:

Universal Digital ID-Class 1. Class 1 Universal Digital IDs are the class of Universal Digital ID most commonly issued by the Company. The Company issues a Class 1 Universal Digital ID after authenticating a user's e-mail address by providing an activation code, via e-mail, that can be used to download the digital certificate from VeriSign's Web site. Class 1 Universal Digital IDs have NetSure warranty protection of \$1,000. The Company offers a Class 1 Universal Digital ID for free on a 60-day trial basis, but the trial version does not include replacement, revocation, NetSure warranty protection or other related digital certificate services. To date, substantially all of the Class 1 Universal Digital IDs have been issued without charge on a trial or promotional basis.

Universal Digital ID-Class 2. The Company issues a Class 2 Universal Digital ID after authenticating a user's personal identity by matching personal information provided by the user with information contained in established third-party consumer credit databases. To date, the Company has issued Class 2 Universal Digital IDs primarily to North American residents. Class 2 Universal Digital IDs have NetSure warranty protection of up to \$25,000.

Universal Digital ID-Class 3. VeriSign expects to introduce a Class 3 Universal Digital ID in the second half of 1998. A Class 3 Universal Digital ID will be issued after authentication of a user's identity through personal presence verification by VeriSign or one of its certified agents or affiliates. The Company anticipates that Class 3 Universal Digital IDs will have NetSure warranty protection of up to \$50,000.

Server Digital Certificates. The VeriSign Server Digital ID product line enables organizations to implement and operate secure Web sites using the SSL or S/MIME protocols in order to establish authenticated and private communications and commerce on IP networks. Prior to issuing a Server Digital ID, VeriSign establishes the authenticity of a Web site through a series of background checks that corroborate an organization's authority to do business under a given business name, as well as its right to operate a server with a specific domain name or URL. These procedures protect an organization against another server "spoofing" its site and also allows site visitors to establish the site's authenticity. VeriSign's Server Digital IDs enable an individual's Web browser to verify a Web site's identity automatically by checking the site's Server Digital ID. Once this authentication has occurred, an encrypted session based on SSL or the S/MIME messaging protocol can commence. These private communications sessions are virtually impenetrable by external parties, thereby protecting sensitive information from unauthorized access.

The Company currently offers four versions of its Server Digital IDs, differentiated by the target application of the server that hosts the Server Digital ID. The Company provides NetSure warranty protection of up to \$100,000 on each Secure Server ID, Global Server ID and Financial Server ID and up to \$250,000 on each EDI Server ID.

Secure Server ID. VeriSign Secure Server IDs enable Web sites to implement SSL security features for transactions and communications conducted between their Web servers and individual end users. A Secure Server ID can also be used in conjunction with a Universal Digital ID to restrict access to account information and content on a server hosted on an IP network. The Company's public root key is embedded in more than 40 server software applications.

Global Server ID. VeriSign Global Server IDs enable organizations to establish worldwide 128-bit encrypted SSL sessions using Netscape Communicator or appropriately configured Microsoft Internet Explorer software. Global Server IDs are available for use by U.S. corporations and U.S. and foreign banks approved by the United States Department of Commerce Bureau of Export Administration. VeriSign Global Server IDs are currently the only commercially available server digital certificates for Netscape and Microsoft products that utilize 128-bit encryption and can be used by approved organizations on a global basis.

Financial Server ID. VeriSign Financial Server IDs are intended for use with financial applications using the Open Financial Exchange specification developed by Microsoft, Intuit Inc. ("Intuit") and CheckFree Corporation. Financial Server IDs are used by financial institutions for authentication of their Web servers and to enable the secure exchange of data between these organizations and customers engaged in home banking, brokerage and insurance services on the Internet. The Company's financial server public root key is embedded in Intuit's Quicken product and will be embedded in the next version of Microsoft Money.

EDI Server ID. VeriSign EDI Server IDs are intended for organizations or individuals who participate in large online trading networks and who wish to engage in secure communications. EDI Server IDs ensure the integrity of messages, allow encrypted messages to be sent using a variety of EDI standards and enable messages to be digitally signed to ensure nonrepudiation. The Company's public root key is embedded in the Actra ECXpert product and other EDI applications.

Content Signing Digital Certificates. The VeriSign content signing digital certificate product line enables content providers, publishers and vendors to digitally sign their content or distribution channels in order to ensure the authenticity and integrity of content delivered to end users. All of the Company's content signing digital certificates have NetSure warranty protection of between \$25,000 and \$50,000.

The Company currently offers three versions of its content signing digital certificates, differentiated principally by the subscriber identity authentication procedures and due diligence performed by the Company prior to issuance and the amount of NetSure warranty protection provided:

Individual Software Developer Digital ID. Individual Software Developer Digital IDs are issued after VeriSign authenticates the identity of an individual software publisher through the use of established third-party consumer credit and other databases.

Commercial Software Developer Digital ID. Commercial Software Developer Digital IDs are issued after VeriSign authenticates the identity of a commercial software publisher by using registered credentials and online commercial databases to verify the company's identity.

Both the Individual Software Developer Digital IDs and the Commercial Software Developer Digital IDs are designed for use by software developers that wish to digitally sign and distribute code electronically via the Internet, including ActiveX controls under the Microsoft Authenticode program or JAVA code in conjunction with the Netscape object signing technology.

Channel Signing Digital ID. Channel Signing Digital IDs authenticate a distribution channel for software and content that is automatically distributed or "pushed" via IP networks using an application such as Marimba's Castanet, by authenticating that the software or content is from the indicated source and establishing that the software or content has not been tampered with or modified while en route over IP networks.

ENTERPRISE AND ELECTRONIC COMMERCE

The Company offers a broad range of turn-key and custom solutions tailored to meet the specific needs of companies, government agencies and other organizations that wish to issue digital certificates to customers, employees, trading partners or citizens. The Company's enterprise and electronic commerce solutions can be used for a variety of applications, including: controlling access to sensitive data and account information; facilitating and protecting online payment card transactions; enabling digitally signed e-mail; or creating an electronic trading community. These solutions give customers the option of issuing private label digital certificates, which have limited use within their intranets and extranets, or VeriSign Digital IDs, which are interoperable with IP network applications enabled with the Company's public root key and can be customized to include customer-specified data.

Enterprise and electronic commerce solutions vary based on the nature and complexity of the application, the degree of control customers desire to maintain, and the degree of operational responsibility customers wish to delegate. The modularity of the Company's WorldTrust architecture allows certain functions of the certification process, such as registration, authentication, issuance, revocation, renewal or replacement, to be deployed at customer sites while maintaining a link to VeriSign's Digital ID Centers for back-end processing. As a result, customers enjoy significant time-to-market and cost reduction benefits by leveraging the Company's trusted, scalable infrastructure with complete certificate lifecycle management, high-speed servers, redundant telecommunications, data storage and daily back-up, full disaster recovery, availability of 24 hour x 7 day customer service and rigorous network and physical security.

VeriSign OnSite. VeriSign OnSite combines the ease of use and low entry cost of a turn-key software product with the flexibility and scalability of a fully managed service. VeriSign OnSite targets mid- to large-scale companies and government agencies that wish to set up and administer their own digital certificate solutions using VeriSign's trusted infrastructure. VeriSign OnSite provides browser-based software for front-end processing complete with configuration wizards, enrollment templates, authentication and administration tools, directory files and a secure link to the Company's Digital ID Centers for back-end processing. VeriSign OnSite provides several key benefits, including complete control over configuration, quick deployment, low cost and flexibility. VeriSign OnSite can be downloaded from one of the Company's Digital ID Centers or sold through one of the Company's direct or indirect sales channels and is priced on an annual subscription basis for a fixed quantity of digital certificates.

VeriSign V-Commerce. VeriSign V-Commerce is a comprehensive, custom solution that enables large-scale electronic commerce activities on IP networks, such as virtual storefronts, electronic subscription services, content delivery and information access and broadcast. VeriSign V-Commerce targets Fortune 1000 companies, financial institutions and large government agencies with high-volume digital certificate issuance and management requirements. VeriSign V-Commerce solutions involve special set-up and consulting services to support the development and installation of custom digital certificate formats, subscriber services, authentication interfaces, administration tools and root keys. VeriSign V-Commerce solutions also support the deployment of certain of the digital certificate service functions at the customer's site or remote offices to allow for maximum control and flexibility. VeriSign V-Commerce enables companies and government agencies to realize the full potential of IP networks as a medium for trusted and secure communications and commerce by relying on the Company to develop, deploy and administer a large scale digital certificate implementation. VeriSign V-Commerce terms are negotiated based on the annual volume of digital certificates, associated services and customization required.

VeriSign SET. VeriSign SET is an electronic commerce solution targeted at certified banks, payment processors or major credit card brands to enable cardholders, merchants and payment gateways to enroll for and obtain digital certificates for use with the SET specification without the expense of developing and hosting a custom digital certificate solution. The SET specification was developed by an industry consortium, including MasterCard and VISA, to enable secure payments and purchases over IP networks. SET digital certificates are used to identify the identity of participants in a SET transaction. The Company delivers SET services directly to certified banks or payment processors and to banks on behalf of major credit card brands, including Air Travel Card, Diner's Club, MasterCard, NOVUS/Discover and VISA. There are currently over 130 VISA member banks that are using VeriSign SET solutions in pilot programs.

SERVICES

In addition to its broad set of digital certificate solutions, the Company also provides, or intends to provide, a range of services that augment its solutions with added value or trust functionality. These services include:

Professional Consulting Services. The Company employs experts in cryptography and digital certificate management who offer consulting and training services to organizations implementing digital certificate solutions. VeriSign's professional services group provides a variety of design, development and implementation services, including interfacing with existing applications and databases, consulting on policies and procedures related to the management and deployment of digital certificates and the selection of related software and hardware (e.g., smart cards and readers) to complement a digital certificate solution. These consulting and training services are billed on a time and materials basis.

Key Generation Ceremonies. For larger organizations wishing to establish customized storage of their digital certificate root keys as well as an auditable record of the root key generation process, the Company provides a custom "key generation ceremony" as part of its setup services, complete with videography, dedicated hardware and secret key sharing among trusted parties. These key generation services provide an added measure of security and an audit trail for the issuance and management of digital certificates.

Status Services. The Company has currently developed services that will support real-time confirmation of the status of a particular digital certificate used in specific applications by providing a digitally signed receipt acknowledging "good," "revoked" or "unknown" status of a digital certificate to the requesting party. The Company currently uses a real-time status service to support Microsoft's Authenticode program. The Company expects to broaden the use of status services to other digital certificate markets during the first half of 1998.

Time Stamping Services. The Company offers a time stamping service that allows software developers to add a verifiable time and date stamp to software content that they digitally sign with their Software Developer Digital IDs. The Company is currently developing time stamping services for a variety of other applications.

Warranty and Insurance Plans. To extend its NetSure Protection Plan offerings, the Company is developing programs to make insurance products available to its enterprise and electronic commerce customers so that these customers can purchase insurance from third-party insurers to cover losses resulting from the use of digital certificates on both a per certificate and per transaction basis.

CUSTOMERS AND MARKETS

VeriSign's target customers for its enterprise and electronic commerce digital certificate solutions include consumers, government agencies, financial institutions, content providers and other organizations requiring trusted and secure communications and commerce over IP networks. The following examples illustrate how certain organizations use VeriSign's digital certificate solutions:

Credit Cards. A major credit card association wants to promote the use of its cards as the preferred payment method for purchases over the Internet. To accomplish this goal, it must give consumers the confidence to use their account numbers safely over the Internet while reducing the potential for losses due to fraud. This credit

card association has adopted the SET protocol, which dictates the use of digital certificates for all parties involved in transactions, including cardholders, merchants, issuing banks, acquiring banks and payment gateways. The credit card association chose VeriSign to provide SET digital certificate solutions to the credit card association on behalf of its member banks. The benefits the credit card association and its member banks expect to receive include increased use of the card for purchases over the Internet, increased customer loyalty and a reduction in losses due to credit card fraud. The credit card association currently is conducting a pilot program with a number of member banks using VeriSign SET solutions, and the credit card association anticipates full scale deployment of the program in 1998.

Electronic Information Services. A major provider of electronic information services to financial institutions and other businesses wants to distribute its services more broadly, increase its penetration within its existing client base and replace its existing proprietary terminals, which are in each of its clients' locations, with an IP network-based service that can be delivered over its clients' existing PCs. VeriSign will provide a custom digital certificate solution, utilizing customer-branded client digital certificates, that enables this company to deliver and charge for its services accurately at each desktop. In addition, because the system is IP network-based, it provides a better user experience due to graphical user interfaces and other IP network-based features such as hyperlinks. The benefits the information services company expects to receive include reduced hardware costs, improved customer satisfaction, increased revenue opportunities, increased market acceptance and reduced implementation costs. The system is currently in beta testing with over 100 clients and the information services company expects to release it fully in early 1998.

Banking. One of the top five U.S. banks wants to provide secure services such as home banking, commercial banking and credit card purchases to its business and consumer clients over the Internet. VeriSign will provide 128-bit Server Digital IDs and bank-branded client digital certificates for home and commercial banking as well as VeriSign SET digital certificates for the bank's credit card holders. The benefits the bank expects to receive include improved customer service, reduced service costs and broader geographic reach. The bank is currently utilizing VeriSign's 128-bit Server Digital IDs for home banking and commercial banking and anticipates offering bank-branded client digital certificates and VeriSign SET digital certificates in mid-1998.

VISA accounted for approximately 21% and 16% of the Company's revenues for 1996 and the nine months ended September 30, 1997, respectively. VISA also accounted for 13% and 25% of the Company's accounts receivable as of December 31, 1996 and September 30, 1997, respectively. In addition, two other customers, a South African systems integrator and a financial services provider, accounted for approximately 28% and 13%, respectively, of accounts receivables as of December 31, 1996 and one other customer, a European smart card manufacturer, accounted for approximately 12% of accounts receivable as of September 30, 1997.

TECHNOLOGY AND ARCHITECTURE

The Company employs a modular set of software applications and toolkits, which collectively make up its proprietary WorldTrust architecture, as the core platform for all of its digital certificate solutions. The modular design of the WorldTrust architecture enables the Company's digital certificate services to be distributed over one or many co-located or dispersed computer systems, allowing certain functions of the certification process, such as registration, authentication, issuance, revocation, renewal or replacement, to be deployed at customer or affiliate locations while maintaining a secure and reliable link to one of the Company's Digital ID Centers for back-end processing. These modules can also be replicated in order to handle increased volumes of digital certificates. Digital certificate service modules incorporated in the WorldTrust architecture include:

Subscriber Services Module. The subscriber services module supports requests for digital certificate issuance, revocation, renewal and replacement. Software toolkits are provided to permit rapid customization and integration of digital certificate services with a customer's business-specific Web-based solutions.

Authentication Services Module. The authentication services module supports manual, automated and delegated authentication of subscribers by designated sources prior to certificate issuance. Software toolkits and APIs are provided to allow for integration with various process models and database systems.

Administration and Support Modules. The administration and support modules provide lifecycle services such as digital certificate revocation, renewal and reissuance, as well as a customer support knowledge base to facilitate general reporting of CA activity and Web-based and e-mail-based support of customers and end users.

Directory Services Module. The directory services module utilizes database applications typically hosted at one of the Company's Digital ID Centers to support the storage of and access to digital certificates and associated information for a particular customer. Enterprise and electronic commerce customers can also download updated copies of their directory information to their systems.

Service Control Module. The service control module is hosted at one of the Company's Digital ID Centers and acts as a gatekeeper, decoding and routing all certificate service requests based on customer type, application type, security protocol, authentication policies, certificate content and billing rules. This module utilizes a proprietary, data-driven programming model to define each service and dispatch the appropriate control and error commands to other modules.

Certificate Processing Module. The certificate processing module is hosted at one of the Company's Digital ID Centers and creates digital certificates with digital signatures on each certificate, delivers certificates to subscribers and stores a copy of each digital certificate for archive, audit and directory purposes.

INFRASTRUCTURE

The Company believes that its highly reliable and scaleable operations infrastructure represents a strategic advantage in providing digital certificate solutions. The Company's Digital ID Centers are located in Mountain View, California and Kawasaki, Japan. These centers operate on a 24 hour x 7 day basis, and support all aspects of issuance and management of digital certificates as well as delivery of related digital certificate services. By leveraging the Company's WorldTrust architecture, certain functionality of the Company's Digital ID Centers can be distributed in optimum configurations based on customer requirements for availability and capacity. Key features of the Company's infrastructure include:

Distributed Servers. The Company deploys a large number of high-speed servers to support capacity and availability demands. Additional servers can be added to support increases in certificate volumes, new services introductions, new customers and higher levels of redundancy without service interruptions or response time degradation. The WorldTrust architecture provides automatic fail-over, load balancing and threshold monitoring on critical servers.

Advanced Telecommunications. The Company deploys redundant telecommunications and routing hardware and maintains high-speed connections to multiple ISPs and throughout its internal network to ensure that its mission critical services are readily accessible to customers at all times.

Network Security. The Company incorporates advanced architectural concepts such as protected domains, restricted nodes and distributed access control in its system architecture. The Company has also developed proprietary communications protocols within and between the WorldTrust architecture modules that it believes can prevent most known forms of electronic attacks. In addition, the Company employs the latest network security technologies including firewalls and intrusion detection software, and contracts with security consultants who perform periodic attacks and security risk assessments. The Company will continue to evaluate and deploy new technological defenses as they become available. See "Risk Factors--System Interruption and Security Breaches."

Call Center and Help Desk. The Company provides a wide range of customer support services through a phone-based call center, e-mail help desk and Web-based self-help system. The Company's call center is staffed from 8 a.m. to 5 p.m. PST and employs an Automated Call Director system. The Web-based support services are available on a 24 hour x 7 day basis. E-mail support utilizes customized auto response systems to provide self-help recommendations and a staff of trained customer support agents.

Disaster Recovery Plans. Although the Company believes its operations facilities are highly resistant to systems failure and sabotage, it has developed, and is in the process of implementing, a disaster recovery and contingency operations plan and has an agreement with Comdisco Corporation to provide replication of customer data, facilities and systems at another site so that its main services can be re-instated within 24 hours of a failure. In addition, all of the Company's digital certificate services are linked to advanced storage systems that provide data protection through techniques such as mirroring and replication. See "Risk Factors--System Interruption and Security Breaches."

SECURITY AND TRUST PRACTICES

The Company believes that its perceived level of trustworthiness as a CA will continue to be a significant determining factor in the acceptance of the Company's digital certificate solutions. The Company believes that its reputation as a trusted party will be based, to a large extent, on both the security of its physical infrastructure and the special practices used in its operations. The Company's Digital ID Centers include state-of-the-art physical and network security. The Company also seeks to take a leading role in defining and adhering to industry-endorsed trust practices and procedures, which the Company believes are also critical to establishing its perceived trustworthiness as a CA. The Company has invested significant capital and human resources in its security and practices including:

Employees. The Company uses stringent hiring and personnel management practices for all operations and certain engineering personnel as well as all executive management. The Company utilizes a licensed private investigation firm to conduct background checks into potential employees' criminal and financial histories and conducts periodic investigations of such personnel on an ongoing basis.

Security Monitoring Systems. The Company has sophisticated access control and monitoring systems that help prevent unauthorized access to secure areas and provide 24 hour x 7 day monitoring and logging of activities within its facilities. These systems include electronic key and biometric access control devices, video monitoring and recording devices, deployment and automatic arming of motion detectors, glass breakage detectors and remote alarm system monitoring.

Site Construction. The Company's Digital ID Centers have been built using construction techniques modeled after U.S. Army specifications for facilities accredited to handle classified information and contain a robust set of physical and environmental defenses. These defenses include double layer, slab-to-slab wall design, self-closing and locking metal doors at all secure entrances, man traps, tamper proof enclosures for cryptographic materials and fire prevention systems.

Back-up Power Systems. The Company has invested in back-up power systems that automatically activate in the event of a failure in its primary power sources. These include uninterruptible power supply systems and a diesel generator and fuel supply. To ensure reliability, these systems are tested on a periodic basis.

Audits. The Company's Practices and External Affairs Department periodically performs, and retains accredited third parties to perform, audits of its operational procedures under both internally-developed procedures and externally-recognized standards.

Practices. The Company's Practices and External Affairs Department is responsible for the development of the Company's practices for issuing and managing digital certificates. These practices are set forth in the Company's Certification Practice Statement, which the Company provides in order to assure potential customers and strategic partners as to the trustworthiness of the Company's digital certificate solutions. The Practices and External Affairs Department is also responsible for the Company's accountability and security controls and regularly monitors all aspects of the Company's Digital ID Centers.

Policy Making Activities. The Practices and External Affairs Department also takes a leading role in a variety of organizations that are defining standards for trusted and secure communications and commerce over

IP networks. For example, the Company actively participates in the United Nations Commission on International Trade Law, which created the United Nations Model Law on Electronic Commerce, the American Bar Association's Information Security Committee, Section of Science and Technology, which has drafted digital signature guidelines, the International Chamber of Commerce ETERM Working Party, which is chaired by the Company's Vice President of Practices and External Affairs, and the U.S. State Department Advisory Committee on Electronic Commerce.

VERISIGN JAPAN

In February 1996, the Company formed VeriSign Japan in order to market and deliver its digital certificate solutions in Japan. VeriSign Japan has built and operates a secure Digital ID Center in Kawasaki, Japan, maintains sales and marketing, engineering and administrative staffs and offers customer support services, thus enabling it to provide the Company's digital certificate solutions to the Japanese market. As of September 30, 1997, VeriSign Japan had 20 employees. In 1996, additional strategic investors acquired 49% of the outstanding capital stock of VeriSign Japan. These investors are as follows: The Long Term Credit Bank of Japan, Ltd.; Mitsubishi Corporation; NEC Corporation; Nippon Investment & Finance Co., Ltd.; Nippon Steel Corporation; NISSHO IWAI Corporation; NTT Data Corporation; NTT Electronics Corporation; NTT PC Communications, Inc.; The Sakura Bank, Limited; The Sanwa Bank, Limited; SOFTBANK Corporation; The Sumitomo Credit Service Co., Ltd.; and The Sumitomo Trust and Banking Company, Limited.

STRATEGIC RELATIONSHIPS

The Company has established strategic relationships with leading companies across a number of industry segments, including Cisco, Microsoft, Netscape, SecureOne (a consortium of McAfee Associates, RSA and Security Dynamics), Security Dynamics, VeriFone and VISA.

Cisco. The Company has developed a custom software product to provide digital certificate functionality in Cisco-based intranet environments. As a result, intranets utilizing Cisco products will support applications that rely on VeriSign digital certificates for authentication and network management. The Company and Cisco also engage in a variety of joint marketing efforts. Cisco is a stockholder of the Company.

Microsoft. The Company works with Microsoft to develop, promote and distribute a variety of client-based and server-based digital certificate solutions and has been designated as the preferred provider of digital certificates for Microsoft customers. The Company's public root key has been embedded in Microsoft's Internet Explorer since version 3.0, and users can easily enroll for VeriSign's Universal Digital IDs through this product. The Company also provides Server Digital IDs for Microsoft's Internet Information Server product. The Company and Microsoft also jointly promote a set of technologies and security policies for the secure authentication and distribution of software over the Internet and engage in other joint marketing activities. Microsoft is a 5% stockholder of the Company.

Netscape. The Company works with Netscape on a variety of technology projects and joint marketing activities. The Company's public root key has been embedded in Netscape's Navigator since version 2.0 and in Netscape's Communicator since version 4.0. The Company also has an agreement with Netscape through February 1998 which provides that Netscape will exclusively feature the Company as the premier provider of digital certificates on the Netscape Web site and also provides for the Company to have a first right of participation for any new Netscape products incorporating digital certificate technology. Enrollment for free, limited-use versions of the Company's Universal Digital IDs is integrated into the registration process of Netscape's Netcenter online service and users of Netscape browsers can easily enroll for standard VeriSign Universal Digital IDs through these products. Netscape SuiteSpot and SuiteSpot with 128-bit encryption capabilities can also utilize the Company's Server Digital IDs. The Company also supports Netscape's object signing technology, enabling software developers to digitally sign Java and JavaScript objects in order to authenticate the developer's identity and assure end users that the downloaded objects have not been tampered with or modified.

SecureOne. The Company, McAfee Associates, RSA and Security Dynamics are jointly developing the SecureOne framework, which is designed to provide enterprises with a platform for developing and maintaining secure networks that link anti-virus, authentication, encryption and digital certificate technologies. The SecureOne framework will integrate the programming interfaces of McAfee Associates' Virus Interface for Protective Early Response, Security Dynamics' Enterprise Security Services ("ESS") architecture, RSA's digital signature, cryptographic, messaging and transaction security engines and a VeriSign software developer toolkit to enable digital certificate functionality in secure applications. The companies have also agreed to integrate their security technologies through a series of cross-licensing agreements, and, as a result, the Company's Class 1 Universal Digital IDs are being issued on a trial basis to users of McAfee Associates' VirusScan Security Suite. Security Dynamics, together with its wholly-owned subsidiaries, is the largest stockholder of the Company.

Security Dynamics. The Company has entered into an agreement with Security Dynamics under which Security Dynamics will incorporate custom digital certificate technology developed by VeriSign into Security Dynamics' ESS architecture, which is used in certain of Security Dynamics' security solutions. Security Dynamics has also agreed to be a reseller of the Company's VeriSign OnSite product. The Company believes that Security Dynamics is a market leader in enterprise security and that, by including VeriSign technology and products in Security Dynamics' products, the Company will have a broader potential market for its digital certificate solutions. Security Dynamics, through a controlled entity, is the largest stockholder of the Company. See "Certain Transactions" and "Principal Stockholders."

VeriFone. The Company and VeriFone have executed a term sheet which provides that VeriFone will become a reseller of the Company's SET services and Server Digital ID products in connection with VeriFone's Internet payment solutions. In addition, VeriFone has agreed to promote VeriSign as the preferred provider of SET digital certificate services to its current and prospective customers and to use its best efforts to position the Company as a premier provider of SET and non-SET digital certificate services for use by Hewlett-Packard and its affiliated entities. VeriFone has also agreed to engage in a variety of joint marketing activities with the Company. Hewlett-Packard, VeriFone's parent company, is a stockholder of the Company.

VISA. The Company has an agreement with VISA under which the Company provides SET digital certificate solutions to VISA on behalf of its member banks enabling them to offer branded SET-compliant digital certificates to their cardholders and merchants. To date, over 130 member banks worldwide are using VeriSign SET solutions in pilot programs. VISA is a 6% stockholder of the Company. See "Certain Transactions" and "Principal Stockholders."

MARKETING, SALES AND DISTRIBUTION

MARKETING

The Company utilizes a variety of marketing programs to increase brand awareness. In addition to joint marketing arrangements, the Company also engages in a variety of direct marketing programs that are focused on owners of Web servers, home and business PC users and enterprise professionals in mid-sized and large organizations. The Company addresses these customers through outbound e-mail, telemarketing and printed mail campaigns to stimulate product trial, purchase and usage. The Company also uses banner ads that link to the Company's Web site, participates in industry-specific events, trade shows, executive seminars, industry association activities and various national and international standards bodies.

SALES AND DISTRIBUTION

The Company markets its digital certificate solutions worldwide through multiple distribution channels. To date, direct sales and Internet sales have accounted for a substantial majority of the Company's revenues. The Company has recently begun to market its digital certificate solutions through other distribution channels, including telesales, VARs, systems integrators and OEMs.

Internet Sales. The Company distributes many of its products through its Web sites. The Company believes that Internet distribution is particularly well-suited for sales of certain of its enterprise solutions and Internet IDs and can be used to serve a large number of Internet users from multiple countries. The Company also utilizes its Web site to assist in disseminating product information and in generating product leads and trials for a number of its products and services.

Direct Sales. The Company's direct sales force targets mid-sized and large corporations, financial institutions, commercial Web sites and federal and state government agencies. The Company believes that these organizations have a substantial installed base of PCs, Web servers, IP networks and high-speed access to the Internet and are most likely to be able to benefit quickly from the use of digital certificates. The direct sales force also targets international organizations that the Company believes are the most suitable to act as VeriSign affiliates. In certain instances, the Company's direct sales force works with complementary VARs, hardware OEMs and systems integrators to deliver complete solutions for major customers. As of September 30, 1997, the Company had 19 direct sales and sales support personnel. The Company maintains sales offices and personnel in California, Georgia, Illinois, Maryland, Massachusetts, New York and Japan.

Telesales. The Company currently outsources its telemarketing operations to a third party for use in customer prospecting, lead generation and lead follow-up. This marketing activity qualifies leads for further follow up by the direct sales force or resellers or leads the prospect to VeriSign's Web site so that the prospect can access information or enroll for enterprise or electronic commerce solutions.

VARs and Systems Integrators. The Company works with VARs and systems integrators to package and sell its enterprise and electronic commerce solutions and Internet IDs. The Company also has a VeriSign Business Partner Program that allows leading ISPs to offer VeriSign Server Digital IDs as an integral part of their secure Web site hosting services. Current members of this program include AOL Primehost, Epoch Internet, Hiway Technologies, Internet Servers, Inc., pcbank.net and PSINET, Inc.

OEMs. The Company provides technology and products for certificate management to OEMs, which integrate the technology and products with value-added software or service offerings and sell the bundled solution to end user customers. Cisco and Security Dynamics have OEM relationships with the Company. See "--Strategic Relationships."

International. The Company intends to market its products and services to international markets directly over the Internet and through resellers and affiliate relationships. The Company markets its products and services in Japan through VeriSign Japan, which maintains a secure Digital ID Center in Kawasaki, Japan, and employed 20 persons as of September 30, 1997. Revenues of VeriSign Japan and from other international customers accounted for less than 10% of revenues through 1996 and for approximately 15% of revenues for the nine months ended September 30, 1997. See "--VeriSign Japan."

RESEARCH AND DEVELOPMENT

The Company believes that its future success will depend in large part on its ability to continue to maintain and enhance its current technologies, products and services. To this end, the Company leverages the modular nature of its WorldTrust software architecture to enable it to rapidly develop enhancements to its WorldTrust software and to deliver complementary new products and services. In the past, the Company has developed products and services both independently and through efforts with leading application developers and major customers. The Company has also, in certain circumstances, acquired or licensed technology from third parties, including public key cryptography technology from RSA. Although the Company will continue to work closely with developers and major customers in its product development efforts, it expects that most of its future enhancements to existing products and new products will be developed internally.

The Company has several significant projects currently in development. These include the continued enhancement of the WorldTrust architecture and associated software toolkits to broaden functionality and provide

additional packaging and integration options and the development of new services such as real-time status checking, secure timestamping and smart card personalization.

As of September 30, 1997, VeriSign had 42 employees dedicated to research and development. The Company also employs independent contractors for documentation, usability, artistic design and editorial review. Research and development expenses were \$642,000, \$2.1 million and \$3.6 million for the period from April 12, 1995 (inception) to December 31, 1995, 1996 and the nine months ended September 30, 1997, respectively. To date, all development costs have been expensed as incurred. The Company believes that timely development of new and enhanced products and technology are necessary to remain competitive in the marketplace. Accordingly, the Company intends to continue recruiting and hiring experienced research and development personnel and to make other investments in research and development.

The market for digital certificate products and related services is an emerging market characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The emerging nature of this market and its rapid evolution will require that the Company continually improve the performance, features and reliability of its products and services, particularly in response to competitive offerings and that it introduce new products and services or enhancements to existing products and services as quickly as possible and prior to its competitors. The success of new product introductions is dependent on several factors, including proper new product definition, timely completion and introduction of new products, differentiation of new products from those of the Company's competitors and market acceptance of the Company's new products and services. There can be no assurance that the Company will be successful in developing and marketing new products and services that respond to competitive and technological developments and changing customer needs. The failure of the Company to develop and introduce new products and services successfully on a timely basis and to achieve market acceptance for such products and services could have a material adverse effect on the Company's business, operating results and financial condition. In addition, the widespread adoption of new Internet, networking or telecommunication technologies or standards or other technological changes could require substantial expenditures by the Company to modify or adapt its products and services. To the extent that a specific method other than digital certificates is adopted to enable trusted and secure commerce and communications over IP networks, sales of the Company's existing and planned products and services will be adversely affected and the Company's products and services could be rendered unmarketable or obsolete, which would have a material adverse effect on the Company's business, operating results and financial condition. The Company believes there is a time-limited opportunity to achieve market share, and there can be no assurance that the Company will be successful in achieving widespread acceptance of its products and services or in achieving market share before competitors offer products and services with features similar to the Company's current offerings. Any such failure by the Company could have a material adverse effect on the Company's business, operating results and financial condition. See "Risk Factors--Rapid Technological Change; New Product and Services Introductions."

CUSTOMER SUPPORT

The Company believes that a high level of customer support for commerce and enterprise customers as well as end users of digital certificates is necessary to achieve acceptance of its digital certificates and related products and services. The Company provides a wide range of customer support services through a staff of customer service personnel, call center, e-mail help desk and a Web-based self-help system. Since it introduced its first products over two years ago, the Company has developed a substantial knowledge base of customer support information based on its customer interactions and believes that this offers the Company a competitive advantage. The Company's call center is staffed from 8 a.m. to 5 p.m. PST and employs an Automated Call Director system to provide self-help services and, if necessary, to route support calls to available support personnel. The Company also offers Web-based support services that are available on a 24 hour x 7 day basis and that are frequently updated to improve existing information and to support new services. The Company's e-mail customer support service utilizes customized auto response systems to provide self-help recommendations and also utilizes a staff of trained customer support agents who typically respond to customer inquiries within 24 hours. As of September 30, 1997, the Company had 53 employees in its customer support organization.

The Company also employs technical support personnel who work directly with its direct sales force, distributors and customers of its electronic commerce and enterprise solutions. The Company's annual maintenance agreements for its electronic commerce and enterprise solutions include technical support and upgrades. The Company also provides training programs for customers of its enterprise and electronic commerce solutions.

COMPETITION

The Company's digital certificate solutions are targeted at the new and rapidly evolving market for trusted and secure communications and commerce over IP networks. Although the competitive environment in this market has yet to develop fully, the Company anticipates that it will be intensely competitive, subject to rapid change and significantly affected by new product and service introductions and other market activities of industry participants.

The Company's primary competitors are Entrust, GTE CyberTrust and IBM. The Company also experiences competition from a number of smaller companies that provide digital certificate solutions. The Company expects that competition from established and emerging companies in the financial and telecommunications industries will increase in the near term, and that the Company's primary long-term competitors may not yet have entered the market. Netscape has introduced software products that enable the issuance and management of digital certificates, and the Company believes that other companies could introduce such products. There can be no assurance that additional companies will not offer digital certificate solutions that are competitive with those of the Company. Increased competition could result in pricing pressures, reduced margins or the failure of the Company's products and services to achieve or maintain market acceptance, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

Several of the Company's current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than the Company and therefore may be able to respond more quickly than the Company 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, the demand for the Company's products and services might be substantially reduced and the ability of the Company to distribute its products successfully and the utilization of its services would be substantially diminished. In addition, browser companies that embed the Company's root keys or otherwise feature the Company as a provider of digital certificate solutions in their Web browsers or on their Web sites could also promote competitors of the Company or charge the Company substantial fees for such promotions in the future. New technologies and the expansion of existing technologies may increase the competitive pressures on the Company. There can be no assurance that competing technologies developed by others or the emergence of new industry standards will not adversely affect the Company's competitive position or render its products or technologies noncompetitive or obsolete. In addition, the market for digital certificates is nascent and is characterized by announcements of collaborative relationships involving competitors of the Company. The existence or announcement of such relationships could adversely affect the Company's ability to attract and retain customers. As a result of the foregoing and other factors, there can be no assurance that the Company will compete effectively with current or future competitors or that competitive pressures faced by the Company will not have a material adverse effect on the Company's business, operating results and financial condition. See "Risk Factors--Competition."

INTELLECTUAL PROPERTY

The Company relies primarily on a combination of copyrights, trademarks, trade secret laws, restrictions on disclosure and other methods to protect its intellectual property and trade secrets. The Company also enters into confidentiality agreements with its employees and consultants, and generally controls access to and distribution of its documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's intellectual property or trade secrets without

authorization. In addition, there can be no assurance that others will not independently develop substantially equivalent intellectual property. There can be no assurance that the precautions taken by the Company will prevent misappropriation or infringement of its technology. A failure by the Company to protect its intellectual property in a meaningful manner could have a material adverse effect on the Company's business, operating results and financial condition. In addition, litigation may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management and technical resources, either of which could have a material adverse effect on the Company's business, operating results and financial condition.

The Company also relies on certain licensed third-party technology, such as public key cryptography technology licensed from RSA and other technology that is used in the Company's products to perform key functions. In particular, the Company has been granted a perpetual, royalty free, nonexclusive, worldwide license to distribute products it develops that contain or incorporate the RSA BSAFE and TIPEM products and that relate to digital certificate issuing software, software for the management of private keys and for digitally signing computer files on behalf of others, software for customers to preview and forward digital certificate requests to the Company, or such other products that, in RSA's reasonable discretion, are reasonably necessary for the implementation of a digital certificate business. RSA is also required to provide maintenance and technical support for these products to the Company. RSA's BSAFE product is a software tool kit that allows for the integration of encryption and authentication features into software applications and TIPEM is a secure e-mail development tool kit that allows for secure e-mail messages to be sent using one vendor's e-mail product and read by another vendor's e-mail product. There can be no assurance that these third-party technology licenses will continue to be available to the Company on commercially reasonable terms or at all, and the loss of any of these technologies could have a material adverse effect on the Company's business, operating results and financial condition. Moreover, in the Company's current license agreements, the licensor has agreed to defend, indemnify and hold the Company harmless with respect to any claim by a third party that the licensed software infringes any patent or other proprietary right. Although these licenses are fully paid, there can be no assurance that the outcome of any litigation between the licensor and a third party or between the Company and a third party will not lead to royalty obligations of the Company for which the Company is not indemnified or for which such indemnification is insufficient, or that the Company will be able to obtain any additional license on commercially reasonable terms or at all. In the future, the Company may seek to license additional technology to incorporate in its products and services. There can be no assurance that any third party technology licenses that the Company may be required to obtain in the future will be available to the Company on commercially reasonable terms or at all. The loss of or inability to obtain or maintain any of these technology licenses could result in delays in introduction of the Company's products or services until equivalent technology, if available, is identified, licensed and integrated, which could have a material adverse effect on the Company's business, operating results and financial condition.

From time to time, the Company has received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights. There can be no assurance that infringement or other claims will not be asserted or prosecuted against the Company in the future or that any past or future assertions or prosecutions will not materially adversely affect the Company's business, operating results and financial condition. Any such claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel, cause product shipment delays or require the Company to develop non-infringing technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company, or at all. In the event of a successful claim of product infringement against the Company and the failure or inability of the Company to develop non-infringing technology or license the infringed or similar technology on a timely basis, the Company's business, operating results and financial condition could be materially adversely affected. See "Risk Factors--Intellectual Property; Potential Litigation."

EMPLOYEES

As of September 30, 1997, the Company had 162 full-time employees. Of the total, 38 were employed in sales and marketing, 42 in research and development, 53 in operations, seven in practices and external affairs, three in federal markets, and 19 in finance and administration. The Company has never had a work stoppage, and no employees are represented under collective bargaining agreements. The Company considers its relations with its employees to be good. The Company's ability to achieve its financial and operational objectives depends in large part upon its continuing ability to attract, integrate, retain and motivate highly qualified sales, technical and managerial personnel, and upon the continued service of its senior management and key sales and technical personnel, none of whom is bound by an employment agreement. Competition for such qualified personnel in the Company's industry and geographical location in the San Francisco Bay Area is intense, particularly in software development and product management personnel. See "Risk Factors--Dependence on Key Personnel."

FACILITIES

The Company's principal administrative, sales, marketing, research and development and operations facilities are located in two adjacent buildings in Mountain View, California, where they occupy approximately 44,000 square feet under leases expiring in 2001. The Company intends to obtain additional office space in 1998 contiguous to its headquarters. The Company believes that this additional space will be available and that its current facilities, together with this additional space, will be adequate to meet its needs for the foreseeable future.

The Company also leases space for sales and support offices in Rosemont, Illinois; Atlanta, Georgia; Linthicum, Maryland; Cambridge, Massachusetts; and Melville, New York. In addition, VeriSign Japan leases space in Kawasaki, Japan for its offices and Digital ID Center. The Company's success is largely dependent on the uninterrupted operation of its Digital ID Centers and computer and communications systems. See "Risk Factors--System Interruption and Security Breaches."

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information regarding the executive officers and directors of the Company as of October 31, 1997.

NAME	AGE	POSITION
D. James Bidzos (1)	42	Chairman of the Board
Stratton D. Sclavos	36	President, Chief Executive Officer and Director
Michael S. Baum	45	Vice President of Practices and External Affairs
Ethel E. Daly	53	Vice President of Worldwide Operations
Dana L. Evan	38	Vice President of Finance and Administration and Chief Financial Officer
Quentin P. Gallivan	40	Vice President of Sales and Field Operations
Nicholas F. Piazzola	51	Vice President of Federal Markets
Arnold Schaeffer	34	Vice President of Engineering
Richard A. Yanowitch	41	Vice President of Marketing
Timothy Tomlinson (2)	47	Secretary and Director
William Chenevich (1)(2)	53	Director
Kevin R. Compton (2)	39	Director
David J. Cowan (1)	31	Director

- (1) Member of the Compensation Committee
- (2) Member of the Audit Committee

D. JAMES BIDZOS has served as Chairman of the Board of the Company since its founding in April 1995 and served as Chief Executive Officer of the Company from April 1995 to July 1995. He has also served as President and Chief Executive Officer of RSA since 1986. RSA was acquired by Security Dynamics in July 1996 and has been a wholly-owned subsidiary of Security Dynamics since that time. Mr. Bidzos has been an Executive Vice President and a director of Security Dynamics since its acquisition of RSA.

STRATTON D. SCLAVOS has served as President and Chief Executive Officer and as a director of the Company since he joined the Company in July 1995. From October 1993 to June 1995, he was Vice President, Worldwide Marketing and Sales of Taligent, Inc. ("Taligent"), a software development company that was a joint venture among Apple Computer, Inc. ("Apple"), IBM and Hewlett-Packard. From May 1992 to September 1993, Mr. Sclavos was Vice President of Worldwide Sales and Business Development of GO Corporation, a pen-based computer company. Prior to that time, he served in various sales and marketing capacities for MIPS Computer Systems, Inc. and Megatest Corporation. Mr. Sclavos is also a director and a member of the compensation committee of Network Solutions, Inc. Mr. Sclavos holds a B.S. degree in Electrical and Computer Engineering from the University of California at Davis.

MICHAEL S. BAUM has served as Vice President of Practices and External Affairs of the Company since he joined the Company in November 1995. From 1987 to October 1995, he was the founder and a principal of Independent Monitoring, a consulting firm specializing in digital commerce and information security law. Prior to that time, Mr. Baum was employed by BBN Corporation in various capacities. Mr. Baum holds a B.A. degree in History from Carnegie Mellon University, an M.B.A. degree in Management of Technology from the Wharton School of the University of Pennsylvania and a J.D. degree from Western New England School of Law.

ETHEL E. DALY has served as Vice President of Worldwide Operations of the Company since she joined the Company in June 1996. From January 1995 to June 1996, she was Senior Vice President, Product Management and Marketing of Knight-Ridder Information, Inc., an online information services company. Prior to that time, from 1986 to January 1995, Ms. Daly worked for Charles Schwab and Company, a stock brokerage firm, most

recently as Managing Director, International Division. Prior to that time, she held the positions of Vice President of Marketing for Attalla Corporation and Vice President Electronic Banking of Crocker National Bank. Ms. Daly holds a B.A. degree in Psychology from San Francisco State University and a Masters of Business Management degree from Stanford University.

DANA L. EVAN has served as Vice President of Finance and Administration and Chief Financial Officer of the Company since she joined the Company in June 1996. From 1988 to June 1996, she worked as a financial consultant in the capacity of chief financial officer, vice president of finance or corporate controller for various public and private companies and partnerships, including the Company from November 1995 to June 1996, Delphi Bioventures, a venture capital firm, from 1988 to June 1995, and Identix Incorporated, a manufacturer of biometric identity verification and imaging products, from 1991 to August 1993. Prior to 1988, she was employed by KPMG Peat Marwick LLP, most recently as a senior manager. Ms. Evan is a certified public accountant and holds a B.S. degree in Commerce with a concentration in Accounting and Finance from the University of Santa Clara.

QUENTIN P. GALLIVAN has served as Vice President of Sales and Field Operations of the Company since he joined the Company in October 1997. From April 1996 to October 1997, he was Vice President for Asia Pacific and Latin America of Netscape, a software company. Prior to that time, Mr. Gallivan was with General Electric Information Services, an electronic commerce services company, most recently as Vice President, Sales and Services for the Americas.

NICHOLAS F. PIAZZOLA has served as Vice President of Federal Markets of the Company since he joined the Company in December 1996. From 1969 to November 1996, he was employed by the United States National Security Agency (the "NSA"), most recently as Chief, Network Security Group from May 1994 to November 1996 and Chief, Infosec Research & Technology Group until April 1994. Mr. Piazzola holds a B.S. degree in Electrical Engineering from Villanova University and an M.S. degree in Electrical Engineering from the University of Maryland.

ARNOLD SCHAEFFER has served as Vice President of Engineering of the Company since he joined the Company in January 1996. From March 1992 to December 1995, he was employed by Taligent, most recently as Vice President of Engineering, CommonPoint Products. Prior to working at Taligent, he served as a software engineer for Apple, Intellicorp and Hewlett-Packard. Mr. Schaeffer holds a B.S. degree in Information and Computer Science from the Georgia Institute of Technology and an M.B.A. degree from the University of California at Berkeley.

RICHARD A. YANOWITCH has served as Vice President of Marketing of the Company since he joined the Company in May 1996. From July 1995 to May 1996, he was a management consultant to private software companies. From 1989 to June 1995, he held a series of marketing positions with Sybase, Inc., a software company, most recently as Vice President of Corporate Marketing. Prior to that time, he held various sales, marketing and operating positions with The Santa Cruz Operation, Inc., Digital Equipment Corporation, Lanier Harris Corporation and Brooks International Corporation. Mr. Yanowitch holds a B.A. degree in History from Swarthmore College and an M.B.A. degree in Entrepreneurial Management and Marketing from Harvard Business School.

TIMOTHY TOMLINSON has been Secretary and a director of the Company since its founding in April 1995. He has been a partner of Tomlinson Zisko Morosoli & Maser LLP, a law firm, since 1983. Mr. Tomlinson is also a director of Portola Packaging, Inc. and Oak Technology, Inc. Mr. Tomlinson holds a B.A. degree in Economics, an M.B.A. degree and a J.D. degree from Stanford University.

WILLIAM CHENEVICH has been a director of the Company since its founding in April 1995. He has been the Group Executive Vice President, Data Processing Systems of VISA, a financial services company, since October 1993. From May 1992 to October 1993, he was Executive Vice President and Chief Information Officer of Ahmanson Corporation, a financial services company. Mr. Chenevich holds a B.B.A. degree in Business and an M.B.A. degree in Management from the City College of New York.

KEVIN R. COMPTON has been a director of the Company since February 1996. He has been a general partner of Kleiner Perkins Caufield & Byers, a venture capital firm, since January 1990. Mr. Compton is also a director of Citrix Systems, Inc., Corsair Communications, Inc., Digital Generation Systems, Inc. and Global Village Communication Inc. Mr. Compton holds a B.S. degree in Business Management from the University of Missouri.

DAVID J. COWAN has been a director of the Company since its founding in April 1995. He has been a general partner of Bessemer Venture Partners, a venture capital investment firm, since August 1996. Mr. Cowan has also been a manager of Deer IV & Co. LLC, a venture capital investment firm, since August 1996. Previously he was an associate with Bessemer Venture Partners from August 1992 to August 1996. Mr. Cowan also served as President and Chief Executive Officer of Visto Corporation, a computer software and service firm, from August 1996 to April 1997, and as Chief Financial Officer of the Company from April 1995 to June 1996. Mr. Cowan is also a director of Worldtalk Communications Corporation. Mr. Cowan holds an A.B. degree in Mathematics and Computer Science and an M.B.A. degree from Harvard University.

The Company's Bylaws currently authorize no fewer than five and no more than seven directors. The Company's Board of Directors (the "Board") is currently comprised of six directors. Directors are elected by the stockholders at each annual meeting of stockholders to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified. The existing directors were elected pursuant to the provisions of the Stockholders' Agreement described in "Certain Transactions," which agreement terminates upon the closing of this offering. Executive officers are elected by, and serve at the discretion of, the Board. The Company's Amended and Restated Bylaws, which will become effective upon the completion of this offering, provide that the Board will be divided into three classes, Class I, Class II and Class III, with each class serving staggered three-year terms. The Class I directors will stand for reelection or election at the 1998 annual meeting of stockholders. The Class II directors will stand for reelection or election at the 1999 annual meeting of stockholders and the Class III directors will stand for reelection or election at the 2000 annual meeting of stockholders.

BOARD COMMITTEES

The Board has established an Audit Committee to meet with and consider suggestions from members of management, as well as the Company's independent accountants, concerning the financial operations of the Company. The Audit Committee also has the responsibility to review audited financial statements of the Company and consider and recommend the employment of, and approve the fee arrangements with, independent accountants for both audit functions and for advisory and other consulting services. The Audit Committee is currently comprised of Messrs. Chenevich, Compton and Tomlinson. The Board has also established a Compensation Committee to review and approve the compensation and benefits for the Company's key executive officers, administer the Company's stock purchase, equity incentive and stock option plans and make recommendations to the Board regarding such matters. The Compensation Committee is currently comprised of Messrs. Bidzos, Chenevich and Cowan.

DIRECTOR COMPENSATION

Directors do not receive any cash fees for their service on the Board or any Board committee, but they are entitled to reimbursement of all reasonable out-of-pocket expenses incurred in connection with their attendance at Board and Board committee meetings. At the Company's founding in April 1995, the Company granted an option to purchase 25,000 shares of its Common Stock under the Company's 1995 Stock Option Plan to D. James Bidzos with an exercise price of \$.12 per share. All Board members are eligible to receive stock options under the Company's stock option plans, and outside directors receive stock options pursuant to automatic grants of stock options under the 1995 Stock Option Plan. In July 1996, the Company granted to each of Messrs. Bidzos, Chenevich, Compton, Cowan and Tomlinson an option to purchase 10,000 shares of its Common Stock under the Company's 1995 Stock Option Plan with an exercise price of \$.00 per share. In June 1997, the Company granted to each of Messrs. Bidzos, Compton, Cowan and Tomlinson an option to purchase 3,500 shares of its Common Stock under the Company's 1995 Stock Option Plan with an exercise price of \$.00 per share.

In October 1997, the Board adopted, subject to stockholder approval, the 1998 Directors Stock Option Plan (the "Directors Plan") and reserved a total of 125,000 shares of the Company's Common Stock for issuance thereunder. Members of the Board who are not employees of the Company, or any parent, subsidiary or affiliate of the Company, are eligible to participate in the Directors Plan. The option grants under the Directors Plan are automatic and nondiscretionary, and the exercise price of the options is 100% of the fair market value of the Common Stock on the date of grant. Each eligible director who first becomes a member of the Board on or after the effective date of the Registration Statement of which this Prospectus forms a part (the "Effective Date") will initially be granted an option to purchase 15,000 shares (an "Initial Grant") on the date such director first becomes a director. On each anniversary of a director's Initial Grant (or most recent grant if such director was ineligible to receive an Initial Grant), each eligible director will automatically be granted an additional option to purchase 7,500 shares if such director has served continuously as a member of the Board since the date of such director's Initial Grant (or most recent grant if such director did not receive an Initial Grant). The term of such options is ten years, provided that they will terminate seven months following the date the director ceases to be a director or, if the Company so specifies in the grant, a consultant of the Company (twelve months if the termination is due to death or disability). All options granted under the Directors Plan will vest as to 6.25% of the shares each quarter after the date of grant, provided the optionee continues as a director or, if the Company so specifies in the grant, as a consultant of the Company. Additionally, immediately prior to the dissolution or liquidation of the Company or a "change in control" transaction, all options granted pursuant to the Directors Plan will accelerate and will be exercisable for a period of up to six months following the transaction, after which period any unexercised options will expire.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mr. Bidzos, a member of the Compensation Committee, is an Executive Vice President and a director of Security Dynamics, which beneficially owns approximately 27.0% of the Company's Common Stock, and also served as the Company's Chief Executive Officer from April to July 1995. See "Certain Transactions." No interlocking relationship exists between the Board or Compensation Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past.

EXECUTIVE COMPENSATION

The following table sets forth certain summary information concerning the compensation awarded to, earned by, or paid for services rendered to the Company in all capacities during 1997 by the Company's Chief Executive Officer and the four most highly compensated executive officers, other than the Chief Executive Officer, who were serving as executive officers at the end of 1997 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM COMPENSATION
	SALARY	BONUS	OTHER ANNUAL COMPENSATION	AWARDS SECURITIES UNDERLYING OPTIONS(#)
Stratton D. Sclavos..... President and Chief Executive Officer	\$200,000	\$80,922	--	100,000
Dana L. Evan..... Vice President of Finance and Administration and Chief Financial Officer	145,000	36,568	--	45,000
Michael S. Baum..... Vice President of Practices and External Affairs	145,000	30,033	\$15,000(1)	25,000
Arnold Schaeffer..... Vice President of Engineering	143,333	30,588	--	58,000
Richard A. Yanowitch..... Vice President of Marketing	140,000	45,066	--	--

(1) Represents compensation that the Company paid Mr. Baum in exchange for his agreement to forego certain consulting projects.

OPTION GRANTS IN FISCAL 1997

The following table sets forth certain information regarding stock options granted to each of the Named Executive Officers during the year ended December 31, 1997.

NAME	INDIVIDUAL GRANTS(1)				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERMS(2)	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(%) (3)	EXERCISE PRICE PER SHARE(4)	EXPIRATION DATE	5%	10%
Stratton D. Sclavos.....	100,000	7.7	\$7.00	11/4/04	\$ 284,970	\$ 664,102
Dana L. Evan.....	45,000	3.4	6.00	10/6/04	109,917	256,154
Michael S. Baum.....	25,000	1.9	6.00	10/6/04	61,065	142,308
Arnold Schaeffer.....	58,000	4.4	6.00	10/6/04	141,671	330,154
Richard A. Yanowitch....	--	--	--	--	--	--

- (1) Options granted in 1997 were granted under the Company's 1995 Stock Option Plan or, in the case of Mr. Sclavos, the Company's 1997 Stock Option Plan. These options become exercisable with respect to 25% of the shares covered by the option on the first anniversary of the date of grant and with respect to an additional 6.25% of these shares each quarter thereafter. These options have a term of seven years. Upon certain changes in control of the Company, this vesting schedule will accelerate as to 50% of any shares that are then unvested. See "--Employee Benefit Plans" and "--Compensation Arrangements" for a description of the material terms of these options.
- (2) Potential realizable values are net of exercise price but before taxes, and are based on the assumption that the Common Stock of the Company appreciates at the annual rate shown (compounded annually) from the date of grant until the expiration of the seven-year term. These numbers are calculated based on Securities and Exchange Commission requirements and do not reflect the Company's projection or estimate of future stock price growth.
- (3) The Company granted options to purchase 1,307,100 shares of Common Stock to employees from January 1 through November 15, 1997.
- (4) Options were granted at an exercise price equal to the fair market value of the Company's Common Stock, as determined by the Board of Directors.

AGGREGATE OPTION EXERCISES IN FISCAL 1997 AND FISCAL YEAR-END OPTION VALUES

The following table sets forth for each of the Named Executive Officers the shares acquired and the value realized on each exercise of stock options during the year ended December 31, 1997 and the year-end number and value of exercisable and unexercisable options:

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/31/97(1)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 12/31/97(2)
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Stratton D. Sclavos.....	--	--	100,000	--
Dana L. Evan.....	--	--	45,000	--
Michael S. Baum.....	--	--	25,000	--
Arnold Schaeffer.....	--	--	58,000	--
Richard A. Yanowitch....	--	--	--	--

- (1) Options shown were granted under the Company's 1995 Stock Option Plan or, in the case of Mr. Sclavos, under the Company's 1997 Stock Option Plan, and are subject to vesting as described in footnote (1) to the option grant table above. See "--Employee Benefit Plans" and "--Compensation Arrangements" for a description of the material terms of these options.
- (2) Based on an assumed initial public offering price of \$ per share.

No options were exercised during 1997 by the Named Executive Officers. No compensation intended to serve as incentive for performance to occur over a period longer than one year was paid pursuant to a long-term incentive plan during 1997 to any Named Executive Officer. The Company does not have any defined benefit or actuarial plan under which benefits are determined primarily by final compensation and years of service with any of the Named Executive Officers.

EMPLOYEE BENEFIT PLANS

1995 Stock Option Plan. In April 1995, the Board adopted and the stockholders approved the 1995 Stock Option Plan. At that time, 2,145,000 shares of Common Stock were reserved for issuance under the 1995 Stock Option Plan, which number was increased to 4,145,000 shares in May 1996. As of September 30, 1997, options to purchase 1,803,744 shares had been exercised (net of repurchases), options to purchase an additional 2,000,974 shares of Common Stock were outstanding under the 1995 Stock Option Plan with a weighted average exercise price of \$1.49 and 340,282 shares remained available for future grants. Following the closing of this offering, no additional options will be granted under the 1995 Stock Option Plan. Options granted under the 1995 Stock Option Plan are subject to terms substantially similar to those described below with respect to options to be granted under the Equity Incentive Plan. The 1995 Stock Option Plan does not provide for issuance of restricted stock or stock bonus awards.

1997 Stock Option Plan. In October 1997, the Board adopted and the Company's stockholders approved the 1997 Stock Option Plan. At that time, 800,000 shares of Common Stock were reserved for issuance under the 1997 Stock Option Plan. Following the closing of this offering, no options will be granted under the 1997 Stock Option Plan. Options granted under the 1997 Stock Option Plan are subject to terms substantially similar to those described below with respect to options granted under the Equity Incentive Plan. The 1997 Stock Option Plan does not provide for issuance of restricted stock or stock bonus awards.

1998 Equity Incentive Plan. In October 1997, the Board adopted, subject to stockholder approval, the Equity Incentive Plan. The total number of shares of Common Stock reserved for issuance thereunder is 2,000,000. The Equity Incentive Plan will become effective on the Effective Date and will serve as the successor to the 1995 Stock Option Plan and the 1997 Stock Option Plan (the "Prior Plans"). Options granted under the Prior Plans before their termination will remain outstanding according to their terms, but no further options will be granted under the Prior Plans after the Effective Date. Shares that: (a) are subject to issuance upon exercise of an option granted under the Prior Plans, or the Equity Incentive Plan that cease to be subject to such option for any reason other than exercise of such option; (b) have been issued pursuant to the exercise of an option granted under the Prior Plans or the Equity Incentive Plan with respect to which the Company's right of repurchase has not lapsed and are subsequently repurchased by the Company; (c) are subject to an award granted pursuant to restricted stock purchase agreements under the Equity Incentive Plan that are forfeited or are repurchased by the Company at the original issue price; or (d) are subject to stock bonuses granted under the Equity Incentive Plan that otherwise terminate without shares being issued, will again be available for grant and issuance under the Equity Incentive Plan. Any authorized shares not issued or subject to outstanding grants under the Prior Plans on the Effective Date will no longer be available for grant and issuance under the Prior Plans but will be available for grant and issuance under the Equity Incentive Plan. The Equity Incentive Plan will terminate in October 2007, unless sooner terminated in accordance with the terms of the Equity Incentive Plan. The Equity Incentive Plan authorizes the award of options, restricted stock awards and stock bonuses (each an "Award"). No person will be eligible to receive more than 400,000 shares in any calendar year pursuant to Awards under the Equity Incentive Plan other than a new employee of the Company who will be eligible to receive no more than 1,000,000 shares in the calendar year in which such employee commences employment. The Equity Incentive Plan will be administered by the Compensation Committee. The Compensation Committee has the authority to construe and interpret the Equity Incentive Plan and any agreement made thereunder, grant Awards and make all other determinations necessary or advisable for the administration of the Equity Incentive Plan.

The Equity Incentive Plan provides for the grant of both incentive stock options ("ISOs") that qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and nonqualified stock options

("NQSOs"). ISOs may be granted only to employees of the Company or of a parent or subsidiary of the Company. NQSOs (and all other Awards other than ISOs) may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company or any parent or subsidiary of the Company, provided such consultants, independent contractors and advisors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction ("Eligible Service Providers"). The exercise price of ISOs must be at least equal to the fair market value of the Company's Common Stock on the date of grant. The exercise price of NQSOs must be at least equal to 85% of the fair market value of the Company's Common Stock on the date of grant. The maximum term of options granted under the Equity Incentive Plan is ten years. Awards granted under the Equity Incentive Plan may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of the optionee only by the optionee (unless otherwise determined by the Compensation Committee and set forth in the Award agreement with respect to Awards that are not ISOs). Options granted under the Equity Incentive Plan generally expire three months after the termination of the optionee's service to the Company or a parent or subsidiary of the Company, except in the case of death or disability, in which case the options generally may be exercised up to 12 months following the date of death or termination of service. Options will generally terminate immediately upon termination for cause. In the event of the Company's dissolution or liquidation or a "change in control" transaction, outstanding Awards may be assumed or substituted by the successor corporation (if any). If a successor corporation (if any) does not assume or substitute the Awards, they will expire upon the effectiveness of the transaction. The Committee, in its discretion, may provide that the vesting of any or all Awards will accelerate prior to the effectiveness of the transaction.

1998 Employee Stock Purchase Plan. In December 1997, the Board adopted, subject to stockholder approval, the Purchase Plan and reserved 500,000 shares of the Company's Common Stock for issuance thereunder. The Purchase Plan will be administered by the Compensation Committee of the Board. The Compensation Committee will have the authority to construe and interpret the Purchase Plan and its decisions in such capacity will be final and binding. The Purchase Plan will become effective on the first business day on which price quotations for the Company's Common Stock are available on the Nasdaq National Market. Employees generally will be eligible to participate in the Purchase Plan if they are customarily employed by the Company (or its parent or any subsidiaries that the Company designates) for more than 20 hours per week and more than five months in a calendar year and are not (and would not become as a result of being granted an option under the Purchase Plan) 5% stockholders of the Company (or its designated parent or subsidiaries). Eligible employees may select a rate of payroll deduction between 2% and 10% of their compensation and are subject to certain maximum purchase limitations that will be described in the Purchase Plan. A participant may change the rate of payroll deductions or withdraw from an Offering Period by notifying the Company in writing. Participation in the Purchase Plan will end automatically upon termination of employment for any reason. Except for the first offering, each offering under the Purchase Plan will be for a period of 24 months (the "Offering Period") and will consist of six-month purchase periods (each a "Purchase Period"). The first Offering Period is expected to begin on the first business day on which price quotations for the Company's Common Stock are available on the Nasdaq National Market and, depending on the effective date of this Registration Statement, may be greater or less than 24 months long. Offering Periods thereafter will begin on February 1 and August 1. The Compensation Committee may change the duration of Offering Periods (up to a maximum of 24 months) and the number and duration of Purchase Periods (up to a maximum of four per Purchase Period). The Compensation Committee will also be able to terminate any Offering Period as of the end of any Purchase Period within the affected Offering Period. Each participant will be granted an option on the first day of the Offering Period and such option will be automatically exercised on the last day of each Purchase Period during the Offering Period. The purchase price for the Company's Common Stock purchased under the Purchase Plan is 85% of the lesser of the fair market value of the Company's Common Stock on the first day of the applicable Offering Period and the last day of the applicable Purchase Period. The Board will have the power to change the duration of Offering Periods and Purchase Periods without stockholder approval, if such change is announced at least 15 days prior to the beginning of the Offering or Purchase Period to be affected. The Purchase Plan will be intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. Rights granted under the Purchase Plan will not be transferable by a participant other than by will or the laws of descent and

distribution. The Purchase Plan will provide that, in the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, provided that the Compensation Committee may fix a different date for termination of the Purchase Plan and may give each participant the opportunity to purchase shares under the Purchase Plan prior to such termination. The Purchase Plan will provide that, in the event of certain "change of control" transactions, the Plan will continue for all Offering Periods that began prior to the transaction and shares will be purchased based on the fair market value of the surviving corporation's stock on each Purchase Date. The Purchase Plan will terminate in December 2007, unless earlier terminated pursuant to the terms of the Purchase Plan. The Board will have the authority to amend, terminate or extend the term of the Purchase Plan, except that no such action may adversely affect any outstanding options previously granted under the Purchase Plan and stockholder approval is required to increase the number of shares that may be issued or change the terms of eligibility under the Purchase Plan.

401(k) Plan. The Board maintains the VeriSign, Inc. 401(k) Plan (the "401(k) Plan"), a defined contribution plan intended to qualify under Section 401 of the Code. All eligible employees who are at least 18 years old and have been employed by the Company for one month may participate in the 401(k) Plan. An eligible employee of the Company may begin to participate in the 401(k) Plan on the first day of January, April, July or October of the plan year coinciding with or following the date on which such employee meets the eligibility requirements. A participating employee may make pre-tax contributions of a whole percentage (not more than 15%) of his or her eligible compensation and up to 100% of any cash bonus, subject to limitations under the federal tax laws. Employee contributions and the investment earnings thereon are fully vested at all times. The 401(k) Plan permits, but does not require, additional matching and profit-sharing contributions by the Company on behalf of the participants. The Company has not made matching or profit-sharing contributions. Contributions by employees or the Company to the 401(k) Plan, and income earned on plan contributions, are generally not taxable to employees until withdrawn, and contributions by the Company, if any, should be deductible by the Company when made. The trustee under the 401(k) Plan, at the direction of each participant, invests the assets of the 401(k) Plan in selected investment options.

Executive Loan Program of 1996. In November 1996, the Compensation Committee adopted the Company's Executive Loan Program of 1996 (the "Executive Loan Program"). Pursuant to the Executive Loan Program, the Company's Chief Executive Officer and each Vice President of the Company (each a "Qualified Borrower") are each entitled to borrow an aggregate of up to \$250,000 from the Company. Each loan made under the Executive Loan Program is a full recourse loan and bears interest at the then-minimum interest rate to avoid imputation of income under federal, state and local tax laws. Interest on any loan made under the Executive Loan Program is due and payable on December 31 of each year in which such loan is outstanding. Principal and accrued interest are payable in full on any such loan upon the earlier of December 31, 2005 or 90 days after the termination of the Qualified Borrower's employment with the Company, unless extended by a separate written agreement approved by the Board. Each loan made under the Executive Loan Program must be secured by collateral represented by Common Stock of the Company or other marketable securities acceptable to the Board having a fair market value equaling or exceeding the principal amount of the loan.

COMPENSATION ARRANGEMENTS

Mr. Sclavos's employment offer letter of June 1995, as amended in October 1995, provided for an initial annual salary of \$175,000 and an initial annual bonus of up to \$50,000 per year. In addition, it provided for a loan to Mr. Sclavos of \$48,000 which was to be forgiven after the first anniversary of Mr. Sclavos's employment with the Company. This loan was forgiven by the Board in October 1996. Mr. Sclavos was also granted an option to purchase 616,000 shares of Common Stock with an exercise price of \$.12 per share. In October 1996, this option was amended such that it became immediately exercisable. Mr. Sclavos exercised this option in full in November 1996. In connection with this exercise, the Company loaned Mr. Sclavos \$73,920 pursuant to the terms of the Executive Loan Program, representing the full exercise price of such option. As of September 30, 1997, 269,500 of the shares Mr. Sclavos received upon exercise of the option were subject to a right of repurchase on behalf of the Company. This right lapses as to 38,500 shares per quarter. Mr. Sclavos's employment is "at will" and thus can be terminated at any time, with or without cause.

Michael S. Baum, Dana L. Evan, Arnold Schaeffer and Richard A. Yanowitch were granted options to purchase 150,000, 170,000, 200,000 and 290,000 shares, respectively, of Common Stock under the 1995 Stock Option Plan, at exercise prices ranging from \$.12 to \$6.00. Each of these options is subject to the standard four-year vesting schedule under the 1995 Stock Option Plan or, in certain circumstances, is immediately exercisable, subject to the Company's right to repurchase shares subject to such options, which repurchase right lapses on a schedule similar to the vesting schedule for options granted under the 1995 Stock Option Plan. However, upon the occurrence of certain change-in-control transactions, 50% of each such Named Executive Officer's then-unvested options will become vested or, if applicable, the right of repurchase will lapse as to 50% of the shares covered by such right of repurchase.

INDEMNIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS AND LIMITATION OF LIABILITY

As permitted by the Delaware General Corporation Law (the "DGCL"), the Company's Third Amended and Restated Certificate of Incorporation, which will become effective upon the closing of this offering, includes a provision that eliminates the personal liability of its directors for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the DGCL (regarding unlawful dividends and stock purchases) or (iv) for any transaction from which the director derived an improper personal benefit.

As permitted by the DGCL, the Company's Amended and Restated Bylaws, which will become effective upon the completion of this offering, provide that (i) the Company is required to indemnify its directors and officers to the fullest extent permitted by the DGCL, subject to certain very limited exceptions, (ii) the Company may indemnify its other employees and agents to the extent that it indemnifies its officers and directors, unless otherwise required by law, its Certificate of Incorporation, its Amended and Restated Bylaws, or agreement, (iii) the Company is required to advance expenses, as incurred, to its directors and executive officers in connection with a legal proceeding to the fullest extent permitted by the DGCL, subject to certain very limited exceptions and (iv) the rights conferred in the Amended and Restated Bylaws are not exclusive.

The Company has entered into Indemnification Agreements with each of its current directors and certain of its executive officers and intends to enter into such Indemnification Agreements with each of its other executive officers to give such directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Company's Certificate of Incorporation and Amended and Restated Bylaws and to provide additional procedural protections. At present, there is no pending litigation or proceeding involving a director, officer or employee of the Company regarding which indemnification is sought, nor is the Company aware of any threatened litigation that may result in claims for indemnification.

CERTAIN TRANSACTIONS

Since April 12, 1995, the Company's inception date, there has not been nor is there currently proposed, any transaction or series of similar transactions to which the Company or any of its subsidiaries was or is to be a party in which the amount involved exceeded or will exceed \$60,000 and in which any director, executive officer, holder of more than 5% of the Common Stock of the Company or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest other than (i) compensation agreements and other arrangements, which are described where required in "Management," and (ii) the transactions described below.

TRANSACTIONS WITH DIRECTORS, EXECUTIVE OFFICERS AND 5% STOCKHOLDERS

The Company has financed its operations to date through a series of private Common Stock and Preferred Stock financings. Upon the closing of this offering, all shares of Preferred Stock will be converted into shares of Common Stock at a conversion rate of one share of Common Stock for each share of Preferred Stock. See "Description of Capital Stock."

Common Stock at Formation. In April 1995, the Company sold an aggregate of 4,688,333 shares of its Common Stock at a purchase price of \$.12 per share to certain individuals and entities. Among the purchasers were the following 5% stockholders, directors and entities affiliated with directors of the Company, who purchased the number of shares set forth opposite their respective names: RSA--4,000,000 shares; Bessemer Venture Partners DCI--258,333 shares; D. James Bidzos--125,000 shares; Kairdos L.L.C.--100,000 shares; and TZM Investment Fund--80,000 shares. Mr. Bidzos is the Chairman of the Board of the Company, the President and Chief Executive Officer of RSA and the General Manager and a member of Kairdos L.L.C. Mr. Tomlinson, a director of the Company, is a general partner of TZM Investment Fund and TZM Investment Fund is a member of Kairdos L.L.C. Mr. Cowan, a director of the Company, is a general partner of the general partner of Bessemer Venture Partners DCI. All purchasers paid cash except RSA, which assigned and transferred to the Company equipment, assets and technology, which assets and technology included certain specified software developed or under development by RSA relating to digital certificate issuance and management, certain tangible personal property, consisting mostly of computer equipment, and all of RSA's right, title and interest in certain specified agreements to provide digital certificate services. In connection with the contribution of these assets to the Company, RSA entered into a BSAFE/TIPEM OEM Master License Agreement with the Company pursuant to which the Company was granted a perpetual, royalty free, nonexclusive, worldwide license to distribute products it develops that contain or incorporate the RSA BSAFE and TIPEM products and that relate to digital certificate issuing software, software for the management of private keys and for digitally signing computer files on behalf of others, software for customers to preview and forward digital certificate requests to the Company, or such other products that, in RSA's reasonable discretion, are reasonably necessary for the implementation of a digital certificate business. RSA is also required to provide maintenance and technical support for these products to the Company. RSA's BSAFE product is a software tool kit that allows for the integration of encryption and authentication features into software applications and TIPEM is a secure e-mail development tool kit that allows for secure e-mail messages to be sent using one vendor's e-mail product and read by another vendor's e-mail product. Also in connection with this contribution of assets, RSA entered into a Non-Compete and Non-Solicitation Agreement pursuant to which RSA agreed, for a five-year period, not to compete with the Company's certificate authority business.

Series A Preferred Stock. In April 1995, the Company also sold an aggregate of 4,306,883 shares of its Series A Preferred Stock at a cash purchase price of \$1.20 per share to nine entities. Among the purchasers were the following 5% stockholders and entities affiliated with directors of the Company, who purchased the number of shares set forth opposite their respective names: Bessemer Venture Partners DCI--850,000 shares; VISA--850,000 shares; Intel Corporation--850,000 shares; Security Dynamics--425,000 shares and First TZMM Investment Partnership--23,550 shares. Mr. Bidzos is an Executive Vice President and a director of Security Dynamics. Mr. Tomlinson, a director of the Company, is a general partner of First TZMM Investment Partnership.

Series B Preferred Stock. In February 1996, the Company sold an aggregate of 2,099,123 shares of its Series B Preferred Stock at a cash purchase price of \$2.45 per share to 12 entities. Among the purchasers were the following 5% stockholders and entities affiliated with directors of the Company, who purchased the number of shares set forth opposite their respective names: Kleiner Perkins Caufield & Byers VII--1,153,207 shares; Bessemer Venture Partners DCI--187,819 shares; Intel Corporation--144,052 shares; VISA --144,052 shares; KPCB VII Founders Fund--125,947 shares; Security Dynamics--72,026 shares; KPCB Information Science Zaibatsu Fund II--32,799 shares; and First TZMM Investment Partnership--17,554 shares. Mr. Compton, a director of the Company, is a general partner of the general partner of Kleiner Perkins Caufield & Byers VII, KPCB VII Founders Fund and KPCB Information Science Zaibatsu Fund II.

Stockholders' Agreement. In April 1995, the Company and each of the persons who were then stockholders (the "Parties") entered into a Stockholders' Agreement, which was amended at the time of the Series B Preferred Stock financing and again in November 1996, when the Series C Preferred Stock financing was closed, to include as parties to the agreement the new holders of Preferred Stock. The Stockholders' Agreement, as amended, prohibits the Parties from transferring any of their shares of capital stock of the Company, without the prior consent of the Board and a majority in interest of the other Parties, to certain specified corporations and entities affiliated with such corporations. The Stockholders' Agreement also provides that no Party can vote shares of capital stock of the Company with voting rights in excess of 45% of the voting rights of the total voting capital stock of the Company entitled to vote on any matter, thereby prohibiting a Party with more than 45% of the voting rights of the total voting capital stock of the Company from controlling the voting on any given matter. Finally, the Stockholders' Agreement provides that, so long as any of Kleiner Perkins Caufield & Byers VII, Bessemer Venture Partners DCI, VISA and Intel Corporation retained at least 50% of the shares issued to them in the Series A or Series B Preferred Stock financing, or so long as RSA retains not less than the lesser of 10% of the issued and outstanding voting shares of the Company or 75% of the shares of Common Stock held by it immediately following the Series A Preferred Stock financing, the Company and the stockholders would cause and maintain the election to the Board of a representative of each of those five entities that satisfied their respective requirement. The Stockholders' Agreement terminates upon the closing of this offering.

Co-Sale Agreement. In February 1996, the Company, each of the purchasers of Series B Preferred Stock and RSA entered into a Co-Sale Agreement, pursuant to which the holders of Series B Preferred Stock were granted rights to participate in certain sales of capital stock of the Company owned by RSA. Such co-sale rights will terminate upon the closing of this offering.

Investors' Rights Agreement. In November 1996, the Company, all of the current holders of Preferred Stock and the purchasers of Common Stock in April 1995 entered into an Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") pursuant to which the holders of all such Preferred or Common Stock (the "Investors") have certain registration rights with respect to their shares of Common Stock following this offering. See "Description of Capital Stock--Registration Rights." Pursuant to the terms of the Investors' Rights Agreement, each of the Investors and Stratton Sclavos, the Company's President and Chief Executive Officer and a director of the Company, were granted a right of first offer with respect to certain future sales of securities by the Company.

Officer Loans. In November 1996, in connection with the exercise of stock options granted under the 1995 Stock Option Plan, the Company permitted four executive officers, Richard A. Yanowitch, Ethel E. Daly, Dana L. Evan and Stratton D. Sclavos to purchase shares of Common Stock in exchange for promissory notes issued under its Executive Loan Program in the amounts of \$217,500, \$105,000, \$93,750 and \$73,920, respectively. See "Management--Employee Benefit Plans--Executive Loan Program of 1996." In June 1997, in connection with the exercise of a stock option granted under the 1995 Stock Option Plan, the Company permitted Nicholas F. Piazzola, an executive officer, to purchase shares of Common Stock in exchange for a promissory note issued under the Executive Loan Program in the amount of \$115,425. Each note is a recourse note that is secured by the shares purchased with that note. The notes bear interest at the rate of 6.95% per annum (6.87% in the case of Mr. Piazzola), payable quarterly, and are due and payable on the earlier of December 31, 2005 or the date the borrowers' employment relationship with the Company is terminated, unless otherwise extended by a separate

written agreement approved by the Board. During the nine months ended September 30, 1997, the Company paid a bonus in the amount of the interest accrued under each such executive officer's promissory note in the amounts of \$17,426, \$8,412, \$7,511 and \$5,922 for Mr. Yanowitch, Ms. Daly, Ms. Evan and Mr. Sclavos, respectively.

Development Agreement. In September 1997, the Company and Security Dynamics, the parent company of RSA, entered into a Master Development and License Agreement (the "Development Agreement"). Mr. Bidzos, the Chairman of the Board of the Company, is also a director of Security Dynamics. Pursuant to the Development Agreement, the Company will develop a customized certificate authority product based upon the Company's WorldTrust software application in order to enable Security Dynamics to offer a product with encryption and digital certificate authority functionality. The Company has retained the ownership rights to the technology developed under this agreement, except to the extent such technology constitutes derivatives of Security Dynamics's pre-existing technology or such technology is solely created by Security Dynamics. The Development Agreement provides that Security Dynamics will pay the Company an aggregate of \$2.7 million as an initial license fee, \$900,000 of which was paid in October 1997 and the remainder of which will be payable upon the achievement of certain technical milestones, which include a software code completion milestone of February 6, 1998, the release of a beta version of this product by February 27, 1998 and the release of the final version of the product by April 1, 1998. Commencing in March 1998, Security Dynamics will also be required to pay the Company a monthly product support fee for a three-year period, and thereafter for successive annual terms, unless either of the parties elects to terminate such product support within 60 days prior to the end of the term or Security Dynamics terminates support services at any time on 60 days prior written notice to the Company. For a yearly fee, Security Dynamics can purchase product maintenance services. For so long as Security Dynamics is paying such maintenance fees, the Company will be obligated, at no additional cost, to provide Security Dynamics with non-exclusive first-to-market access to new technologies developed by the Company that are relevant to the business of providing enterprise security solutions or solutions for secure business communications. The Company is also obligated, upon the request of Security Dynamics, to make its other technology available to Security Dynamics and to offer maintenance after the term of the agreement on certain "most favored pricing" terms.

Microsoft Agreements. In November 1996, the Company sold an aggregate of 3,562,500 shares of its Series C Preferred Stock at a cash purchase price of \$8.00 per shares to 11 entities. Among the purchasers was Microsoft, a 5% stockholder, which purchased 812,500 shares. In November 1997, the Company entered into a Certificate Authority Preferred Provider Agreement under which the Company will be featured as the preferred provider of digital certificates for Microsoft customers. Upon the execution of this agreement, the Company issued Microsoft 100,000 shares of Common Stock valued at \$800,000.

VISA Agreements. In April 1996, the Company entered into a Private Label Agreement with VISA under which the Company developed and operates a digital certificate system for VISA's member banks, based on a private VISA root key. The Company provides certificate registration and issuing and management functions through its Digital ID Center and retains the ownership rights to this digital certificate system developed for VISA. The Company provides, at no additional charge, all maintenance and support for the VISA digital certificate system. If the Company does not meet certain minimum service standards, or if the VISA system experiences a degradation in the quality of service, the Company would be required to pay monetary penalties in the event that the system is unavailable. VISA could terminate this agreement in the event the service, once fully available in final form, is unavailable for a significant amount of time. This agreement expires two and one-half years from the earlier of the commencement of the pilot program or April 8, 1997. The Company received aggregate payments from VISA of \$455,000 during 1996 and \$675,000 during the nine months ended September 30, 1997, in the form of development fees, set-up fees and certificate volume-based subscriber fees. VISA is obligated to continue to pay subscriber fees for the remainder of the term of this agreement. VISA prepays these fees on a quarterly basis and are subject to offset against certificates issued. VISA is not entitled to any refunds in the event that sufficient certificates are not issued to offset any remaining prepaid subscriber fees. The Company is also obligated to provide VISA with certain "most favored pricing" rights. VISA has the right

to terminate this agreement after April 1, 1998 by entering into a license agreement with the Company and paying licensing fees as well as a royalty for future certificates issued. Otherwise, the agreement is terminable upon the completion of its term (or earlier in the event of a material breach of the agreement by the other party), upon bankruptcy or insolvency of the other party or upon the Company's failure to provide support.

In October 1996, the Company entered into a Private Label Agreement with VISA under which the Company developed a pilot digital certificate system, based on a private VISA root key, which provides certificate registration and issuing and management functions through VeriSign's operations and Digital ID Center in connection with the VISA Cash stored value card and the Chip Card Payment Service. This agreement expired in October 1997. The Company received aggregate payments of \$40,000 during 1996 and \$126,000 during the nine months ended September 30, 1997, in the form of development fees, operation fees and subscriber fees.

Sublease with Security Dynamics. Since September 1996, the Company has sublet approximately 12,700 square feet of space for its offices in Cambridge, Massachusetts. This space is subleased from Security Dynamics pursuant to a sublease that expires in March 1998. The Company made lease payments to Security Dynamics of \$17,646 during 1996 and \$130,624 during the nine months ended September 30, 1997. The Company is obligated to pay monthly rent of approximately \$19,000 for the remainder of 1997 and monthly rent of approximately \$20,000 from January 1998 through the expiration date. The Company is also obligated to pay all electricity, heating, ventilation and air conditioning costs for the subleased premises.

CERTAIN BUSINESS RELATIONSHIPS

Legal Fees. During 1996 and the nine months ended September 30, 1997, the law firm of Tomlinson Zisko Morosoli & Maser LLP, of which Mr. Tomlinson is a partner, provided legal services to the Company on a variety of matters. During 1996 and the nine months ended September 30, 1997, the Company paid Tomlinson Zisko Morosoli & Maser LLP an aggregate of \$344,120 and \$106,252, respectively.

The Company believes that the terms of each of the transactions described above, taken as a whole, were no less favorable to the Company than the Company could have obtained from unaffiliated third parties.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock as of October 31, 1997 and as adjusted to reflect the sale of the shares of Common Stock offered hereby by: (i) each person who is known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) each director of the Company, (iii) each of the Named Executive Officers and (iv) all directors and executive officers of the Company as a group.

NAME OF BENEFICIAL OWNER -----	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF COMMON STOCK BENEFICIALLY OWNED(1)	
		BEFORE OFFERING	AFTER OFFERING(2)
D. James Bidzos			
Security Dynamics Technologies, Inc. (3)...	4,740,151	28.4%	
Kevin R. Compton			
Kleiner Perkins Caufield & Byers (4).....	1,315,078	7.9	
David J. Cowan			
Bessemer Venture Partners DCI (5).....	1,299,277	7.8	
William Chenevich			
Visa International Service Association			
(6).....	997,177	6.0	
Intel Corporation (7).....	994,052	6.0	
Stratton D. Sclavos (8).....	616,000	3.7	
Richard A. Yanowitch (9).....	290,000	1.7	
Arnold Schaeffer (10).....	142,000	*	
Dana L. Evan (11).....	135,000	*	
Michael S. Baum (12).....	125,000	*	
Timothy Tomlinson (13).....	124,229	*	
All officers and directors as a group (13 persons) (14).....	10,013,912	60.1	

* Less than 1% of the Company's outstanding Common Stock

(1) Percentage ownership is based on 16,668,509 shares outstanding as of October 31, 1997, including shares issuable upon conversion of all outstanding Preferred Stock into Common Stock in connection with this offering, and shares outstanding after the offering. Shares of Common Stock subject to options currently exercisable or exercisable within 60 days of October 31, 1997 are deemed outstanding for the purpose of computing the percentage ownership of the person holding such options but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

(2) Assumes the Underwriters' over-allotment option is not exercised.

(3) Represents 4,497,026 shares held of record by Security Dynamics or by wholly-owned subsidiaries thereof, 113,000 shares held of record by D. James Bidzos, 100,000 shares held of record by Kairdos L.L.C., 12,000 shares held of record by relatives and other associates of Mr. Bidzos, 15,000 shares subject to options held of record by D. James Bidzos that are exercisable within 60 days of October 31, 1997 and 3,125 shares subject to options that are held of record by Mr. Bidzos that are exercisable within 60 days of October 31, 1997. Mr. Bidzos, the Chairman of the Board of the Company, is the President of RSA, an Executive Vice President and a director of Security Dynamics and the General Manager and a member of Kairdos L.L.C. and Tolmi LLC. Mr. Bidzos disclaims beneficial ownership of the shares held by Kairdos L.L.C. and Tolmi LLC except for his proportional interest therein, and disclaims beneficial ownership of the shares held by Security Dynamics or its wholly-owned subsidiaries. The address for Mr. Bidzos and Security Dynamics is One Alewife Center, Cambridge, Massachusetts 02140.

- (4) Represents 1,153,207 shares held of record by Kleiner Perkins Caufield & Byers VII L.P., 125,947 shares held of record by KPCB VII Founders Fund, 32,799 shares held of record by KPCB Information Science Zaibatsu Fund II and 3,125 shares subject to options held of record by Kevin Compton that are exercisable within 60 days of October 31, 1997. Mr. Compton, a director of the Company, is a general partner of the general partner of each of these entities. Mr. Compton disclaims beneficial ownership of shares held by such entities except for his proportional interest therein. The address for Mr. Compton and these entities is c/o Kleiner Perkins Caufield & Byers, 2750 Sand Hill Road, Menlo Park, California 94025.
- (5) Represents 1,296,152 shares held of record by Bessemer Venture Partners DCI and 3,125 shares subject to options held of record by Mr. Cowan that are exercisable within 60 days of October 31, 1997. Mr. Cowan, a director of the Company, is a general partner of the general partner of Bessemer Venture Partners DCI and is a manager of Deer III & Co. LLC. Mr. Cowan disclaims beneficial ownership of shares held by Bessemer Venture Partners DCI except for his proportional interest therein. The address for Mr. Cowan and Bessemer Venture Partners DCI is 535 Middlefield Road, Menlo Park, California 94025.
- (6) Represents 994,052 shares held by VISA and 3,125 shares subject to options held of record by Mr. Chenevich that are exercisable within 60 days of October 31, 1997. Mr. Chenevich, a director of the Company, is the Group Executive Vice President, Data Processing Systems of VISA. Mr. Chenevich disclaims beneficial ownership of shares held by VISA. The address for Mr. Chenevich and VISA is 900 Metro Center, Foster City, California 94404.
- (7) Represents shares held by Intel Corporation. The address for Intel Corporation is 2200 Mission College Blvd., Building SC-4, Santa Clara, California 95050.
- (8) Mr. Sclavos is President, Chief Executive Officer and a director of the Company. Of the shares shown in the table, as of October 31, 1997, 269,500 were subject to a repurchase right that lapses as to 38,500 of the shares each quarter.
- (9) Mr. Yanowitch is Vice President of Marketing of the Company. Of the shares shown in the table, as of October 31, 1997, 199,375 were subject to a repurchase right that lapses as to 18,125 of the shares each quarter.
- (10) Mr. Schaeffer is Vice President of Engineering of the Company. Of the shares shown in the table, as of October 31, 1997, 81,125 were subject to a repurchase right that lapses as to 8,875 of the shares each quarter.
- (11) Ms. Evan is Vice President of Finance and Administration and Chief Financial Officer of the Company. Of the shares shown in the table, as of October 31, 1997, 85,938 were subject to a repurchase right that lapses as to 7,812 of the shares each quarter.
- (12) Mr. Baum is Vice President of Practices and External Affairs of the Company. Of the shares shown in the table, as of October 31, 1997, 65,918 were subject to a repurchase right that lapses as to 7,324 of the shares each quarter.
- (13) Represents 50,000 shares held of record by TZM Investment Fund, 41,104 shares held of record by First TZMM Investment Partnership, 5,000 shares held of record by the Joy E. Tomlinson 1996 Trust, 5,000 shares held of record by the Tucker Tomlinson 1996 Trust, 10,000 shares held of record by the Allison A. Zisko 1996 Trust, 10,000 shares held of record by the Natalie L. Zisko 1996 Trust and 3,125 shares subject to options held of record by Mr. Tomlinson that are exercisable within 60 days of October 31, 1997. Mr. Tomlinson is a general partner of TZM Investment Fund and First TZMM Investment Partnership and a trustee of each trust.
- (14) Represents the shares described in footnotes (3)-(6) and (8)-(13) and an additional 230,000 shares held by other executive officers, of which 186,250 were subject to repurchase rights as of October 31, 1997 that lapse as to an aggregate of 14,375 shares each quarter.

DESCRIPTION OF CAPITAL STOCK

As of October 31, 1997, assuming the conversion of all outstanding shares of Preferred Stock into shares of Common Stock, there were outstanding 16,668,509 shares of Common Stock, each with a par value of \$.001, held of record by approximately 109 stockholders, and outstanding options to purchase 2,362,258 shares of Common Stock.

The following summary of certain provisions of the Common Stock and Preferred Stock does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of the Company's Certificate of Incorporation, which is included as an exhibit to the Registration Statement, of which this Prospectus forms a part, and by the provisions of applicable law.

COMMON STOCK

Upon the closing of this offering, the Company will be authorized to issue 50,000,000 shares of Common Stock. Subject to preferences that may be applicable to any Preferred Stock outstanding at the time, the holders of outstanding shares of Common Stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the Board from time to time may determine. Holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors will not be authorized by the Company's Amended and Restated Certificate of Incorporation, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election. The Common Stock is not entitled to preemptive rights and is not subject to conversion or redemption. Upon liquidation, dissolution or winding-up of the Company, the assets legally available for distribution to stockholders are distributable ratably among the holders of the Common Stock and any participating Preferred Stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding Preferred Stock and payment of other claims of creditors. Each outstanding share of Common Stock is, and all shares of Common Stock to be outstanding upon completion of this offering will be upon payment therefor, duly and validly issued, fully paid and nonassessable.

PREFERRED STOCK

Upon the closing of this offering, each outstanding share of Preferred Stock (the "Convertible Preferred") will be converted into shares of Common Stock. See Note 6 of Notes to Consolidated Financial Statements for a description of the Convertible Preferred. Following the offering, the Company will be authorized to issue up to 5,000,000 shares of "blank check" Preferred Stock. The Board is authorized, subject to any limitations prescribed by Delaware law, to provide for the issuance of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of any such series (but not below the number of shares of such series then outstanding), without any further vote or action by the stockholders. The Board may authorize the issuance of Preferred Stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of Common Stock. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change in control of the Company and may adversely affect the market price of the Common Stock, and the voting and other rights of the holders of Common Stock. The Company has no current plan to issue any shares of Preferred Stock.

REGISTRATION RIGHTS

Following this offering, the holders of approximately 14,719,339 shares of Common Stock (representing the purchasers of Common Stock at the founding of the Company in April 1995 and all of the purchasers of Preferred Stock) (the "Holders") will have certain rights to cause the Company to register those shares (the "Registrable Securities") under the Securities Act pursuant to the Investors' Rights Agreement. The holders of at least a majority of the Registrable Securities may require, after 180 days from the effective date of this

offering, that the Company use its best efforts to effect up to two registrations. Holders not part of the initial registration demand are entitled to notice of such registration and are entitled to include shares of Registrable Securities therein. These registration rights are subject to certain conditions and limitations, including (i) the right, under certain circumstances, of the underwriters of an offering to limit the number of shares included in such registration and (ii) the right of the Company to delay the filing of a registration statement for not more than 120 days after receiving the registration demand. The Company is obligated to pay all registration expenses incurred in connection with such registration (other than underwriters' discounts and commissions) and the reasonable fees and expenses of a single counsel to the selling Holders.

In addition, if the Company proposes to register any of its securities under the Securities Act (other than a registration relating solely to the sale of securities to participants in a Company stock plan, a registration on a form that does not include substantially the same information as would be required in a registration statement covering the sale of the Registrable Securities or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered) in connection with the sale of such securities solely for cash, whether or not for sale for its own account, the Holders are entitled to notice of such registration and are entitled to include Registrable Securities therein. These rights are subject to certain conditions and limitations, including the right of the underwriters of an offering to limit the number of shares included in such registration under certain circumstances. The Company is obligated to pay all registration expenses incurred in connection with such registration other than underwriters' discounts and commissions. If the Company were to initiate a registration and include shares pursuant to this "piggyback" right, such sales might have an adverse effect on the Company's ability to raise capital.

The Holders may also require the Company, on no more than two occasions in any twelve-month period, to register all or a portion of their Registrable Securities on Form S-3 under the Securities Act when such form becomes available for use by the Company, if the securities to be so registered represent an aggregate selling price to the public of not less than \$1.0 million. The Holders who are not part of the initial registration demand are entitled to notice of such registration and are entitled to include shares of Registrable Securities therein. These registration rights are subject to certain conditions and limitations, including the right of the Company to delay the filing of a registration statement on Form S-3 for a period of not more than 60 days after receiving the registration demand. The Company is obligated to pay all registration expenses incurred in connection with such registration (other than underwriters' discounts and commissions) and the reasonable fees and expenses of a single counsel to the selling Holders.

Each stockholder's registration rights will expire upon the earlier of the fifth anniversary of the closing of this offering or at such time as the stockholder can sell all of its securities under Rule 144(k).

DELAWARE ANTI-TAKEOVER LAW AND CERTAIN CHARTER AND BYLAW PROVISIONS

Upon the closing of this offering, the Company will be subject to the provisions of Section 203 of the Delaware General Corporation Law (the "Anti-Takeover Law") regulating corporate takeovers. The Anti-Takeover Law prevents certain Delaware corporations, including those whose securities are listed on the Nasdaq National Market, from engaging, under certain circumstances, in a "business combination" (which includes a merger or sale of more than 10% of the corporation's assets) with any "interested stockholder" (a stockholder who owns 15% or more of the corporation's outstanding voting stock, as well as affiliates and associates of any such persons) for three years following the date that such stockholder became an "interested stockholder" unless (i) the transaction is approved by the Board of Directors prior to the date the "interested stockholder" attained such status, (ii) upon consummation of the transaction that resulted in the stockholder's becoming an "interested stockholder," the "interested stockholder" owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding those shares owned by (a) persons who are directors and also officers and (b) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer), or (iii) on or subsequent to such date the "business combination" is approved by the Board of Directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding

voting stock that is not owned by the "interested stockholder." A Delaware corporation may "opt out" of the Anti-Takeover Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. The Company has not "opted out" of the provisions of the Anti-Takeover Law. The statute could prohibit or delay mergers or other takeover or change-in-control attempts with respect to the Company and, accordingly, may discourage attempts to acquire the Company.

The Company's Amended and Restated Bylaws, which will be in effect upon the completion of this offering, will provide for the division of the Board into three classes as nearly equal in size as possible with staggered three-year terms. The classification of the Board could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of the Company. In addition, the Amended and Restated Bylaws will provide that any action required or permitted to be taken by the stockholders of the Company at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. The Amended and Restated Bylaws will provide that special meetings of the stockholders may only be called by the Chairman of the Board, the Chief Executive Officer or, if none, the President of the Company or by the Board.

The Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws will provide that the Company will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to the Company, which may include services in connection with takeover defense measures. Such provisions may have the effect of preventing changes in the management of the Company.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Company's Common Stock is ChaseMellon Shareholder Services, L.L.C.

LISTING

The Company has applied to list its Common Stock on the Nasdaq National Market under the symbol "VRSN."

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for the Common Stock of the Company. Future sales of substantial amounts of Common Stock in the public market could adversely affect prevailing market prices from time to time. Furthermore, since no shares will be available for sale shortly after this offering because of certain contractual and legal restrictions on resale (as described below), sales of substantial amounts of Common Stock of the Company in the public market after these restrictions lapse could adversely affect the prevailing market price and the ability of the Company to raise equity capital in the future.

Upon completion of this offering, the Company will have outstanding an aggregate of _____ shares of Common Stock, assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding options. Of these shares, all of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are purchased by "affiliates" of the Company as that term is defined in Rule 144 under the Securities Act (the "Affiliates"). The remaining 17,018,509 shares of Common Stock held by existing stockholders are "restricted securities" as that term is defined in Rule 144 under the Securities Act ("Restricted Shares"). Restricted Shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or 701 promulgated under the Securities Act, which rules are summarized below. All officers, directors, stockholders and option holders of the Company have agreed not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly (or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of), any shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock, for a period of 180 days after the date of this Prospectus, without the prior written consent of Morgan Stanley & Co. Incorporated. Morgan Stanley & Co. Incorporated may in its sole discretion choose to release a certain number of these shares from such restrictions prior to the expiration of such 180 day period. As a result of such contractual restrictions and the provisions of Rule 144 and 701, the Restricted Shares will be available for sale in the public market as follows: (i) no shares will be eligible for immediate sale on the date of this Prospectus; (ii) 16,668,509 shares will be eligible for sale upon expiration of the lock-up agreements 180 days after the date of this Prospectus, subject in the case of all but 2,661,052 shares to the volume limitations and other conditions of Rule 144 described below; and (iii) the remaining 350,000 shares will become eligible for sale in November 1998, subject to the volume limitations and other conditions of Rule 144.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this Prospectus, a person (or persons whose shares are aggregated) who has beneficially owned Restricted Shares for at least one year (including the holding period of any prior owner except an Affiliate) would be entitled to sell within any three-month period a number of shares that does not exceed the greater of: (i) 1% of the number of shares of Common Stock then outstanding (which will equal approximately _____ shares immediately after this offering); or (ii) the average weekly trading volume of the Common Stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about the Company. Under Rule 144(k), a person who is not deemed to have been an Affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owner except an Affiliate), is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144; therefore, unless otherwise restricted, shares will qualify as "144(k) shares" on the date of this Prospectus and may be sold immediately upon the completion of this offering. Subject to certain limitations on the aggregate offering price of a transaction and other conditions, employees, directors, officers, consultants or advisors may rely on Rule 701 with respect to the resale of securities originally purchased from the Company prior to the date the issuer becomes subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to written compensatory benefit plans or written contracts relating to the compensation of such persons. In addition, the Securities and Exchange Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it

becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options (including exercises after the date of this Prospectus). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this Prospectus, may be sold by persons other than Affiliates subject only to the manner of sale provisions of Rule 144, and by Affiliates under Rule 144 without compliance with its holding period requirements.

Upon completion of this offering, the holders of approximately 14,719,339 shares of Common Stock currently outstanding or issuable upon conversion of Preferred Stock, or their transferees, will be entitled to certain rights with respect to the registration of such shares under the Securities Act. See "Description of Capital Stock--Registration Rights." Registration of such shares under the Securities Act would result in such shares becoming freely tradable without restriction under the Securities Act (except for share purchases by affiliates) immediately upon the effectiveness of such registration.

The Company intends to file a registration statement under the Securities Act covering (i) 2,625,000 shares of Common Stock reserved or to be reserved for issuance under the Equity Incentive Plan, the Purchase Plan and the Directors Plan, (ii) an additional number of shares of Common Stock to be reserved for issuance under the Equity Incentive Plan equal to the number of shares reserved for future issuance under the Prior Plans as of the date of this Prospectus (717,482 as of October 31, 1997), and (iii) shares subject to outstanding options under the Prior Plans as of the date of this Prospectus (2,362,528 as of October 31, 1997). See "Management--Employee Benefit Plans." Such registration statement is expected to be filed and become effective as soon as practicable after the effective date of this offering. Accordingly, shares registered under such registration statement will, subject to Rule 144 volume limitations applicable to Affiliates, be available for sale in the open market, beginning 180 days after the date of the Prospectus, unless such shares are subject to vesting restrictions with the Company.

UNDERWRITERS

Under the terms and subject to the conditions contained in an Underwriting Agreement dated the date hereof (the "Underwriting Agreement"), the Underwriters named below (the "Underwriters"), for whom Morgan Stanley & Co. Incorporated, Hambrecht & Quist LLC and Wessels, Arnold & Henderson, L.L.C. are acting as Representatives (the "Representatives"), have severally agreed to purchase, and the Company has agreed to sell to them, severally, the respective number of shares of Common Stock set forth opposite their respective names below:

NAME ----	NUMBER OF SHARES -----
Morgan Stanley & Co. Incorporated.....	
Hambrecht & Quist LLC.....	
Wessels, Arnold & Henderson, L.L.C.	

Total.....	=====

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares of Common Stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the shares of Common Stock offered hereby (other than those covered by the over-allotment option described below) if any such shares are taken.

The Underwriters initially propose to offer part of the shares of Common Stock directly to the public at the initial public offering price set forth on the cover page hereof and part to certain dealers at a price that represents a concession not in excess of \$ a share under the public offering price. Any Underwriter may allow, and such dealers may reallocate, a concession not in excess of \$ a share to other Underwriters or to certain dealers. After the initial offering of the shares of Common Stock, the offering price and other selling terms may from time to time be varied by the Representatives.

The Company has granted to the Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to an aggregate of additional shares of Common Stock at the initial public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The Underwriters may exercise such option to purchase solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of Common Stock offered hereby. To the extent such option is exercised, each Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares of Common Stock as the number set forth next to such Underwriter's name in the preceding table bears to the total number of shares of Common Stock set forth next to the names of all Underwriters in the preceding table.

The Underwriters have informed the Company that they do not intend sales to discretionary accounts to exceed five percent of the total number of shares of Common Stock offered by them.

The Company has applied to list its Common Stock on the Nasdaq National Market under the symbol "VRSN."

Each of the Company and the directors, executive officers, certain other stockholders and option holders of the Company has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not during the period ending 180 days after the date of this Prospectus (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer, lend or dispose of, directly or indirectly, any shares

of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, except under certain limited circumstances. The restrictions described in this paragraph to not apply to (a) the sale of Shares to the Underwriters, (b) the issuance by the Company of shares of Common Stock upon exercise of an option or a warrant outstanding on the date of this Prospectus and described as such in the Prospectus, (c) the issuance by the Company of shares of Common Stock under the Equity Incentive Plan, the Directors Plan and the Purchase Plan or (d) transactions by any person other than the Company relating to shares of Common Stock or other securities acquired in open market transactions after the completion of the offering of the Shares.

In order to facilitate the offering of the Common Stock, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Underwriters may over-allot in connection with the offering, creating a short position in the Common Stock for their own account. In addition, to cover over-allotments or to stabilize the price of the Common Stock, the Underwriters may bid for, and purchase, shares of Common Stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Common Stock in the offering, if the syndicate repurchases previously distributed Common Stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

In November and December 1996, the Company issued an aggregate of 3,625,000 shares of Series C Preferred Stock for an aggregate consideration of \$29.0 million. In connection with such financing, Morgan Stanley & Co. Incorporated received an aggregate of \$730,000 as a financial advisory fee.

The Company and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

PRICING OF THE OFFERING

Prior to this offering, there has been no public market for the Common Stock or any other securities of the Company. The initial public offering price for the Common Stock will be determined by negotiations between the Company and the Representatives. Among the factors to be considered in determining the initial public offering price will be the future prospects of the Company and its industry in general, sales, earnings and certain other financial and operating information of the Company in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities and certain financial and operating information of companies engaged in activities similar to those of the Company. The estimated initial public offering price range set forth on the cover page of this Preliminary Prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Fenwick & West LLP, Palo Alto, California. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

EXPERTS

The consolidated financial statements and schedule of VeriSign, Inc. and subsidiary as of December 31, 1995 and 1996 and September 30, 1997 and for the period from April 12, 1995 (inception) to December 31, 1995, the year ended December 31, 1996 and the nine month period ended September 30, 1997 have been included herein and in the Registration Statement in reliance upon the reports of KPMG Peat Marwick LLP, independent auditors, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission"), Washington, D.C. 20549, a Registration Statement on Form S-1 under the Securities Act with respect to the shares of Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and the exhibits and schedule thereto. Certain items are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement and the exhibits and schedule thereto. Statements contained in this Prospectus regarding the contents of any contract or any other document to which reference is made are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. A copy of the Registration Statement, and the exhibits and schedule thereto, may be inspected without charge at the public reference facilities maintained by the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048, and copies of all or any part of the Registration Statement may be obtained from such offices upon the payment of the fees prescribed by the Commission. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the site is <http://www.sec.gov>.

VERISIGN, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
VeriSign, Inc.:

We have audited the accompanying consolidated balance sheets of VeriSign, Inc. and subsidiary as of December 31, 1995 and 1996 and September 30, 1997, and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from April 12, 1995 (inception) to December 31, 1995, for the year ended December 31, 1996, and for the nine months ended September 30, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VeriSign, Inc. and subsidiary as of December 31, 1995 and 1996 and September 30, 1997, and the results of their operations and their cash flows for the period from April 12, 1995 (inception) to December 31, 1995, for the year ended December 31, 1996, and for the nine months ended September 30, 1997, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

San Francisco, California

November 5, 1997, except as to Note 8, which is

as of November 20, 1997, and Note 10,

which is as of December 19, 1997

VERISIGN, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31,		SEPTEMBER 30, 1997	
	1995	1996	ACTUAL	PRO FORMA
ASSETS	(UNAUDITED)			
Current assets:				
Cash and cash equivalents.....	\$2,687	\$29,983	\$ 5,902	\$ 5,902
Short-term investments.....	--	--	7,710	7,710
Accounts receivable, net of allowance for doubtful accounts of \$30, \$35, and \$134, respectively.....	195	751	2,245	2,245
Prepaid expenses and other current assets.....	78	786	573	573
	-----	-----	-----	-----
Total current assets.....	2,960	31,520	16,430	16,430
Property and equipment, net.....	1,007	4,617	8,391	8,391
Other assets.....	85	366	838	838
	-----	-----	-----	-----
	\$4,052	\$36,503	\$25,659	\$25,659
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Notes payable.....	\$ --	\$ 258	\$ 1,488	\$ 1,488
Accounts payable.....	414	2,461	1,221	1,221
Accrued liabilities.....	216	2,034	3,904	1,904
Deferred revenue.....	46	1,944	3,109	3,109
	-----	-----	-----	-----
Total current liabilities.....	676	6,697	9,722	7,722
	-----	-----	-----	-----
Minority interest in subsidiary.....	--	1,251	61	61
	-----	-----	-----	-----
Commitments				
Stockholders' equity:				
Convertible preferred stock, \$.001 par value; actual--10,282,883 shares authorized; 4,306,883 shares issued and outstanding in 1995, 10,031,006 shares issued and outstanding in 1996 and 1997; aggregate liquidation preference of \$5,038 in 1995 and \$39,206 in 1996 and 1997; pro forma-- 5,000,000 shares authorized; no shares issued and outstanding.....	4	10	10	--
Common stock, \$.001 par value; actual-- 15,940,217 shares authorized; 4,692,833, 6,376,708, and 6,568,257 shares issued and outstanding in 1995, 1996, and 1997, respectively; pro forma--50,000,000 shares authorized; 16,849,263 shares issued and outstanding.....	5	6	6	17
Additional paid-in capital.....	5,361	41,319	41,651	43,650
Notes receivable from stockholders.....	--	(543)	(644)	(644)
Deferred compensation.....	--	--	(188)	(188)
Accumulated deficit.....	(1,994)	(12,237)	(24,959)	(24,959)
	-----	-----	-----	-----
Total stockholders' equity.....	3,376	28,555	15,876	17,876
	-----	-----	-----	-----
	\$4,052	\$36,503	\$25,659	\$25,659
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

VERISIGN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PERIOD FROM APRIL 12, 1995 (INCEPTION) TO DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, ----- 1996 1997 -----	
			(UNAUDITED)	
Revenues.....	\$ 382	\$ 1,351	\$ 774	\$ 6,115
Costs and expenses:				
Cost of revenues.....	412	2,791	1,593	5,166
Sales and marketing.....	790	4,876	2,768	7,264
Research and development..	642	2,058	1,290	3,560
General and administrative.....	680	2,640	1,517	2,901
Litigation settlement.....	--	--	--	2,000
	-----	-----	-----	-----
Total costs and expenses.....	2,524	12,365	7,168	20,891
	-----	-----	-----	-----
Operating loss.....	(2,142)	(11,014)	(6,394)	(14,776)
Other income (expense).....	148	(67)	84	860
	-----	-----	-----	-----
Loss before minority interest.....	(1,994)	(11,081)	(6,310)	(13,916)
Minority interest in net loss of subsidiary.....	--	(838)	(358)	(1,194)
	-----	-----	-----	-----
Net loss.....	\$(1,994)	\$(10,243)	\$(5,952)	\$(12,722)
	=====	=====	=====	=====
Pro forma net loss per share.....		\$ (.74)	\$ (.47)	\$ (.75)
		=====	=====	=====
Shares used in per share computations.....		13,836	12,532	17,006

See accompanying notes to consolidated financial statements.

VERISIGN, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

PERIOD FROM APRIL 12, 1995 (INCEPTION) TO SEPTEMBER 30, 1997
(IN THOUSANDS, EXCEPT SHARE DATA)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	NOTES RECEIVABLE FROM STOCKHOLDERS	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	AMOUNT					
Issuance of common stock to founders...	--	\$ -	688,333	\$ 1	\$ 82	\$ -	\$ -	\$ -	\$ 83
Issuance of common stock to a founder in exchange for equipment, other assets, and technology.....	--	--	4,000,000	4	115	--	--	--	119
Issuance of common stock.....	--	--	4,500	--	--	--	--	--	--
Issuance of Series A convertible preferred stock.....	4,306,883	4	--	--	5,164	--	--	--	5,168
Net loss.....	--	--	--	--	--	--	--	(1,994)	(1,994)
Balances, December 31, 1995.....	4,306,883	4	4,692,833	5	5,361	--	--	(1,994)	3,376
Issuance of Series B convertible preferred stock.....	2,099,123	2	--	--	5,141	--	--	--	5,143
Issuance of Series C convertible preferred stock.....	3,625,000	4	--	--	28,192	--	--	--	28,196
Exercise of common stock options.....	--	--	1,637,375	1	559	(543)	--	--	17
Issuance of common stock.....	--	--	46,500	--	3	--	--	--	3
Issuance of capital stock by subsidiary to minority interest.....	--	--	--	--	2,063	--	--	--	2,063
Net loss.....	--	--	--	--	--	--	--	(10,243)	(10,243)
Balances, December 31, 1996.....	10,031,006	10	6,376,708	6	41,319	(543)	--	(12,237)	28,555
Deferred compensation related to common stock options, net of amortization of \$13.....	--	--	--	--	201	--	(188)	--	13
Exercise of common stock options and advance to stockholder.....	--	--	244,494	--	99	(116)	--	--	(17)
Issuance of common stock.....	--	--	25,180	--	42	--	--	--	42
Repurchase of common stock.....	--	--	(78,125)	--	(10)	10	--	--	--
Payments on notes receivable from stockholders.....	--	--	--	--	--	5	--	--	5
Net loss.....	--	--	--	--	--	--	--	(12,722)	(12,722)
Balances, September 30, 1997.....	<u>10,031,006</u>	<u>\$ 10</u>	<u>6,568,257</u>	<u>\$ 6</u>	<u>\$ 41,651</u>	<u>\$ (644)</u>	<u>\$ (188)</u>	<u>\$ (24,959)</u>	<u>\$ 15,876</u>

See accompanying notes to consolidated financial statements.

VERISIGN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	PERIOD FROM APRIL 12, 1995 (INCEPTION) TO YEAR ENDED DECEMBER 31, 1995		NINE MONTHS ENDED SEPTEMBER 30, ----- 1996		1997
			1996	1997	
			----- (UNAUDITED)		
Cash flows from operating activities:					
Net loss.....	\$(1,994)	\$(10,243)	\$(5,952)	\$(12,722)	
Adjustments to reconcile net loss to net cash used in operating activities:					
Litigation settlement.....	--	--	--	2,000	
Depreciation and amortization.....	52	559	238	1,564	
Minority interest in net loss of subsidiary.....	--	(838)	(358)	(1,194)	
Changes in operating assets and liabilities:					
Accounts receivable.....	(195)	(556)	(425)	(1,494)	
Prepaid expenses and other current assets....	(79)	(708)	(203)	213	
Accounts payable.....	437	2,047	524	(1,240)	
Accrued liabilities.....	216	1,818	447	(130)	
Deferred revenue.....	42	1,898	1,033	1,165	
	-----	-----	-----	-----	
Net cash used in operating activities....	(1,521)	(6,023)	(4,696)	(11,838)	
	-----	-----	-----	-----	
Cash flows from investing activities:					
Purchases of short-term investments.....	--	--	--	(11,208)	
Maturities and sales of short-term investments....	--	--	--	3,498	
Purchases of property and equipment.....	(1,008)	(4,168)	(1,702)	(5,321)	
Other assets.....	(35)	(281)	(264)	(472)	
	-----	-----	-----	-----	
Net cash used in investing activities....	(1,043)	(4,449)	(1,966)	(13,503)	
	-----	-----	-----	-----	
Cash flows from financing activities:					
Proceeds from bank borrowings.....	--	258	269	1,230	
Proceeds from issuance of convertible preferred stock.....	5,168	33,339	5,143	--	
Proceeds from issuance of common stock.....	83	20	19	30	
Issuance of capital stock by subsidiary to minority interest.....	--	4,151	2,803	--	
	-----	-----	-----	-----	
Net cash provided by financing activities....	5,251	37,768	8,234	1,260	
	-----	-----	-----	-----	
Net change in cash and cash equivalents.....	2,687	27,296	1,572	(24,081)	
Cash and cash equivalents at beginning of period.....	--	2,687	2,687	29,983	
	-----	-----	-----	-----	
Cash and cash equivalents at end of period.....	\$ 2,687	\$ 29,983	\$ 4,259	\$ 5,902	
	=====	=====	=====	=====	
Noncash financing and investing activities:					
Issuance of common stock to a founder for equipment, other assets, and technology.....	\$ 119	\$ --	\$ --	\$ --	
	=====	=====	=====	=====	
Issuance of notes receivable collateralized by common stock.....	\$ --	\$ 543	\$ --	\$ 116	
	=====	=====	=====	=====	

See accompanying notes to consolidated financial statements.

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1995 AND 1996 AND SEPTEMBER 30, 1997

(INFORMATION FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 1996 IS UNAUDITED)

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

VeriSign, Inc. (the "Company") was incorporated in Delaware in April 1995 when RSA Data Security, Inc. ("RSA") contributed equipment, other assets, and technology for common stock. This transfer of nonmonetary assets was recorded at the founder's historical cost basis. The Company provides digital certificate solutions and infrastructure needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over the Internet and over intranets and extranets using the Internet Protocol.

Consolidation

In February 1996, the Company established a subsidiary in Japan. As of September 30, 1997, the Company owned approximately 51% of the subsidiary's outstanding shares of capital stock. The subsidiary provides the Company's digital certificate solutions throughout Japan. The accompanying consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation. The Company accounts for changes in its proportionate share of the net assets of the subsidiary resulting from sales of capital stock by the subsidiary as equity transactions.

Foreign Currency Translation

The functional currency for the Company's subsidiary is the U.S. dollar; however, its books of record are maintained in Japanese yen. As a result, its financial statements are remeasured into U.S. dollars using a combination of current and historical exchange rates and any remeasurement adjustments are included in net loss, along with all transaction gains and losses for the period.

Cash, Cash Equivalents, and Short-Term Investments

The Company considers all highly liquid investments with maturities of three months or less at the date of acquisition to be cash equivalents. Cash and cash equivalents include money market funds, commercial paper, and various deposit accounts.

Investments held by the Company are classified as "available-for-sale" and are carried at fair value based on quoted market prices. Such investments consist of U.S. government or agency securities and corporate bonds with original maturities beyond 3 months and less than 12 months. Unrealized gains and losses as of December 31, 1996, and September 30, 1997, and realized gains and losses for the year ended December 31, 1996 and for the nine months ended September 30, 1997, were not material.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally three to five years.

Revenue Recognition

Revenues from the sale or renewal of digital certificates are deferred and recognized ratably over the life of the digital certificate, generally 12 months. Revenues from services are recognized using the percentage-of-completion method, based on the ratio of costs incurred to total estimated costs for fixed-fee development arrangements, on a time-and-materials basis for consulting and training services or ratably over the term of the agreement for support and maintenance services. To the extent costs incurred and anticipated costs to complete

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

fixed-fee contracts in progress exceed anticipated billings, a loss is accrued for the excess. To date, the Company has not experienced such losses. Deferred revenue principally consists of payments for unexpired digital certificates.

In October 1997, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") No. 97-2, Software Revenue Recognition, which supersedes SOP No. 91-1. The Company will be required to adopt SOP No. 97-2 prospectively for software transactions entered into beginning January 1, 1998. SOP No. 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair values of the elements. The fair value of an element must be based on evidence that is specific to the vendor. If a vendor does not have evidence of the fair value for all elements in a multiple-element arrangement, all revenue from the arrangement is deferred until such evidence exists or until all elements are delivered. The Company's management anticipates that the adoption of SOP No. 97-2 will not have a material effect on the Company's operating results.

Research and Development Costs

Research and development costs are expensed as incurred. Costs incurred subsequent to establishing technological feasibility, in the form of a working model, are capitalized and amortized over their estimated useful lives. To date, software development costs incurred after technological feasibility has been established have not been material.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets whose realization is not sufficiently likely.

Stock-Based Compensation

The Company accounts for its equity-based compensation plan using the intrinsic value method.

Pro Forma Net Loss Per Share

Pro forma net loss per share is computed using the weighted average number of shares of common stock and convertible preferred stock outstanding on an as-if converted basis and, when dilutive, common equivalent shares from options to purchase common stock using the treasury stock method. In accordance with certain Securities and Exchange Commission Staff Accounting Bulletins, such computations included all common and common equivalent shares issued within the 12 months preceding the initial public offering ("IPO") date as if they were outstanding for all prior periods presented using the treasury stock method and the estimated IPO price.

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share, which must be adopted in the first quarter of 1998. At that time, the Company will be required to change the method currently used to compute net income (loss) per share and to restate amounts previously reported. Under the new requirements, basic net income (loss) per share is computed using the weighted average number of shares of common stock outstanding during the period and diluted net income (loss) per share is computed in a manner similar to the Company's existing policy. The Company expects that neither basic nor diluted net loss per share will differ materially from pro forma net loss per share presented in the accompanying consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Concentration of Credit Risk and Related Party Transactions

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents, short-term investments, and accounts receivable. The Company maintains its cash, cash equivalents, and short-term investments with high quality financial institutions and, as part of its cash management process, performs periodic evaluations of the relative credit standing of these financial institutions. The Company also performs ongoing credit evaluations of its customers and, generally, requires no collateral from its customers. The Company maintains an allowance for potential credit losses, but to date has not experienced significant write-offs.

The Company provided services to VISA International Services Association ("VISA"), a 6% stockholder of the Company on a fully-diluted basis, under an agreement that included development and ongoing operations of a digital certificate system for VISA's member banks. VISA accounted for approximately 21% and 16% of the Company's revenues for the year ended December 31, 1996, and the nine months ended September 30, 1997, respectively, and 13% and 25% of accounts receivable as of December 31, 1996, and September 30, 1997, respectively.

The Company entered into a development agreement in September 1997 with Security Dynamics Technologies, Inc. ("Security Dynamics"), the parent company of RSA, a 27% stockholder of the Company on a fully-diluted basis, to develop a customized certificate authority product in order to enable Security Dynamics to offer a product with encryption and digital certificate authority functionality. The development agreement provides that Security Dynamics will pay the Company an aggregate of \$2.7 million as an initial license fee, \$900,000 of which was paid in October 1997 and the remainder of which will be payable upon the achievement of certain milestones. The Company records revenue related to the development agreement using the percentage-of-completion method. Revenue from the development agreement accounted for approximately 4% of the Company's revenues for the nine months ended September 30, 1997.

The Company had one customer, a South African systems integrator, and another customer, a financial services provider, which accounted for approximately 28% and 13%, respectively, of accounts receivable as of December 31, 1996. One other customer, a European smart card manufacturer, accounted for approximately 12% of accounts receivable as of September 30, 1997.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unaudited Pro Forma Consolidated Balance Sheet

Upon closing of the Company's proposed initial public offering, all outstanding shares of preferred stock will be converted into 10,031,006 shares of common stock. The unaudited pro forma consolidated balance sheet as of September 30, 1997, reflects this conversion and also gives effect to the issuance of 250,000 shares of common stock from the litigation settlement described in Note 8.

Interim Financial Statements

The accompanying unaudited consolidated financial statements for the nine-month period ended September 30, 1996, have been prepared on substantially the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the consolidated financial information set forth therein.

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(2) CASH, CASH EQUIVALENTS, AND SHORT-TERM INVESTMENTS

Available-for-sale securities included in cash, cash equivalents, and short-term investments are as follows (in thousands):

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
Corporate bonds.....	\$ --	\$ --	\$ 6,210
Money market funds.....	624	521	3,690
U.S. government and agency securities.....	2,027	84	1,000
Commercial paper.....	--	--	1,450
	=====	=====	=====
	\$2,651	\$ 605	\$12,350
	=====	=====	=====
Included in cash and cash equivalents.....	\$2,651	\$ 605	\$ 4,640
	=====	=====	=====
Included in short-term investments.....	\$ --	\$ --	\$ 7,710
	=====	=====	=====

(3) PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows (in thousands):

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
Computer equipment and purchased software....	\$ 692	\$3,501	\$ 6,645
Office equipment, furni- ture and fixtures.....	245	792	1,525
Leasehold improvements..	122	934	2,453
	-----	-----	-----
	1,059	5,227	10,623
Less accumulated depre- ciation and amortiza- tion.....	52	610	2,232
	-----	-----	-----
	\$1,007	\$4,617	\$ 8,391
	=====	=====	=====

(4) ACCRUED LIABILITIES

A summary of accrued liabilities follows (in thousands):

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
Employee compensation...	\$ 161	\$ 566	\$ 1,278
Professional fees.....	30	354	132
Financing charges.....	--	732	--
Accrued litigation set- tlement.....	--	--	2,000
Other.....	25	382	494
	-----	-----	-----
	\$ 216	\$2,034	\$ 3,904
	=====	=====	=====

(5) NOTES PAYABLE

The Company's Japanese subsidiary has an available credit facility of 250,000,000 yen (approximately \$2,083,000 as of September 30, 1997) with a bank, which bears interest at a rate of 1.625% per annum and expires in January 1998. Borrowings are secured by certain assets of the subsidiary. As of December 31, 1996, and September 30, 1997, borrowings under this facility aggregated \$258,000 and \$1,487,000, respectively.

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company's Japanese subsidiary also has available a revolving line of credit with a bank that provides up to \$500,000, bears interest at 1.625% per annum and expires in April 1998. The line of credit is secured by a letter of credit in the same amount from the Company. There were no borrowings under this arrangement as of December 31, 1996 or September 30, 1997.

In January 1997, the Company entered into an agreement for a non-revolving equipment line of credit with a financing company that provides up to \$3,000,000, bears interest at 7.50% per annum and expires in March 1999. The line of credit is secured by the Company's fixed assets. The Company is obligated to grant a warrant to purchase up to 17,500 shares of common stock at \$8.00 per share in the event the Company borrows funds under the equipment line of credit. There were no borrowings under this arrangement during the nine months ended September 30, 1997.

(6) STOCKHOLDERS' EQUITY

Convertible Preferred Stock

As of September 30, 1997, convertible preferred stock consisted of the following:

SERIES -----	SHARES	
	SHARES AUTHORIZED	ISSUED AND OUTSTANDING
-----	-----	-----
A.....	4,306,883	4,306,883
B.....	2,101,000	2,099,123
C.....	3,875,000	3,625,000
	-----	-----
	10,282,883	10,031,006
	=====	=====

The rights, preferences, and privileges of the holders of preferred stock are as follows:

- . The holders of Series A, B, and C preferred stock are entitled to noncumulative dividends, if and when declared by the Board of Directors, of \$0.10, \$0.20, and \$0.64 per share, respectively.
- . Shares of preferred stock are convertible to common stock at any time at the rate of one share of common stock for each share of preferred stock. The preferred stock automatically converts to common stock upon the closing of an underwritten public offering of the Company's common stock in which the aggregate proceeds for such shares is at least \$15,000,000 and the per share price is at least \$9.00 per share.
- . The holders of preferred stock are protected by certain antidilutive provisions.
- . Shares of Series A, B, and C preferred stock have a liquidation preference of \$1.20, \$2.40, and \$8.00 per share, respectively, plus any declared and unpaid dividends.
- . The preferred stock generally votes equally with shares of common stock on an "as if converted" basis.

No dividends have been declared or paid on the convertible preferred stock or common stock since inception of the Company.

Common Stock Options

As of September 30, 1997, a total of 4,145,000 shares of common stock were authorized for issuance under the 1995 Stock Option Plan. Options may be granted at an exercise price not less than 100% of the fair market value of the Company's common stock on the date of grant, as determined by the Board of Directors, for incentive stock options and 85% of such fair market value for nonqualified stock options. All options are granted at the discretion of the Company's Board of Directors and have a term not greater than 7 years from the date of grant. Options issued generally vest 25% on the first anniversary date and ratably over the following 12 quarters.

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of stock option activity follows:

	PERIOD FROM APRIL 12, 1995 (INCEPTION) TO DECEMBER 31, 1995		YEAR ENDED DECEMBER 31, 1996		NINE MONTHS ENDED SEPTEMBER 30, 1997	
	WEIGHTED- AVERAGE EXERCISE PRICE	SHARES	WEIGHTED- AVERAGE EXERCISE PRICE	SHARES	WEIGHTED- AVERAGE EXERCISE PRICE	SHARES
Outstanding at beginning of period.....	--	\$ --	1,274,750	\$.12	1,608,075	\$.80
Granted.....	1,398,750	.12	2,022,700	.83	714,050	2.82
Exercised.....	--	--	(1,637,375)	.34	(244,494)	.41
Canceled.....	(124,000)	.12	(52,000)	.13	(76,657)	.80
Outstanding at end of period.....	1,274,750	.12	1,608,075	.80	2,000,974	1.49
Exercisable at end of period.....	86,457		152,163		285,550	
Weighted average fair value of options granted during the period.....		.03		.22		.75

The following table summarizes information about stock options outstanding as of September 30, 1997:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED- AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED- AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE
\$.12-.25.....	453,286	5.0 years	\$.15	159,210
\$.75-1.50.....	817,138	6.0 years	\$.86	113,840
\$2.25.....	562,550	6.6 years	\$2.25	--
\$4.00-8.00.....	168,000	6.6 years	\$5.61	12,500

The Company applies the intrinsic value method in accounting for its equity-based compensation plan. Had compensation cost for the Company's equity-based compensation plan been determined consistent with the fair value approach set forth in SFAS No. 123, Accounting for Stock-Based Compensation, the Company's net loss for the period from April 12, 1995 (inception) to December 31, 1995, for the year ended December 31, 1996, and for the nine months ended September 30, 1997, would have been as follows (in thousands, except per share data):

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
Net loss as reported.....	\$(1,994)	\$(10,243)	\$(12,722)
Pro forma net loss under SFAS No. 123....	(1,999)	(10,294)	(12,877)
Pro forma net loss per share as reported..		(.74)	(.75)
Pro forma net loss per share under SFAS No. 123.....		(.74)	(.76)

The fair value of options granted during the period from April 12, 1995 (inception) to December 31, 1995, the year ended December 31, 1996 and the nine months ended September 30, 1997, is estimated on the date of grant using the minimum value method with the following weighted-average assumptions: no dividend yield; risk-free interest rates of 6.11%, 6.21%, and 6.39%, respectively; and an expected life of 5 years.

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Notes Receivable From Stockholders

In November 1996, the Company loaned several officers an aggregate of \$543,000, due December 31, 2005, bearing interest at a rate per annum of 6.95%, payable quarterly. In August 1997, the Company loaned an officer an aggregate of \$116,000, due December 31, 2006, bearing interest at a rate per annum of 6.87%, payable quarterly. The loans are full recourse, are collateralized by pledges of shares of common stock of the Company that were purchased and may be prepaid in part or in full without notice or penalty.

(7) INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets are as follows (in thousands):

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
	-----	-----	-----
Deferred tax assets:			
Net operating loss carryforwards and deferred start-up costs.....	\$ 833	\$ 4,016	\$ 8,542
Accrued litigation settlement.....	--	--	850
Tax credit carryforwards.....	57	177	504
Other.....	26	162	266
	-----	-----	-----
	916	4,355	10,162
Valuation allowance.....	(916)	(4,355)	(10,162)
	-----	-----	-----
Net deferred tax assets.....	\$ --	\$ --	\$ --
	=====	=====	=====

As of September 30, 1997, the Company has available net operating loss carryforwards for federal and California income tax purposes of approximately \$10,453,000 and \$10,506,000, respectively. The federal net operating loss carryforwards will expire, if not utilized, in years 2010 through 2012. The California net operating loss carryforwards will expire, if not utilized, in years 2000 through 2003.

As of September 30, 1997, the Company has available for carryover research and experimental tax credits for federal and California income tax purposes of approximately \$91,000 and \$72,000, respectively. The federal research and experimental tax credits will expire, if not utilized, in years 2010 through 2012. California research and experimental tax credits carry forward indefinitely until utilized. The Company also has federal foreign tax credits of approximately \$15,000, which expire, if not utilized, in the years 2001 through 2002.

The Tax Reform Act of 1986 imposed substantial restrictions on the utilization of net operating losses and tax credits in the event of an "ownership change" of a corporation. Accordingly, the Company's ability to utilize net operating loss and credit carryforwards may be limited as a result of such an "ownership change" as defined in the Internal Revenue Code.

(8) COMMITMENTS AND CONTINGENCIES

Leases

The Company leases its facilities under operating leases that extend through 2002. Future minimum lease payments under the Company's noncancelable operating leases as of September 30, 1997, are as follows (in thousands):

Three months ended December 31, 1997.....	\$ 428
1998.....	1,631
1999.....	1,667
2000.....	1,679
2001.....	1,293
Thereafter.....	9

Total minimum lease payments.....	\$6,707
	=====

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Net rental expense under operating leases for the period from April 12, 1995 (inception) to December 31, 1995, for the year ended December 31, 1996, and for the nine months ended September 30, 1997, was \$141,000, \$621,000, and \$1,305,000, respectively.

VeriFone

In September 1996, VeriFone, Inc., which subsequently became a wholly-owned subsidiary of Hewlett-Packard Company, filed a lawsuit against the Company alleging, among other things, trademark infringement. In November 1997, both parties executed a definitive agreement under which, among other things, the Company issued an aggregate of 250,000 shares of common stock, which were transferred to Hewlett-Packard, and the Company and VeriFone settled such claims. The settlement amount was recorded during the nine months ended September 30, 1997 as a charge of \$2.0 million.

(9) GEOGRAPHIC INFORMATION

Financial information by geographic area is as follows (in thousands):

DECEMBER 31, 1996 -----	UNITED STATES	JAPAN	CONSOLIDATED -----
Revenues.....	\$ 1,296	\$ 55	\$ 1,351
Operating loss.....	\$ (9,281)	\$(1,733)	\$(11,014)
Total assets, excluding cash and cash equivalents.....	\$ 5,922	\$ 598	\$ 6,520
 SEPTEMBER 30, 1997 -----			
Revenues.....	\$ 5,893	\$ 222	\$ 6,115
Operating loss.....	\$(12,543)	\$(2,233)	\$(14,776)
Total assets, excluding cash and cash equivalents.....	\$ 17,614	\$ 2,143	\$ 19,757

Intergeographic transactions have not been significant to date. Other revenues derived from international customers aggregated \$668,000 for the nine months ended September 30, 1997.

(10) OTHER SUBSEQUENT EVENTS

In October 1997, the Board of Directors adopted and the stockholders approved the 1997 Stock Option Plan, for which 800,000 shares of the Company's common stock have been authorized for issuance. Terms of the 1997 Stock Option Plan are similar to those of the 1995 Stock Option Plan.

In October 1997, the Board of Directors adopted, subject to stockholder approval, the 1998 Equity Incentive Plan. The 1998 Equity Incentive Plan succeeds the previous equity-based compensation plans and 2,000,000 shares have been authorized under the 1998 Equity Incentive Plan. Terms of the 1998 Equity Incentive Plan are similar to those of the 1995 Stock Option Plan.

In October 1997, the Board of Directors adopted, subject to stockholder approval, the 1998 Directors Plan, for which 125,000 shares of the Company's common stock have been authorized. Terms of the 1998 Directors Plan are similar to those of the 1995 Stock Option Plan.

In December 1997, the Board of Directors adopted, subject to stockholder approval, the 1998 Employee Stock Purchase Plan ("Purchase Plan"), for which 500,000 shares of the Company's common stock have been authorized. Eligible employees may select a rate of payroll deduction between 2% and 10% of their compensation and each participant will be granted an option on the first day of each 24 month offering period and such option will be automatically exercised on the last day of each six month purchase period during the offering period. The purchase price for the Company's common stock purchase under the Purchase Plan is 85%

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

of the lesser of the fair market value of the Company's common stock on the first day of the applicable offering period and the last day of the applicable purchase period. The first offering period is expected to begin on the first business day on which price quotations for the Company's common stock are available on the Nasdaq National Market and, depending on the effective date of the registration statement for the Company's proposed initial public offering, may be greater or less than 24 months. Offering periods thereafter will begin at February 1 and August 1.

In November 1997, the Company entered into a preferred provider agreement with Microsoft Corporation ("Microsoft") whereby the companies will develop, promote and distribute a variety of client-based and server-based digital certificate solutions and the Company will be designated as the premier provider of digital certificates for Microsoft customers. In connection with the agreement, the Company will issue 100,000 shares of common stock to Microsoft that will result in an \$800,000 charge to operations during the fourth quarter of 1997.

[LOGO OF VERISIGN APPEARS HERE]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The expenses to be paid by the Registrant in connection with this offering are as follows. All amounts other than the SEC registration fee, NASD filing fee and Nasdaq National Market application fee are estimates.

SEC Registration Fee.....	\$12,122
NASD Filing Fee.....	4,500
Nasdaq National Market Application Fee.....	50,000
Printing.....	*
Legal Fees and Expenses.....	*
Accounting Fees and Expenses.....	*
Road Show Expenses.....	*
Blue Sky Fees and Expenses.....	*
Transfer Agent and Registrar Fees.....	*
Miscellaneous.....	*
Total.....	\$ *

* To be filed by amendment

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's Board of Directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Securities Act").

As permitted by the Delaware General Corporation Law, the Registrant's Third Amended and Restated Certificate of Incorporation, which will become effective upon the completion of this offering, includes a provision that eliminates the personal liability of its directors for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Registrant or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the Delaware General Corporation Law (regarding unlawful dividends and stock purchases) or (iv) for any transaction from which the director derived an improper personal benefit.

As permitted by the Delaware General Corporation Law, the Registrant's Amended and Restated Bylaws, which will become effective upon the completion of this offering, provide that (i) the Registrant is required to indemnify its directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to certain very limited exceptions, (ii) the Registrant may indemnify its other employees and agents to the extent that it indemnifies its officers and directors, unless otherwise required by law, its Certificate of Incorporation, its Amended and Restated Bylaws, or agreement, (iii) the Registrant is required to advance expenses, as incurred, to its directors and executive officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to certain very limited exceptions and (iv) the rights conferred in the Amended and Restated Bylaws are not exclusive.

The Registrant has entered into Indemnification Agreements with each of its current directors and certain of its executive officers and intends to enter into such Indemnification Agreements with each of its other executive officers to give such directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Registrant's Certificate of Incorporation and to provide additional procedural protections. At present, there is no pending litigation or proceeding involving a director, officer or employee of the Registrant regarding which indemnification is sought, nor is the Registrant aware of any threatened litigation that may result in claims for indemnification.

Reference is also made to Article VIII of the Underwriting Agreement, which provides for the indemnification of officers, directors and controlling persons of the Registrant against certain liabilities. The indemnification provisions in the Registrant's Certificate of Incorporation, Amended and Restated Bylaws and the Indemnification Agreements entered into between the Registrant and each of its directors and executive officers may be sufficiently broad to permit indemnification of the Registrant's directors and executive officers for liabilities arising under the Securities Act.

The Registrant, with approval by the Registrant's Board of Directors, has applied for, and expects to obtain, directors' and officers' liability insurance.

Reference is made to the following documents filed as exhibits to this Registration Statement regarding relevant indemnification provisions described above and elsewhere herein:

DOCUMENT -----	EXHIBIT NUMBER -----
Underwriting Agreement (draft dated November 20, 1997).....	1.01
Form of Third Amended and Restated Certificate of Incorporation of Registrant.....	3.03
Form of Amended and Restated Bylaws of Registrant.....	3.05
Form of Indemnification Agreement.....	10.05

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The following table sets forth information regarding all securities sold by the Registrant since April 12, 1995, the Company's inception date.

NAME OR CLASS OF PURCHASER -----	DATE OF SALE -----	TITLE OF SECURITIES -----	NUMBER OF SHARES -----	AGGREGATE PURCHASE PRICE -----	FORM OF CONSIDERATION -----
6 founding stockholders.....	4/18/95	Common Stock	4,688,333	\$ 562,600	Cash/Property(1)
9 entities.....	4/18/95	Series A Preferred Stock(2)	4,306,883	5,168,260	Cash
12 entities.....	2/20/96	Series B Preferred Stock(2)	2,099,123	5,142,851	Cash
12 entities.....	11/18/96 and 12/17/96	Series C Preferred Stock(2)	3,625,000	29,000,000	Cash
23 consultants.....	3/28/96-10/24/97	Common Stock	72,180	113,350	Services
39 employee or director optionees.....	2/27/96-10/29/97	Common Stock (option exercises)	1,943,115(3)	705,966	Cash
Microsoft Corporation..	11/20/97	Common Stock	100,000	800,000	(4)
VeriFone, Inc./Hewlett-Packard Company.....	11/20/97	Common Stock	250,000	2,000,000	(5)

-
- (1) All founding stockholders paid cash except RSA Data Security, Inc., which contributed its equipment, other assets and technology, as described in Exhibit A to its Founder's Subscription Agreement.
 - (2) Each share of Preferred Stock will convert automatically into one share of Common Stock.
 - (3) Of these shares, 78,125 were repurchased by cancellation of a promissory note in the amount of \$9,375, and 893,673 were subject to repurchase at October 31, 1996. The repurchase right lapses ratably over four years.
 - (4) The shares of Common Stock were issued in connection with a preferred provider agreement with the Registrant.
 - (5) The shares of Common Stock were issued in connection with the execution of certain agreements, including a settlement of claims, with VeriFone, Inc., which is owned by Hewlett-Packard Company.

All sales of Common Stock to employees made pursuant to the exercise of stock options granted under the Registrant's stock option plans or pursuant to restricted stock purchase agreements, and all sales to consultants for services, were made pursuant to the exemption from the registration requirements of the Securities Act afforded by Rule 701 promulgated under the Securities Act.

All other sales were made in reliance on Section 4(2) of the Securities Act and/or Regulation D promulgated under the Securities Act. These sales were made without general solicitation or advertising. Each purchaser was a sophisticated investor with access to all relevant information necessary to evaluate the investment who represented to the Registrant that the shares were being acquired for investment.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following exhibits are filed herewith:

EXHIBIT NUMBER -----	EXHIBIT TITLE -----
1.01	Underwriting Agreement (draft dated November 20, 1997).+
3.01	Second Amended and Restated Certificate of Incorporation of the Registrant, as amended.+
3.02	Form of Amendment to Second Amended and Restated Certificate of Incorporation of the Registrant.
3.03	Form of Third Amended and Restated Certificate of Incorporation of the Registrant to be effective upon the closing of this offering.
3.04	Bylaws of Registrant.+
3.05	Form of Amended and Restated Bylaws of Registrant, to be adopted prior to the closing of this offering.
4.01	Investors' Rights Agreement, dated November 15, 1996, among the Registrant and the parties indicated therein.+
4.02	Stockholders' Agreement, dated April 18, 1995, among the Registrant and the parties indicated therein, and amendments dated February 20, 1996 and November 15, 1996.+
4.03	Co-Sale Agreement, dated February 20, 1996, among the Registrant and the parties indicated therein.+
4.04	Form of Specimen Common Stock Certificate.
5.01	Opinion of Fenwick & West LLP regarding legality of the securities being registered.*
10.01	Series A Preferred Stock Purchase Agreement, dated April 18, 1995, among the Registrant and the parties indicated therein.+
10.02	Series B Preferred Stock Purchase Agreement, dated February 20, 1996, among the Registrant and the parties indicated therein.+
10.03	Series C Preferred Stock Purchase Agreement, dated November 15, 1996, among the Registrant and the parties indicated therein.+
10.04	Termination and Release Agreement, dated February 20, 1996, among the Registrant and the parties indicated therein.+
10.05	Form of Indemnification Agreement entered into by the Registrant with each of its directors and executive officers.+
10.06	Registrant's 1995 Stock Option Plan and related documents.+
10.07	Registrant's 1997 Stock Option Plan.+
10.08	Registrant's 1998 Directors' Stock Option Plan and related documents.
10.09	Registrant's 1998 Equity Incentive Plan and related documents.
10.10	Registrant's 1998 Employee Stock Purchase Plan and related documents.
10.11	Registrant's Executive Loan Program of 1996.+

EXHIBIT
NUMBER

EXHIBIT TITLE

- 10.12 Founder's Subscription Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc. for purchase of Common Stock.+
- 10.13 Form of Subscription Agreement, dated April 18, 1995, between the Registrant and certain founding Common Stock holders for purchase of Common Stock.+
- 10.14 Form of Full Recourse Secured Promissory Note and Form of Pledge and Security Agreement entered into between the Registrant and certain executive officers.+
- 10.15 Assignment Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc.
- 10.16 BSAFE/TIPEM OEM Master License Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended.+
- 10.17 Non-Compete and Non-Solicitation Agreement, dated April 18, 1995, between the Registrant and RSA Data Security, Inc.+
- 10.18 Microsoft/VeriSign Certificate Technology Preferred Provider Agreement, effective as of May 1, 1997, between the Registrant and Microsoft Corporation.**
- 10.19 Master Development and License Agreement, dated September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.**+
- 10.20 License Agreement, dated December 16, 1996, between the Registrant and VeriSign Japan K.K.+
- 10.21 Loan Agreement, dated January 30, 1997, between the Registrant and Venture Lending & Leasing, Inc.+
- 10.22 Security Agreement, dated January 30, 1997, between the Registrant and Venture Lending & Leasing, Inc.+
- 10.23 VeriSign Private Label Agreement, dated April 2, 1996, between the Registrant and VISA International Service Association.**+
- 10.24 VeriSign Private Label Agreement, dated October 3, 1996, between the Registrant and VISA International Service Association.**+
- 10.25 Lease Agreement, dated August 15, 1996, between the Registrant and Shoreline Investments VII.+
- 10.26 Lease Agreement, dated September 18, 1996, between the Registrant and Shoreline Investments VII.+
- 10.27 Sublease Agreement, dated September 5, 1996, between the Registrant and Security Dynamics Technologies, Inc.+
- 10.28 Employment Offer Letter Agreement, between the Registrant and Stratton Sclavos, dated June 12, 1995, as amended October 4, 1995.+
- 11.01 Statement regarding computation of pro forma net loss per share.+
- 21.01 Subsidiary of the Registrant.+
- 23.01 Consent of Fenwick & West LLP (included in Exhibit 5.01).*
- 23.02 Consent of KPMG Peat Marwick LLP (see Page S-1 of the Registration Statement).
- 24.01 Power of Attorney.+
- 27.01 Financial Data Schedule (available in EDGAR format only).+

- -----

+ Previously filed.

* To be supplied by amendment.

** Confidential treatment is being sought with respect to certain portions of this agreement. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

(b) The following financial statement schedule is filed herewith:

Schedule II -- Valuation and Qualifying Accounts--Page S-2

Other financial statement schedules are omitted because the information called for is not required or is shown either in the financial statements or the notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mountain View, State of California, on the 2nd day of January, 1998.

VERISIGN, INC.

/s/ Stratton D. Sclavos
 By: _____
 Stratton D. Sclavos
 President and Chief Executive
 Officer

In accordance with the requirements of the Securities Act, this Amendment was signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
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PRINCIPAL EXECUTIVE OFFICER:

/s/ Stratton D. Sclavos _____ Stratton D. Sclavos	President, Chief Executive Officer and Director	January 2, 1998
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PRINCIPAL FINANCIAL AND PRINCIPAL ACCOUNTING OFFICER:

/s/ Dana L. Evan _____ Dana L. Evan	Vice President of Finance and Administration and Chief Financial Officer	January 2, 1998
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DIRECTORS:

* _____ D. James Bidzos	Chairman of the Board	January 2, 1998
* _____ William Chenevich	Director	January 2, 1998
* _____ Kevin R. Compton	Director	January 2, 1998
* _____ David J. Cowan	Director	January 2, 1998
* _____ Timothy Tomlinson	Director and Secretary	January 2, 1998
* By _____ Dana L. Evan	Attorney-in-Fact	

REPORT ON SCHEDULE AND CONSENT OF KPMG PEAT MARWICK LLP

The Board of Directors
VeriSign, Inc.:

The audits referred to in our report dated November 5, 1997, except as to Notes 8 and 10, which are as of November 20, 1997, included the related financial statement schedule for the period from April 12, 1995 (inception) to December 31, 1995, for the year ended December 31, 1996, and for the nine months ended September 30, 1997, included in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the reference to our firm under the headings "Selected Consolidated Financial Data" and "Experts" in the prospectus.

KPMG Peat Marwick LLP

San Francisco, California

January 2, 1998

VERISIGN, INC.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT THE BEGINNING OF THE PERIOD	CHARGED TO COSTS AND EXPENSES	WRITE-OFFS	BALANCE AT THE END OF THE PERIOD

(IN THOUSANDS)				
Allowance for doubtful accounts: Period from April 12, 1995 (inception) to December 31, 1995.....	\$ --	\$ 30	\$ --	\$ 30
Year ended December 31, 1996.....	\$ 30	\$ 22	\$ 17	\$ 35
Nine months ended September 30, 1997.....	\$ 35	\$155	\$ 56	\$134

EXHIBIT INDEX

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- 21.01 Subsidiary of the Registrant.+
- 23.01 Consent of Fenwick & West LLP (included in Exhibit 5.01).*
- 23.02 Consent of KPMG Peat Marwick LLP (see Page S-1 of the Registration Statement).
- 24.01 Power of Attorney.+
- 27.01 Financial Data Schedule (available in EDGAR format only).+

- -----

+ Previously filed.

* To be supplied by amendment.

** Confidential treatment is being sought with respect to certain portions of this agreement. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

CERTIFICATE OF AMENDMENT
OF THE SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
VERISIGN, INC.

VeriSign, Inc. a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), whose original

Certificate of Incorporation was filed in the Office of the Secretary of State of the State of Delaware on April 12, 1995 under the name of Digital Certificates International, Inc., and subsequently amended and restated on February 15, 1996, November 14, 1996, and November 18, 1997, does hereby certify:

The following resolutions amending the Corporation's Second Amended and Restated Certificate of Incorporation, approved by the Corporation's Board of Directors and Stockholders, were duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law, including written consent of the Stockholders of the Corporation and written notice to the non-consenting Stockholders of the Corporation in accordance with the provisions of Section 228 of the Delaware General Corporation Law:

RESOLVED, that the first sentence of Article Four of the Second Amended and Restated Certificate of Incorporation of this Corporation be amended and restated to read as follows:

FOUR: The aggregate number of shares which the corporation shall have authority to issue is Sixty Million Two Hundred Eighty-Two Thousand Eight Hundred Thirty Three (60,282,833) consisting of (i) Fifty Million (50,000,000) shares of Common Stock, One-Tenth of One Cent (\$0.001) par value per share (the "Common Stock"), and (ii) Four

Million Three Hundred Six Thousand Eight Hundred Eighty Three (4,306,883) shares of Series A Convertible Preferred Stock, One-Tenth of One Cent (\$0.001) par value per share (the "Series A Preferred

Stock"), Two Million One Hundred One Thousand (2,101,000) shares of

Series B Convertible Preferred Stock, One-Tenth of One Cent (\$0.001) par value per share (the "Series B Preferred Stock") and Three

Million Eight Hundred Seventy-Five Thousand (3,875,000) shares of the
Series C Convertible Preferred Stock, One Tenth of One Cent (\$0.001)
par value per share (the "Series C Preferred Stock").

IN WITNESS WHEREOF, VeriSign, Inc. has caused this Certificate to be signed
and attested by its duly authorized officers, this ____ day of January, 1998.

VERISIGN, INC.

Stratton Sclavos, President

Attest:

Timothy Tomlinson, Secretary

CERTIFICATE OF THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
VERISIGN, INC.

VeriSign, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), whose original

Certificate of Incorporation was filed in the Office of the Secretary of State of the State of Delaware on April 12, 1995 under the name of Digital Certificates International, Inc. and subsequently amended and restated on February 15, 1996, November 14, 1996, November 18, 1997 and January __, 1998, does hereby certify:

The following resolution amending and restating the Corporation's Second Amended and Restated Certificate of Incorporation, approved by the Corporation's Board of Directors and Stockholders, was duly adopted in accordance with the provisions of Sections 242 and 245 of the Delaware General Corporation Law, including written consent of the Stockholders of the Corporation holding a majority of the issued and outstanding shares of the Corporation, voting together as a single class, and two-thirds of the issued and outstanding shares of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock of the Corporation, voting together as a single class, and written notice to the nonconsenting Stockholders of the Corporation in accordance with the provisions of Section 228 of the Delaware General Corporation Law and Exhibit A referenced in such resolution is the same as the attachment to this Certificate:

RESOLVED, that the Certificate of Incorporation of this corporation shall be amended and restated as set forth in the Third Amended and Restated Certificate of Incorporation attached hereto as Exhibit A.

IN WITNESS WHEREOF, VeriSign, Inc. has caused this Certificate to be signed and attested by its duly authorized officers, this __ day of _____, 1998.

VERISIGN, INC.

Stratton Sclavos

Attest:

Timothy Tomlinson, Secretary

THIRD
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
VERISIGN, INC.
a Delaware corporation

ONE: The name of the corporation is VeriSign, Inc. (hereinafter sometimes referred to as the "Corporation").

TWO: The address of the Corporation's registered office in the State of Delaware is 30 Old Rudnick Lane, in the City of Dover, in the County of Kent. The registered agent in charge thereof is CorpAmerica, Inc., 30 Old Rudnick Lane, Dover, Delaware 19901.

THREE: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation law of Delaware.

FOUR: A. The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is fifty-five Million (55,000,000) shares. Fifty Million (50,000,000) shares shall be Common Stock, \$0.001 par value per share, and five Million (5,000,000) shares shall be Preferred Stock, \$0.001 par value per share.

B. The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware (such certificate being hereinafter referred to as a "Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of each such series and any qualifications, limitations or restrictions thereof. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock Designation.

FIVE: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by this Third Amended and Restated Certificate of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

C. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. Special meetings of stockholders of the Corporation may be called only by either the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), the Chief Executive Officer or the President.

SIX: A. The directors, other than those who may be elected by the holders of Preferred Stock under specified circumstances, shall be divided into three classes with the term of office of the first class (Class I) to expire at the annual meeting of the stockholders held in 1998; the term of office of the second class (Class II) to expire at the annual meeting of stockholders held in 1999; the term of office of the third class (Class III) to expire at the annual meeting of stockholders held in 2000; and thereafter for each such term to expire at each third succeeding annual meeting of stockholders after such election. All directors shall hold office until the expiration of the term for which elected, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director.

B. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation or other cause may be filled (a) by the stockholders at any meeting, (b) by a majority of the directors, although less than a quorum, or (c) by a sole remaining director, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SEVEN: The Corporation shall have a perpetual existence.

EIGHT: A. Exculpation. A director of the Corporation shall not be

personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation law or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation law is hereafter amended to further reduce or authorize, with the approval of the Corporation's stockholders, further reductions in the liability of the Corporation's directors for breach of fiduciary duty, then a director of the Corporation shall not be liable for any such breach to the fullest extent permitted by the Delaware General Corporation Law as so amended.

B. Indemnification. To the extent permitted by applicable law,

this Corporation is also authorized to provide indemnification of (and advancement of expenses to) agents (and any other persons to which Delaware law permits this Corporation to provide

indemnification) through bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the Delaware General Corporation Law, subject only to limits created by applicable Delaware law (statutory or non-statutory), with respect to actions for breach of duty to the Company, its stockholders, and others.

C. Effect of Repeal or Modification. Any repeal or modification of

any of the foregoing provisions of this Article Eight shall not adversely affect any right or protection of a director, officer, agent or other person existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

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IN WITNESS WHEREOF, the Third Amended and Restated Certificate of Incorporation of VeriSign, Inc. has been signed and attested as of this ___ day of January, 1998.

Stratton Sclavos, President

Attest:

Timothy Tomlinson, Secretary

[SIGNATURE PAGE TO THIRD AMENDED AND RESTATED CERTIFICATE OF INCORPORATION]

Amended and Restated
Bylaws
of
VERISIGN, INC.
(A Delaware Corporation)

ARTICLE I
Stockholders

Section 1. Annual Meeting. An annual meeting of the stockholders of the

corporation, for the election of the Directors to succeed those whose terms
expire and for the transaction of such other business as may properly come
before the meeting, shall be held at such place, on such date and at such time
as the Board of Directors shall each year fix.

Section 2. Special Meetings. Special meetings of the stockholders, for

any purpose or purposes prescribed in the notice of the meeting, may be called
only by (i) the Board of Directors pursuant to a resolution adopted by a
majority of the total number of authorized directors (whether or not there exist
any vacancies in previously authorized directorships at the time any such
resolution is presented to the Board of Directors for adoption), (ii) the
Chairman of the Board or (iii) the President and shall be held at such place, on
such date, and at such time as they shall fix. Business transacted at special
meetings shall be confined to the purpose or purposes stated in the notice.

Section 3. Place of Meetings. All meetings of stockholders shall be held

at the principal office of the corporation unless a different place is fixed by
the person or persons calling the meeting and stated in the notice of the
meeting.

Section 4. Notices of Meetings and Adjourned Meetings. A written notice

of each annual or special meeting of the stockholders stating the place, date,
and hour thereof, shall be given by the Secretary (or the person or persons
calling the meeting), not less than 10 nor more than 60 days before the date of
the meeting, to each stockholder entitled to vote thereat, by leaving such
notice with him or her or at his or her residence or usual place of business, or
by depositing it postage prepaid in the United States mail, directed to each
stockholder at his or her address as it appears on the records of the
corporation. Notices of all meetings of stockholders shall state the purpose or
purposes for which the meeting is called. An affidavit of the Secretary,
Assistant Secretary, or transfer agent of the corporation that the notice has
been given shall, in the absence of fraud, be primary facie evidence of the
facts stated therein. No notice need be given to any person with whom
communication is unlawful or to any person who has waived such notice either (a)
in writing (which writing need not specify the business to be transacted at, or
the purpose of, the meeting) signed by such person before or after the time of
the meeting or (b) by attending the meeting except for the express purpose of
objecting, at the beginning of the meeting, to the transaction of any business
because the meeting is not lawfully called or convened. When a meeting is
adjourned to another time and place, notice need not be given of the adjourned
meeting if the time and place thereof are announced at the meeting at which the

adjournment is taken except that, if the adjournment is for more than 30 days or if, after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in the manner provided in this Section 4.

Section 5. Quorum. At any meeting of the stockholders, a quorum for the

transaction of business shall consist of one or more individuals appearing in person or represented by proxy and owning or representing a majority of the shares of the corporation then outstanding and entitled to vote thereat, unless or except to the extent that the presence of a larger number may be required by law (including as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the corporation). Where a separate vote by a class or classes is required, a majority of the shares of such class or classes then outstanding and entitled to vote present in person or by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote thereat who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

Section 6. Organization. Such person as the Board of Directors may have

designated or, in the absence of such a person, the President of the corporation shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the corporation, the secretary of the meeting shall be such person as the chairman appoints.

Section 7. Conduct of Business. The chairman of any meeting of

stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order.

Section 8. Voting. Unless otherwise provided in the Certificate of

Incorporation as currently in effect (the "Certificate of Incorporation") and subject to the provisions of Section 6 of Article IV hereof, each stockholder shall have one vote for each share of stock entitled to vote held by him or her of record according to the records of the corporation. Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. Persons whose stock is pledged shall be entitled to vote unless the pledgor in a transfer on the books of the corporation has expressly empowered the pledgee to vote the pledged shares, in which case only the pledgee or his or her proxy shall be entitled to vote. If shares stand of record in the names of two or more persons or if two or more persons have the same fiduciary relationship respecting the shares then, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided to the contrary: (a) if only one votes, his or her act binds all; (b) if more than one vote, the act of the majority so voting binds all; and (c) if more than one vote and the vote is evenly split, the effect shall be as provided by law.

Section 9. Proxies. Each stockholder entitled to vote at a meeting of

stockholders may authorize another person or any group of persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 10. Action at Meeting. When a quorum is present at any meeting,

action of the stockholders on any matter properly brought before such meeting, other than the election of

directors, shall require, and may be effected by, the affirmative vote of the holders of a majority in interest of the stock present or represented by proxy and entitled to vote on the subject matter, except where a different vote is expressly required by law, the Certificate of Incorporation or these Bylaws, in which case such express provision shall govern and control. The election of directors shall be determined by a plurality of votes cast. If the Certificate of Incorporation so provides, no ballot shall be required for the election of directors unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

Section 11. Stockholder Lists. The officer who has charge of the stock

ledger of the corporation shall prepare and make available, at least 10 days before every meeting of stockholders, a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place of inspection within the city where the meeting is to be held (which place of inspection shall be specified in the notice of the meeting) or, if not so specified, at the place where the meeting is to be held. Such list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this section or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 12. Inspectors of Elections.

(a) Applicability. Unless otherwise provided in the Certificate of

Incorporation or required by the Delaware General Corporation Law, the following provisions of this Section 12 shall apply only if and when the corporation has a class of voting stock that is: (i) listed on a national securities exchange; (ii) authorized for quotation on an interdealer quotation system of a registered national securities association; or (iii) held of record by more than 2,000 stockholders; in all other cases, observance of the provisions of this Section 12 shall be optional, and at the discretion of the corporation.

(b) Appointment. The corporation shall, in advance of any meeting of

stockholders, appoint one or more inspectors of election to act at the meeting and make a written report thereof. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting.

(c) Inspector's Oath. Each inspector of election, before entering upon the

discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

(d) Duties of Inspectors. At a meeting of stockholders, the inspectors of

election shall (i) ascertain the number of shares outstanding and the voting power of each share, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes

and ballots, (iv) determine and retain for a reasonable period of time a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors.

(e) Opening and Closing of Polls. The date and time of the opening and

the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced by the inspectors at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery upon application by a stockholder shall determine otherwise.

(f) Determinations. In determining the validity and counting of proxies

and ballots, the inspectors shall be limited to an examination of the proxies, any envelopes submitted with those proxies, any information provided in connection with proxies in accordance with Section 212(c)(2) of the Delaware General Corporation Law, ballots and the regular books and records of the Corporation, except that the inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by the record owner to cast or more votes than the stockholder holds of record. If the inspectors consider other reliable information for the limited purpose permitted herein, the inspectors at the time they make their certification of their determinations pursuant to this Section 12 shall specify the precise information considered by them, including the person or persons from whom they obtained the information, when the information was obtained, the means by which the information was obtained and the basis for the inspectors' belief that such information is accurate and reliable.

Section 13. Notice of Stockholder Business; Nominations.

(a) Annual Meeting of Stockholders.

(i) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders shall be made at an annual meeting of stockholders (A) pursuant to the corporation's notice of such meeting, (B) by or at the direction of the Board of Directors or (C) by any stockholder of the corporation who was a stockholder of record at the time of giving of the notice provided for in this Section 1.13, who is entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 1.13.

(ii) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of subparagraph (a)(i) of this Section 1.13, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the sixtieth (60th) day nor earlier than the close of business on the ninetieth (90th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual

meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by

the stockholder to be timely must be so delivered not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the corporation. Such stockholder's notice shall set forth: (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written

consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (1) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, and (2) the class and number of shares of the corporation that are owned beneficially and held of record by such stockholder and such beneficial owner.

(iii) Notwithstanding anything in the second sentence of subparagraph (a)(ii) of this Section 13 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the corporation is increased and there is no public announcement by the corporation naming all of the nominees for director or specifying the size of the increased board of directors at least seventy (70) days prior to the first anniversary of the preceding year's annual meeting (or, if the annual meeting is held more than thirty (30) days before or sixty (60) days after such anniversary date, at least seventy (70) days prior to such annual meeting), a stockholder's notice required by this Section 13 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the corporation at the principal executive office of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(b) Special Meetings of Stockholders. Only such business shall be

conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of such meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of such meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice of the special meeting, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 13. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by subparagraph (a)(ii) of this Section 13 shall be

delivered to the Secretary of the corporation at the principal executive offices of the corporation not earlier than the ninetieth (90th) day prior to such special meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(c) General.

(i) Only such persons who are nominated in accordance with the procedures set forth in this Section 13 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 13. Except as otherwise provided by law or these bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.12 and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded.

(ii) For purposes of this Section 13, the term "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to section 13, 14 or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this Section 13, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 1.12 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

ARTICLE II

Directors

Section 1. Powers. The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by law or these Bylaws directed or required to be exercised or done by the stockholders.

Section 2. Number of Directors. The Board of Directors shall consist of no less than five (5) members nor more than seven (7) members, the number thereof to be fixed from time to time by resolution of the Board of Directors. Any amendment of these Bylaws changing the authorized number of directors may be adopted only by the affirmative vote of the stockholders holding a majority of the outstanding capital stock of the Company entitled to vote.

Section 3. Election and Tenure. The directors shall be divided into three classes, with the term of office of the first class, which class initially consists of two directors, to expire at the annual meeting of stockholders held in 1998; the term of office of the second class, which class

initially consists of two directors, to expire at the annual meeting of stockholders held in 1999; the term of office of the third class, which class initially consists of two directors, to expire at the annual meeting of stockholders held in 2000; and thereafter for each such term to expire at each third succeeding annual meeting of stockholders after such election. Each Director shall serve until his or her successor is elected and qualified, or until his or her earlier resignation or removal.

Section 4. Qualification. No Director need be a stockholder.

Section 5. Removal. Subject to the rights of holders of any series of

Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, with or without cause, but only by the affirmative vote of the holders of at least a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class. Vacancies in the Board of Directors resulting from such removal may be filled by a majority of the directors then in office, though less than a quorum, or by the stockholders as provided in Article II, Section 3 above. Directors so chosen shall hold office until the next annual meeting of stockholders.

Section 6. Resignation. Any Director of the corporation may resign at any

time by giving written notice to the Board of Directors, to the Chairman of the Board, if any, to the President, or to the Secretary, and any member of a committee may resign therefrom at any time by giving notice as aforesaid or to the chairman or secretary of such committee. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 7. Vacancies and Newly Created Directorships. Vacancies and newly

created directorships resulting from any increase in the authorized number of Directors may be filled (a) by the stockholders at any meeting, (b) by a majority of the Directors then in office, although less than a quorum, or (c) by a sole remaining Director. Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more Directors by the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the Directors elected by such class, classes or series then in office or by the sole remaining director so elected. When one or more Directors shall resign from the Board, effective at a future date, a majority of Directors who are entitled to act on the filling of such vacancy or vacancies and who are then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies by vote to take effect when such resignation or resignations shall become effective.

Section 8. Annual Meeting. The first meeting of each newly elected board

may be held without notice immediately after an annual meeting of stockholders (or a special meeting of stockholders held in lieu of an annual meeting) at the same place as that at which such meeting of stockholders was held; or such first meeting may be held at such place and time as shall be fixed by the consent in writing of all the Directors, or may be called in the manner hereinafter provided with respect to the call of special meetings.

Section 9. Regular Meetings. Regular meetings of the Directors may be

held at such times and places as shall from time to time be fixed by resolution of the Board, and no notice need be given of regular meetings held at times and places so fixed, PROVIDED, HOWEVER, that any resolution relating to the holding of regular meetings shall remain in force only until the next annual meeting of stockholders and that, if at any meeting of Directors at which a resolution is adopted fixing the times or place or places for any regular meetings any Director is absent, no meeting shall be held pursuant to such resolution without notice to or waiver by such absent Director pursuant to Section 11 of this Article II.

Section 10. Special Meetings. Special meetings of the Directors may be

called by the Chairman of the Board, if any, the President, or by at least one-third of the Directors then in office (rounded up to the nearest whole number), and shall be held at the place and on the date and hour designated in the call thereof.

Section 11. Notices. Notices of any special meeting of the Directors

shall be given to each Director by the Secretary or an Assistant Secretary (a) by mailing to him or her, postage prepaid, and addressed to him or her at his or her address as registered on the books of the corporation, or if not so registered at his or her last known home or business address, a written notice of such meeting at least 4 days before the meeting, (b) by delivering such notice by hand or by telegram, telecopy or telex to him or her at least 48 hours before the meeting, addressed to him or her at such address, or (c) by giving such notice in person or by telephone at least 48 hours in advance of the meeting. In the absence of all such officers, such notice may be given by the officer or one of the Directors calling the meeting. Notice need not be given to any Director who has waived notice (a) in writing executed by him or her before or after the meeting and filed with the records of the meeting, or (b) by attending the meeting except for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A notice or waiver of notice of a meeting of the Directors need not specify the business to be transacted at or the purpose of the meeting.

Section 12. Quorum. At any meeting of the Directors, a majority of the

authorized number of Directors shall constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Board of Directors, a majority of those present (or, if not more than two Directors are present, any Director present) may adjourn the meeting from time to time to another place, date or time, without notice other than announcement at the meeting prior to adjournment, until a quorum shall be present.

Section 13. Participation in Meetings by Conference Telephone. One or

more members of the Board of Directors, or any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 13 shall constitute presence in person at such meeting.

Section 14. Conduct of Business; Action by Written Consent. At any

meeting of the Board of Directors at which a quorum is present, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the Directors present, except as otherwise provided in these Bylaws or required by law. Action may be taken by the Board of Directors, or any committee thereof,

without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the records of proceedings of the Board or committee.

Section 15. Place of Meetings. The Board of Directors may hold its

meetings, and have an office or offices, within or without the State of Delaware.

Section 16. Compensation. The Board of Directors shall have the authority

to fix stated salaries for Directors for their service in such capacity and to provide for payment of a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board. The Board shall also have the authority to provide for payment of a fixed sum and expenses of attendance, if any, payable to members of committees for attending committee meetings. Nothing herein contained shall preclude any Director from serving the corporation in any other capacity and receiving compensation for such services.

Section 17. Committees. The Board of Directors, by resolution passed by a

majority of the number of Directors required at the time to constitute a full Board as fixed in or determined pursuant to these Bylaws as then in effect, may from time to time designate one or more committees, each committee to consist of one or more of the Directors of the corporation. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have such power or authority in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Subsection (a) of Section 151 of the Delaware General Corporation Law, fix the designations and any preferences or rights of such shares or fix the number of shares in a series of stock or authorize the increase or decrease in the shares of any series), adopting an agreement of merger or consolidation under Sections 251, 252, 254, 255, 256, 257, 258, 263, or 264 of the Delaware General Corporation Law, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property or assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the Bylaws of the corporation. Such a committee may, to the extent expressly provided in the resolution of the Board of Directors, have the power or authority to declare a dividend or to authorize the issuance of stock or adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law.

(b) At any meeting of any committee, a majority of the whole committee shall constitute a quorum and, except as otherwise provided by these Bylaws or required by law, the affirmative vote of at least a majority of the members present at a meeting at which there is a quorum shall be the act of the committee.

(c) Each committee, except as otherwise provided by resolution of the Board of Directors, shall fix the time and place of its meetings within or without the State of Delaware, shall adopt its own rules and procedures, and shall keep a record of its acts and proceedings and report the same from time to time to the Board of Directors.

ARTICLE III

Officers

Section 1. Officers and Their Election. The officers of the corporation

shall be a Chief Executive Officer, a President, a Secretary, a Chief Financial Officer and such Vice Presidents, Assistant Secretaries, Assistant Chief Financial Officers and other officers as the Board of Directors may from time to time determine and elect or appoint. The Board of Directors may appoint one of its members to the office of Chairman of the Board and another of its members to the office of Vice-Chairman of the Board and from time to time define the powers and duties of these offices notwithstanding any other provisions of these Bylaws. All officers shall be elected by the Board of Directors and shall serve at the will of the Board of Directors. Any officer may, but need not, be a Director. Two or more offices may be held by the same person.

Section 2. Term of Office. The Chief Executive Officer, the President,

the Chief Financial Officer and the Secretary shall, hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Section 3. Vacancies. Any vacancy at any time existing in any office may

be filled by the Board of Directors.

Section 4. Chairman of the Board. The Board of Directors may, in its

discretion, elect a Chairman of the Board from among its members. He or she may be the Chief Executive Officer of the corporation if so designated by the Board, and he or she shall preside at all meetings of the Board of Directors at which he or she is present and shall exercise and perform such other powers and duties as may from time to time be assigned to him or her by the Board of Directors or prescribed by the Bylaws.

Section 5. Chief Executive Officer. The Board of Directors may elect a

Chief Executive Officer of the corporation who may also be the Chairman of the Board or President of the corporation or both. It shall be his or her duty and he or she shall have the power to see that all orders and resolutions of the Board of Directors are carried into effect and to affix the signature of the corporation to all deeds, conveyances, mortgages, guarantees, leases, obligations, bonds, certificates and other papers and instruments in writing which have been authorized by the Board of Directors or which, in the judgment of the Chief Executive Officer, should be executed on behalf of the corporation; to sign certificates for shares of stock of the corporation; and, subject to the direction of the Board of Directors, to have general charge of the property of the corporation and to supervise and control all officers, agents and employees of the corporation. He or she shall from time to time report to the Board of Directors all matters within his or her knowledge which the interests of the corporation may require to be brought to

its notice. The Chief Executive Officer, when present, shall preside at all meetings of the stockholders and, unless there shall be a Chairman of the Board, of the Board of Directors, unless otherwise provided by the Board of Directors.

Section 6. President. If there is no Chief Executive Officer, the

President shall be the chief executive officer of the corporation except as the Board of Directors may otherwise provide. The President shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 7. Vice Presidents. In the absence or disability of the

President, his or her powers and duties shall be performed by the vice president, if only one, or, if more than one, by the one designated for the purpose by the Board of Directors. Each vice president shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 8. Chief Financial Officer. The Chief Financial Officer shall be

the treasurer of the corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all monies and other valuable effects in the name and to the credit of the corporation in such depositories as shall be designated by the Board of Directors or in the absence of such designation in such depositories as he or she shall from time to time deem proper. The Chief Financial Officer (or any Assistant Chief Financial Officer) shall sign all stock certificates as treasurer of the corporation. He or she shall disburse the funds of the corporation as shall be ordered by the Board of Directors, taking proper vouchers for such disbursements. He or she shall promptly render to the Chief Executive Officer and to the Board of Directors such statements of his or her transactions and accounts as the Chief Executive Officer and Board of Directors respectively may from time to time require. The Chief Financial Officer shall perform such duties and have such other powers that are commonly incident to the office of chief financial officer and such duties and powers additional to the foregoing as the Board of Directors may designate.

Section 9. Assistant Chief Financial Officers. In the absence or

disability of the Chief Financial Officer, his or her powers and duties shall be performed by the Assistant Chief Financial Officer, if only one, or if more than one, by the one designated for the purpose by the Board of Directors. Each Assistant Chief Financial Officer shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 10. Secretary. The Secretary shall issue notices of all meetings

of stockholders, of the Board of Directors and of committees thereof where notices of such meetings are required by law or these Bylaws. He or she shall record the proceedings of the meetings of the stockholders and of the Board of Directors and shall be responsible for the custody thereof in a book to be kept for that purpose. He or she shall also record the proceedings of the committees of the Board of Directors unless such committees appoint their own respective secretaries. Unless the Board of Directors shall appoint a transfer agent and/or registrar, the Secretary shall be charged with the duty of keeping, or causing to be kept, accurate records of all stock outstanding, stock certificates issued and stock transfers. He or she shall sign such instruments as require his or her signature. The Secretary shall have custody of the corporate seal and shall affix and attest such seal on all documents whose execution under seal

is duly authorized. In his or her absence at any meeting, an Assistant Secretary or the Secretary pro tempore shall perform his or her duties thereat. He or she shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 11. Assistant Secretaries. In the absence or disability of the

Secretary, his or her powers and duties shall be performed by the Assistant Secretary, if only one, or, if more than one, by the one designated for the purpose by the Board of Directors. Each Assistant Secretary shall perform such duties and have such powers additional to the foregoing as the Board of Directors shall designate.

Section 12. Salaries. The salaries and other compensation of officers,

agents and employees shall be fixed from time to time by or under authority from the Board of Directors. No officer shall be prevented from receiving a salary or other compensation by reason of the fact that he or she is also a Director of the corporation.

Section 13. Removal. The Board of Directors may remove any officer,

either with or without cause, at any time.

Section 14. Bond. The corporation may secure the fidelity of any or all

of its officers or agents by bond or otherwise.

Section 15. Resignations. Any officer, agent or employee of the

corporation may resign at any time by giving written notice to the Board of Directors, to the Chairman of the Board, if any, to the Chief Executive Officer or to the Secretary of the corporation. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

ARTICLE IV

Capital Stock

Section 1. Stock Certificates; Uncertificated Shares. The shares of

capital stock of the corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock may be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation (or the transfer agent or registrar, as the case may be). Notwithstanding the adoption of such a resolution, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of, the corporation by the Chairman or Vice-Chairman of the Board of Directors or the President or a Vice President, and by the Chief Financial Officer (in his or her capacity as treasurer) or an Assistant Chief Financial Officer (in his or her capacity as assistant treasurer), or the Secretary or an Assistant Secretary, certifying the number of shares owned by him or her in the corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before the certificate is issued, such certificate may

nevertheless be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 2. Classes of Stock. If the corporation shall be authorized to

issue more than one class of stock or more than one series of and class, the face or back of each certificate issued by the corporation to represent such class or series shall either (a) set forth in full or summarize the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions thereof, or

(b) contain a statement that the corporation will furnish a statement of the same without charge to each stockholder who so requests. Within a reasonable time after the issuance or transfer of uncertificated shares, the corporation shall send to the registered holder thereof such written notice as may be required by law as to the information required by law to be set forth or stated on stock certificates.

Section 3. Transfer of Stock. Shares of stock shall be transferable

only upon the books of the corporation pursuant to applicable law and such rules and regulations as the Board of Directors shall from time to time prescribe. The Board of Directors may at any time or from time to time appoint a transfer agent or agents or a registrar or registrars for the transfer or registration of shares of stock. Except where a certificate is issued in accordance with Section 5 of Article IV of these Bylaws, one or more outstanding certificates representing in the aggregate the number of shares involved shall be surrendered for cancellation before a new certificate is issued representing such shares.

Section 4. Holders of Record. Prior to due presentment for registration

of transfer the corporation may treat the holder of record of a share of its stock as the complete owner thereof exclusively entitled to vote, to receive notifications and otherwise entitled to all the rights and powers of a complete owner thereof, notwithstanding notice to the contrary.

Section 5. Stock Certificates. The Board of Directors may direct that a

new stock certificate or certificates, or uncertificated shares, be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates or his or her legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against the corporation on account of the alleged loss, theft, or destruction, of such certificates or the issuance of such new certificate or certificates, or uncertificated shares.

Section 6. Record Date. In order that the corporation may determine the

stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the

date on which the resolution fixing the record date is adopted and which record date shall not be more than 60 nor less than 10 days before the date of any meeting of stockholders, nor more than 60 days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of and dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE V

Miscellaneous Provisions

Section 1. Interested Directors and Officers. (a) No contract or

transaction between the corporation and one or more of its Directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its Directors or officers are Directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the Director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or her or their votes are counted for such purpose, if:

(i) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested Directors, even though the number of disinterested Directors is less than a quorum; or

(ii) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

(iii) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the shareholders.

(b) Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 2. Indemnification.

(a) Right to Indemnification. The corporation shall indemnify and hold

harmless each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or an officer of the corporation or is or was serving at the request of the corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, to the fullest extent authorized by law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than such law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Subsection (c) of this Section with respect to proceedings to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation; and provided further that as to any matter disposed of by a compromise payment by such person, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless such compromise and indemnification therefor shall be appropriated:

(i) by a majority vote of a quorum consisting of disinterested Directors;

(ii) if such a quorum cannot be obtained, then by a majority vote of a committee of the Board of Directors consisting of all the disinterested Directors;

(iii) if there are not two or more disinterested Directors in office, then by a majority of the Directors then in office, provided they have obtained a written finding by special independent legal counsel appointed by a majority of the Directors to the effect that, based upon a reasonable investigation of the relevant facts as described in such opinion, the person to be indemnified appears to have acted in good faith in the reasonable belief that his or her action was in the best interests of the corporation (or, to the extent that such matter relates to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan);

(iv) by the holders of a majority of the shares of stock entitled to vote for the election of Directors, which majority may include interested Directors and officers; or

(v) by a court of competent jurisdiction.

An "interested" Director or officer is one against whom in such capacity the proceeding in question or other proceeding on the same or similar grounds is then pending. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) Right to Advancement of Expenses. The right to indemnification

conferred in Subsection (a) of this Section shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise, which undertaking may be accepted without reference to the financial ability of such person to make repayment.

(c) Right of Indemnitee to Bring Suit. If a claim under Subsection (a) or

(b) of this Section is not paid in full by the corporation within 60 days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part of any such suit, or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking the corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is

not entitled to be indemnified, or to such advancement of expenses, under this Section or otherwise shall be on the corporation.

(d) Non-exclusivity of Rights. The rights to indemnification and to the

advancement of expenses conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, certificate of incorporation, by-law, agreement, vote of disinterested Directors or otherwise. The corporation's indemnification under this Section 2 of any person who is or was a Director or officer of the corporation, or is or was serving, at the request of the corporation, as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person receives as indemnification (i) under any policy of insurance purchased and maintained on his or her behalf by the corporation, (ii) from such other corporation, partnership, joint venture, trust or other enterprise, or (iii) under any other applicable indemnification provision.

(e) Joint Representation. If both the corporation and any person to be

indemnified are parties to an action, suit or proceeding (other than an action or suit by or in the right of the corporation to procure a judgment in its favor), counsel representing the corporation therein may also represent such indemnified person (unless such dual representation would involve such counsel in a conflict of interest in violation of applicable principles of professional ethics), and the corporation shall pay all fees and expenses of such counsel incurred during the period of dual representation other than those, if any, as would not have been incurred if counsel were representing only the corporation; and any allocation made in good faith by such counsel of fees and disbursements payable under this paragraph by the corporation versus fees and disbursements payable by any such indemnified person shall be final and binding upon the corporation and such indemnified person.

(f) Indemnification of Employees and Agents of the Corporation. Except to

the extent that rights to indemnification and advancement of expenses of employees or agents of the corporation may be required by any statute, the Certificate of Incorporation, this Section or any other by-law, agreement, vote of disinterested Directors or otherwise, the corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of to any employee or agent of the corporation to the fullest extent of the provisions of this Section with respect to the indemnification and advancement of expenses of Directors and officers of the corporation.

(g) Insurance. The corporation may maintain insurance, at its expense, to

protect itself and any Director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law (as currently in effect or hereafter amended), the corporation's Certificate of Incorporation or these Bylaws.

(h) Nature of Indemnification Right: Modification of Repeal of

Indemnification. Each person who is or becomes a Director or officer as

described in subsection (a) of this Section 2 shall be deemed to have served or to have continued to serve in such capacity in reliance upon the indemnity provided for in this Section 2. All rights to indemnification (and the advancement

of expenses) under this Section 2 shall be deemed to be provided by a contract between the corporation and the person who serves as a Director or officer of the corporation at any time while these Bylaws and other relevant provisions of the Delaware General Corporation Law and other applicable law, if any, are in effect. Such rights shall continue as to an indemnitee who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any modification or repeal of this Section 2 shall not adversely affect any right or protection existing under this Section 2 at the time of such modification or repeal.

Section 3. Stock in Other Corporations. Subject to any limitations

that may be imposed by the Board of Directors, the President or any person or persons authorized by the Board of Directors may, in the name and on behalf of the corporation, (a) call meetings of the holders of stock or other securities of any corporation or other organization, stock or other securities of which are held by this corporation, (b) act, or appoint any other person or persons (with or without powers of substitution) to act in the name and on behalf of the corporation, or (c) express consent or dissent, as a holder of such securities, to corporate or other action by such other corporation or organization.

Section 4. Checks, Notes, Drafts and Other Instruments. Checks, notes,

drafts and other instruments for the payment of money drawn or endorsed in the name of the corporation may be signed by any officer or officers or person or persons authorized by the Board of Directors to sign the same. No officer or person shall sign any such instrument as aforesaid unless authorized by the Board of Directors to do so.

Section 5. Corporate Seal. The seal of the corporation shall be

circular in form, bearing the name of the corporation, the word "Delaware", and the year of incorporation, and the same may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 6. Books and Records. The books, accounts and records of the

corporation, except as may be otherwise required by law, may be kept outside of the State of Delaware, at such place or places as the Board of Directors may from time to time appoint. Except as may otherwise be provided by law, the Board of Directors shall determine whether and to what extent the books, accounts, records and documents of the corporation, or any of them, shall be open to the inspection of the stockholders.

Section 7. Severability. If any term or provision of the Bylaws, or the

application thereof to any person or circumstances or period of time, shall to any extent be invalid or unenforceable, the remainder of the Bylaws shall be valid and enforced to the fullest extent permitted by law.

Section 8. Interpretations. Words importing persons include firms,

associations and corporations, all words importing the singular number include the plural number and vice versa, and all words importing the masculine gender include the feminine gender.

Section 9. Amendments. The Board of Directors is expressly empowered to

adopt, amend or repeal Bylaws of the corporation. Any adoption, amendment or repeal of Bylaws of

the corporation by the Board of Directors shall require the approval of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any resolution providing for adoption, amendment or repeal is presented to the Board of Directors). The stockholders also have power to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of Bylaws of the corporation by the stockholders shall require, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by the Certificate of Incorporation, the affirmative vote of the holders of at least a majority of the voting power of all of the then outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

CERTIFICATION

I, the undersigned, do hereby certify that:

(1) I am the duly elected and acting Secretary of VeriSign, Inc., a Delaware corporation; and

(2) The foregoing Bylaws, comprising _____() pages, including this Certification, constitute the Bylaws of said corporation as duly adopted by the Board of Directors of this corporation on _____, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this ____th day of January, 1998.

Timothy Tomlinson, Secretary

Number

Shares

VERISIGN

INCORPORATED UNDER THE LAWS OF
THE STATE OF DELAWARE

SEE REVERSE FOR STATEMENTS RELATING
TO RIGHTS, PREFERENCES,
PRIVILEGES AND RESTRICTIONS, IF ANY

This Certifies that

CUSIP 92343E 10 2

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK, PAR VALUE \$0.001 PER
SHARE, OF

VERISIGN, INC.

transferable only on the books of the Corporation by the holder hereof in
person or by duly authorized Attorney upon surrender of this certificate
properly endorsed. This certificate is not valid until countersigned and
registered by the Transfer Agent and Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures
of its duly authorized officers.

Dated:

[corporate seal]

/s/ Dana Evan
VICE PRESIDENT OF FINANCE AND ADMINISTRATION
AND CHIEF FINANCIAL OFFICER

/s/ Stratton Sclavos
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

COUNTERSIGNED AND REGISTERED:
CHASEMELLON SHAREHOLDER SERVICES, L.L.C.
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

A statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights as established, from time to time, by the Certificate of Incorporation of the Corporation and by any certificate of designation, the number of shares constituting each class and series, and the designations thereof, may be obtained by the holder hereof upon request and without charge at the principal office of the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as through they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT -	Custodian
TEN ENT - as tenants by the entireties	-----	-----
JT TEN - as joint tenants with right of survivorship and not as tenants in common	(Cust)	(Minor)
	under Uniform Gifts to Minors Act	
	-----	-----
		(State)
	UNIF TRF MIN ACT -	Custodian (until
	-----	-----
	(Cust)	age)
	-----	-----
		(Minor)
	under Uniform Transfers to Minors and	
	-----	-----
		(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

Shares
of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

Attorney
to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

X

X

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed

By _____

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION

(BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS
WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM),
PURSUANT TO S.E.C. RULE 17Ad-16.

VERISIGN, INC.

1998 DIRECTORS STOCK OPTION PLAN

As Adopted October 31, 1997

1. Purpose. This 1998 Directors Stock Option Plan (this "Plan") is established to provide equity incentives for certain nonemployee members of the Board of Directors of VeriSign, Inc., (the "Company"), who are described in Section 6.1 below, by granting such persons options to purchase shares of stock of the Company.

2. Adoption and Stockholder Approval. After this Plan is adopted by the Board of Directors of the Company (the "Board"), this Plan will become effective on the time and date (the "Effective Date") on which the registration statement filed by the Company with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended (the "Securities Act"), to register the initial public offering of the Company's Common Stock is declared effective by the SEC. This Plan shall be approved by the stockholders of the Company, consistent with applicable laws, within twelve (12) months after the date this Plan is adopted by the Board.

3. Types of Options and Shares. Options granted under this Plan shall be non-qualified stock options ("NQSOs"). The shares of stock that may be purchased upon exercise of Options granted under this Plan (the "Shares") are shares of the Common Stock of the Company.

4. Number of Shares. The maximum number of Shares that may be issued pursuant to Options granted under this Plan (the "Maximum Number") is 125,000 Shares, subject to adjustment as provided in this Plan. If any Option is terminated for any reason without being exercised in whole or in part, the Shares thereby released from such Option shall be available for purchase under other Options subsequently granted under this Plan. At all times during the term of this Plan, the Company shall reserve and keep available such number of Shares as shall be required to satisfy the requirements of outstanding Options granted under this Plan; provided, however that if the aggregate number of Shares subject to outstanding Options granted under this Plan plus the aggregate number of Shares previously issued by the Company pursuant to the exercise of Options granted under this Plan equals or exceeds the Maximum Number, then notwithstanding anything herein to the contrary, no further Options may be granted under this Plan until the Maximum Number is increased or the aggregate number of Shares subject to outstanding Options granted under this Plan plus the aggregate number of Shares previously issued by the Company pursuant to the exercise of Options granted under this Plan is less than the Maximum Number.

5. Administration. This Plan shall be administered by the Board or by a committee of not less than two members of the Board appointed to administer this Plan (the "Committee"). As used in this Plan, references to the Committee shall mean either such Committee or the Board if no Committee has been established. The interpretation by the Committee of any of the provisions of this Plan or any Option granted under this Plan shall be final and binding upon the Company and all persons having an interest in any Option or any Shares purchased pursuant to an Option.

6. Eligibility and Award Formula.

6.1 Eligibility. Options shall be granted only to directors of the

Company who are not employees of the Company or any Parent, Subsidiary or Affiliate of the Company, as those terms are defined in Section 18 below (each such person referred to as an "Optionee").

6.2 Initial Grant. Each Optionee who on or after the Effective Date

first becomes a member of the Board will automatically be granted an Option for 15,000 Shares (an "Initial Grant") on the date such Optionee becomes a member of the Board.

6.3 Succeeding Grants. On each annual anniversary of an Optionee's

Initial Grant (or previous grant from the Company outside this Plan if such Optionee was ineligible to receive an Initial Grant) provided the Optionee is a member of the Board on such anniversary date and has served continuously as a member of the Board since the date of such Optionee's Initial Grant or previous grant, as the case may be, the Optionee will automatically be granted an Option for 7,500 Shares (a "Succeeding Grant").

7. Terms and Conditions of Options. Subject to the following and to Section 6 above:

7.1 Form of Option Grant. Each Option granted under this Plan shall

be evidenced by a written Stock Option Grant ("Grant") in such form (which need not be the same for each Optionee) as the Committee shall from time to time approve, which Grant shall comply with and be subject to the terms and conditions of this Plan.

7.2 Vesting. The date an Optionee receives an Initial Grant or a

Succeeding Grant is referred to in this Plan as the "Start Date" for such Option.

(a) Initial Grants. Each Initial Grant will vest as to six and

one-fourth percent (6.25%) of the Shares on each three-month anniversary of the Start Date for such Initial Grant, so long as the Optionee continuously remains a director or, as determined by the Board in the Initial Grant or the Succeeding Grant, a consultant of the Company.

(b) Succeeding Grants. Each Succeeding Grant will vest as to six

and one-fourth percent (6.25%) of the Shares on each three-month anniversary of the Start Date for such Succeeding Grant, so long as the Optionee continuously remains a director or, as determined by the Board in the Initial Grant or the Succeeding Grant, a consultant of the Company.

7.3 Exercise Price. The exercise price of an Option shall be the Fair

Market Value (as defined in Section 18.4) of the Shares, at the time that the Option is granted.

7.4 Termination of Option. Except as provided below in this Section,

each Option shall expire ten (10) years after its Start Date (the "Expiration Date"). The Option shall cease to vest when the Optionee ceases to be a member of the Board or, as determined by the Board in the Initial Grant or the Succeeding Grant, a consultant of the Company provided, however that if the Optionee ceases to be a member of the Board or, as determined by the Board in the Initial Grant or the Succeeding Grant, a consultant of the Company due to death or total and permanent disability, the vesting of each Option shall accelerate with respect to the number of shares that would have been vested on the anniversary of the date of grant next following the Optionee's termination date. The date on which the Optionee ceases to be a member of the Board or, as determined by the Board in the Initial Grant or the Succeeding Grant, a consultant of the Company shall be referred to as the "Termination Date". An Option may be exercised after the Termination Date only as set forth below:

(a) Termination Generally. If the Optionee ceases to be a member

of the Board or, as determined by the Board in the Initial Grant or the Succeeding Grant, a consultant of the Company for any reason except death of the Optionee or disability of the Optionee (whether temporary or permanent, partial or total, as determined by the Committee), then each Option then held by such Optionee, to the extent (and only to the extent) that it would have been exercisable by the Optionee on the Termination Date, may be exercised by the Optionee no later than seven (7) months after the Termination Date, but in no event later than the Expiration Date.

(b) Death or Disability. If the Optionee ceases to be a member of

the Board or, as determined by the Board in the Initial Grant or the Succeeding Grant, a consultant of the Company because of the death of the Optionee or the disability of the Optionee (whether temporary or permanent, partial or total, as determined by the Committee), then each Option then held by such Optionee to the extent (and only to the extent) that it would have been exercisable by the Optionee on the Termination Date, may be exercised by the Optionee (or

the Optionee's legal representative) no later than twelve (12) months after the Termination Date, but in no event later than the Expiration Date.

8. Exercise of Options.

8.1 Exercise Period. Subject to the provisions of Section 8.5 below,

Options shall be exercisable as they vest.

8.2 Notice. Options may be exercised only by delivery to the Company

of an exercise agreement in a form approved by the Committee stating the number of Shares being purchased, the restrictions imposed on the Shares and such representations and agreements regarding the Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws, together with payment in full of the exercise price for the number of Shares being purchased.

8.3 Payment. Payment for the Shares purchased upon exercise of an

Option may be made (a) in cash or by check; (b) by surrender of shares of Common Stock of the Company that have been owned by the Optionee for more than six (6) months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or were obtained by the Optionee in the open public market, having a Fair Market Value equal to the exercise price of the Option; (c) by waiver of compensation due or accrued to the Optionee for services rendered; (d) provided that a public market for the Company's stock exists, through a "same day sale" commitment from the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the exercise price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; (e) provided that a public market for the Company's stock exists, through a "margin" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or (f) by any combination of the foregoing.

8.4 Withholding Taxes. Prior to issuance of the Shares upon exercise

of an Option, the Optionee shall pay or make adequate provision for any federal or state withholding obligations of the Company, if applicable.

8.5 Limitations on Exercise. Notwithstanding the exercise periods set

forth in the Grant, exercise of an Option shall always be subject to the following limitations:

(a) An Option shall not be exercisable unless such exercise is in compliance with the Securities Act and all applicable state securities laws, as they are in effect on the date of exercise.

(b) The Committee may specify a reasonable minimum number of Shares that may be purchased upon any exercise of an Option, provided that such minimum number will not prevent the Optionee from exercising the full number of Shares as to which the Option is then exercisable.

9. Nontransferability of Options. During the lifetime of the Optionee, an Option shall be exercisable only by the Optionee or by the Optionee's guardian or legal representative, unless otherwise determined by the Committee. No Option may be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution, unless otherwise determined by the Committee.

10. Privileges of Stock Ownership. No Optionee shall have any of the rights of a stockholder with respect to any Shares subject to an Option until the Option has been validly exercised. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to the date of exercise, except as

provided in this Plan. The Company shall provide to each Optionee a copy of the annual financial statements of the Company at such time after the close of each fiscal year of the Company as they are released by the Company to its stockholders.

11. Adjustment of Option Shares. In the event that the number of outstanding shares of Common Stock of the Company is changed by a stock dividend, stock split, reverse stock split, combination, reclassification or similar change in the capital structure of the Company without consideration, the number of Shares available under this Plan and the number of Shares subject to outstanding Options and the exercise price per share of such outstanding Options shall be proportionately adjusted, subject to any required action by the Board or stockholders of the Company and compliance with applicable securities laws; provided, however, that no fractional shares shall be issued upon exercise of any Option and any resulting fractions of a Share shall be rounded up to the nearest whole Share.

12. No Obligation to Continue as Director. Nothing in this Plan or any Option granted under this Plan shall confer on any Optionee any right to continue as a director of the Company.

13. Compliance With Laws. The grant of Options and the issuance of Shares upon exercise of any Options shall be subject to and conditioned upon compliance with all applicable requirements of law, including without limitation compliance with the Securities Act, compliance with all other applicable state securities laws and compliance with the requirements of any stock exchange or national market system on which the Shares may be listed. The Company shall be under no obligation to register the Shares with the SEC or to effect compliance with the registration or qualification requirement of any state securities laws, stock exchange or national market system.

14. Acceleration of Options on Certain Corporate Transactions. In the event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Options granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption, conversion or replacement will be binding on all Optionees), (c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company (other than any stockholder which merges (or which owns or controls another corporation which merges) with the Company in such merger) cease to own their shares or other equity interests in the Company, (d) the sale of substantially all of the assets of the Company, or (e) the acquisition, sale or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction, the vesting of all options granted pursuant to this Plan will accelerate and the options will become exercisable in full prior to the consummation of such event at such times and on such conditions as the Committee determines, and must be exercised, if at all, within six months of the consummation of said event. Any options not exercised within such six-month period shall expire.

15. Amendment or Termination of Plan. The Board may at any time terminate or amend this Plan or any outstanding option, provided that the Board may not terminate or amend the terms of any outstanding option without the consent of the Optionee. In any case, no amendment of this Plan may adversely affect any then outstanding Options or any unexercised portions thereof without the written consent of the Optionee.

16. Term of Plan. Options may be granted pursuant to this Plan from time to time within a period of ten (10) years from the Effective Date.

17. Certain Definitions. As used in this Plan, the following terms shall have the following meanings:

17.1 "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

17.2 "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

17.3 "Affiliate" means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another corporation, where "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

17.4 "Fair Market Value" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

- (a) if such Common Stock is then quoted on the Nasdaq National Market, its closing price on the Nasdaq National Market on the date of determination as reported in The Wall Street Journal;

- (b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in The Wall Street Journal;

- (c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in The Wall Street Journal;

- (d) in the case of an Option granted on the Effective Date, the price per share at which shares of the Company's Common Stock are initially offered for sale to the public by the Company's underwriters in the initial public offering of the Company's Common Stock pursuant to a registration statement filed with the SEC under the Securities Act; or
- (e) if none of the foregoing is applicable, by the Committee in good faith.

INITIAL GRANT

VERISIGN, INC.

1998 DIRECTORS STOCK OPTION PLAN

DIRECTORS NONQUALIFIED INITIAL STOCK OPTION GRANT

This Stock Option Grant (this "GRANT") is made and entered into as of the date of grant set forth below (the "DATE OF GRANT") by and between VeriSign, Inc., a Delaware corporation (the "COMPANY"), and the Optionee named below ("OPTIONEE").

Optionee: _____

Optionee's Address: _____

Total Shares Subject to Option: _____

Exercise Price Per Share: _____

Date of Grant: _____

Expiration Date: _____

1. GRANT OF OPTION. The Company hereby grants to Optionee an option (this

"OPTION") to purchase up to the total number of shares of Common Stock of the Company set forth above (collectively, the "SHARES") at the exercise price per share set forth above (the "EXERCISE PRICE"), subject to all of the terms and conditions of this Grant and the Company's 1998 Directors Stock Option Plan (the "PLAN"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan.

2. EXERCISE AND VESTING OF OPTION. Subject to the terms and conditions of

the Plan and this Grant, this Option shall become exercisable as it vests. Subject to the terms and conditions of the Plan and this Grant, this Option shall vest as to six and twenty-five one-hundredths percent (6.25%) of the Shares on each three-month anniversary of the Date of Grant so long as the Optionee continuously remains a member of the Board of Directors (a "BOARD MEMBER") [OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR A CONSULTANT OF THE COMPANY].

3. RESTRICTION ON EXERCISE. This Option may not be exercised unless such

exercise is in compliance with the Securities Act, and all applicable state securities laws, as they are in effect on the date of exercise, and the requirements of any stock exchange or national market system on which

the Company's Common Stock may be listed at the time of exercise. Optionee understands that the Company is under no obligation to register, qualify or list the Shares with the SEC, any state securities commission or any stock exchange or national market system to effect such compliance.

4. TERMINATION OF OPTION. Except as provided below in this Section, this

Option shall terminate and may not be exercised if Optionee ceases to be a Board Member [OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR CONSULTANT OF THE COMPANY]. The date on which Optionee ceases to be a Board Member [OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR A CONSULTANT OF THE COMPANY] shall be referred to as the "TERMINATION DATE."

4.1 Termination Generally. If Optionee ceases to be a Board Member,

[OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR A CONSULTANT OF THE COMPANY] for any reason except death or disability, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee within seven (7) months after the Termination Date, but in no event later than the Expiration Date.

4.2 Death or Disability. If Optionee ceases to be a Board Member

[OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR A CONSULTANT OF THE COMPANY] because of the death of Optionee or the disability of Optionee, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee (or Optionee's legal representative) within twelve (12) months after the Termination Date, but in no event later than the Expiration Date.

5. MANNER OF EXERCISE.

5.1 Exercise Agreement. This Option shall be exercisable by delivery

to the Company of an executed written Directors Stock Option Exercise Agreement in the form attached hereto as Exhibit A, or in such other form as may be

approved by the Committee, which shall set forth Optionee's election to exercise some or all of this Option, the number of shares being purchased, any restrictions imposed on the Shares and such other representations and agreements as may be required by the Company to comply with applicable securities laws.

5.2 Payment. Payment for the Shares purchased upon exercise of this

Option may be made (a) in cash or by check; (b) by surrender of shares of Common Stock of the Company that have been owned by Optionee for more than six (6) months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or were obtained by the Optionee in the open public market, having a Fair Market Value equal to the Exercise Price of the Option; (c) by waiver of compensation due or accrued to Optionee for services rendered; (d) provided that a public market for the Company's stock exists, through a "same day sale" commitment from the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; (e) provided that a public market for the Company's stock exists, through a "margin" commitment from the Optionee and a NASD Dealer whereby the Optionee irrevocably

elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or (f) by any combination of the foregoing.

5.3 Withholding Taxes. Prior to the issuance of the Shares upon

exercise of this Option, Optionee shall pay or make adequate provision for any applicable federal or state withholding obligations of the Company.

5.4 Issuance of Shares. Provided that such notice and payment are in

form and substance satisfactory to counsel for the Company, the Company shall cause the Shares to be issued in the name of Optionee or Optionee's legal representative. To enforce any restrictions on Optionee's Shares, the Committee may require Optionee 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 have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates.

6. NONTRANSFERABILITY OF OPTION. During the lifetime of the Optionee,

this Option shall be exercisable only by Optionee or by Optionee's guardian or legal representative, unless otherwise permitted by the Committee. This Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

7. INTERPRETATION. Any dispute regarding the interpretation of this Grant

shall be submitted by Optionee or the Company to the Committee that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Committee shall be final and binding on the Company and on Optionee. Nothing in the Plan or this Grant shall confer on Optionee any right to continue as a Board Member.

8. ENTIRE AGREEMENT. The Plan and the Directors Stock Option Exercise

Agreement in the form attached hereto as Exhibit A, and the terms and conditions thereof, are incorporated herein by reference. This Grant, the Plan and the Directors Stock Option Exercise Agreement constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

VERISIGN, INC.

By: _____

Name: _____

Title: _____

ACCEPTANCE OF STOCK OPTION GRANT

Optionee hereby acknowledges receipt of a copy of the Plan, represents that Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and conditions of the Plan and this Grant. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Shares and that Optionee has been advised by the Company that Optionee should consult a qualified tax advisor prior to such exercise or disposition.

_____, Optionee

[ACCEPTANCE SIGNATURE PAGE TO DIRECTORS NONQUALIFIED INITIAL STOCK OPTION GRANT]

SUCCEEDING GRANT

VERISIGN, INC.

1998 DIRECTORS STOCK OPTION PLAN

DIRECTORS NONQUALIFIED SUCCEEDING STOCK OPTION GRANT

This Stock Option Grant (this "GRANT") is made and entered into as of the date of grant set forth below (the "DATE OF GRANT") by and between VeriSign, Inc., a Delaware corporation (the "COMPANY"), and the Optionee named below ("OPTIONEE").

Optionee: _____
Optionee's Address: _____
Total Shares Subject to Option: _____
Exercise Price Per Share: _____
Date of Grant: _____
Expiration Date: _____

1. Grant of Option. The Company hereby grants to Optionee an option (this "OPTION") to purchase up to the total number of shares of Common Stock of the Company set forth above (collectively, the "SHARES") at the exercise price per share set forth above (the "EXERCISE PRICE"), subject to all of the terms and conditions of this Grant and the Company's 1998 Directors Stock Option Plan (the "PLAN"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Plan.

2. EXERCISE AND VESTING OF OPTION. Subject to the terms and conditions of the Plan and this Grant, this Option shall become exercisable as it vests. Subject to the terms and conditions of the Plan and this Grant, this Option shall vest as to six and twenty-five one-hundredths (6.25%) of the Shares on each three-month anniversary of the Date of Grant so long as the Optionee continuously remains a member of the Board of Directors (a "BOARD MEMBER") [OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR A CONSULTANT OF THE COMPANY].

3. RESTRICTION ON EXERCISE. This Option may not be exercised unless such exercise is in compliance with the Securities Act, and all applicable state securities laws, as they are in effect on the date of exercise, and the requirements of any stock exchange or national market system on which

the Company's Common Stock may be listed at the time of exercise. Optionee understands that the Company is under no obligation to register, qualify or list the Shares with the SEC, any state securities commission or any stock exchange or national market system to effect such compliance.

4. TERMINATION OF OPTION. Except as provided below in this Section, this

Option shall terminate and may not be exercised if Optionee ceases to be a Board Member [OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR A CONSULTANT OF THE COMPANY]. The date on which Optionee ceases to be a Board Member [OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR A CONSULTANT OF THE COMPANY] shall be referred to as the "TERMINATION DATE."

4.1 Termination Generally. If Optionee ceases to be a Board Member

[OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR A CONSULTANT OF THE COMPANY] for any reason except death or disability, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee within seven (7) months after the Termination Date, but in no event later than the Expiration Date.

4.2 Death or Disability. If Optionee ceases to be a Board Member

[OPTIONAL, IF PERMITTED BY THE COMMITTEE: OR A CONSULTANT OF THE COMPANY] because of the death of Optionee or the disability of Optionee, then this Option, to the extent (and only to the extent) that it would have been exercisable by Optionee on the Termination Date, may be exercised by Optionee (or Optionee's legal representative) within twelve (12) months after the Termination Date, but in no event later than the Expiration Date.

5. MANNER OF EXERCISE.

5.1 Exercise Agreement. This Option shall be exercisable by delivery

to the Company of an executed written Directors Stock Option Exercise Agreement in the form attached hereto as Exhibit A, or in such other form as may be

approved by the Committee, which shall set forth Optionee's election to exercise some or all of this Option, the number of shares being purchased, any restrictions imposed on the Shares and such other representations and agreements as may be required by the Company to comply with applicable securities laws.

5.2 Payment. Payment for the Shares purchased upon exercise of this

Option may be made (a) in cash or by check; (b) by surrender of shares of Common Stock of the Company that have been owned by Optionee for more than six (6) months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares) or were obtained by the Optionee in the open public market, having a Fair Market Value equal to the Exercise Price of the Option; (c) by waiver of compensation due or accrued to Optionee for services rendered; (d) provided that a public market for the Company's stock exists, through a "same day sale" commitment from the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; (e) provided that a public market for the Company's stock exists, through a

VeriSign, Inc.
Directors Stock Option Grant - Succeeding Grant

"margin" commitment from the Optionee and a NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or (f) by any combination of the foregoing.

5.3 Withholding Taxes. Prior to the issuance of the Shares upon -----
exercise of this Option, Optionee shall pay or make adequate provision for any applicable federal or state withholding obligations of the Company.

5.4 Issuance of Shares. Provided that such notice and payment are in -----
form and substance satisfactory to counsel for the Company, the Company shall cause the Shares to be issued in the name of Optionee or Optionee's legal representative. To enforce any restrictions on Optionee's Shares, the Committee may require Optionee 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 have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates.

6. NONTRANSFERABILITY OF OPTION. During the lifetime of the Optionee, -----
this Option shall be exercisable only by Optionee or by Optionee's guardian or legal representative, unless otherwise permitted by the Committee. This Option may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution.

7. INTERPRETATION. Any dispute regarding the interpretation of this Grant -----
shall be submitted by Optionee or the Company to the Committee that administers the Plan, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Committee shall be final and binding on the Company and on Optionee. Nothing in the Plan or this Grant shall confer on Optionee any right to continue as a Board Member.

8. ENTIRE AGREEMENT. The Plan and the Directors Stock Option Exercise -----
Agreement in the form attached hereto as Exhibit A, and the terms and conditions thereof, are incorporated herein by reference. This Grant, the Plan and the Directors Stock Option Exercise Agreement constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

VERISIGN, INC.

By: _____

Name: _____

Title: _____

ACCEPTANCE OF STOCK OPTION GRANT

Optionee hereby acknowledges receipt of a copy of the Plan, represents that Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and conditions of the Plan and this Grant. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Shares and that Optionee has been advised by the Company that Optionee should consult a qualified tax advisor prior to such exercise or disposition.

_____, Optionee

[ACCEPTANCE SIGNATURE PAGE TO DIRECTORS NONQUALIFIED SUCCEEDING STOCK OPTION GRANT]

EXHIBIT A

DIRECTORS STOCK OPTION EXERCISE AGREEMENT

Exhibit A
VERISIGN, INC.
1998 DIRECTORS STOCK OPTION PLAN (THE "PLAN")
DIRECTORS STOCK OPTION EXERCISE AGREEMENT

I hereby elect to purchase the number of shares of common stock of VERISIGN, INC. (the "Company") as set forth below:

Optionee: _____
Social Security Number: _____
Address: _____

Type of Stock Option: Nonqualified Stock Option

Number of Shares Purchased: _____
Purchase Price per Share: _____
Aggregate Purchase Price: _____
Date of Stock Option Grant: _____
Exact Name of Title to Shares: _____

1. DELIVERY OF PURCHASE PRICE. Optionee hereby delivers to the Company the Aggregate Purchase Price, to the extent permitted in the Directors Nonqualified Stock Option Grant referred to above (the "Grant") as follows (check as applicable and complete):

- in cash or by check in the amount of \$_____, receipt of which is acknowledged by the Company;
- by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of \$_____ per share;
- by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of \$_____;
- through a "same-day-sale" commitment, delivered herewith, from Optionee and the NASD Dealer named therein, in the amount of \$_____; or
- through a "margin" commitment, delivered herewith from Optionee and the NASD Dealer named therein, in the amount of \$_____.

2. MARKET STANDOFF AGREEMENT. Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are required to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

3. TAX CONSEQUENCES. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

4. ENTIRE AGREEMENT. The Plan and the Grant are incorporated herein by reference. This Agreement, the Plan and the Grant constitute the entire agreement of the parties and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by California Law except for that body of law pertaining to conflict of laws.

Date: _____
SIGNATURE OF OPTIONEE

VERISIGN, INC.
1998 DIRECTORS STOCK OPTION PLAN

SPOUSE'S CONSENT

I acknowledge that I have read the foregoing Directors Stock Option Exercise Agreement (the "Agreement") and that I know its contents. I hereby consent to and approve all the provisions of the Agreement and agree that the shares of the Common Stock of VeriSign, Inc. purchased thereunder (the "Shares") and any interest I may have in such Shares are subject to all the provisions of the Agreement. I will take no action at any time to hinder operation of the Agreement on these Shares or any interest I may have on them.

----- Date:
SIGNATURE OF OPTIONEE'S SPOUSE -----

OPTIONEE'S NAME - TYPED OR PRINTED

SPOUSE'S NAME - TYPED OR PRINTED

VERISIGN, INC.

1998 EQUITY INCENTIVE PLAN

As Adopted October 31, 1997

1. PURPOSE. The purpose of this Plan is to provide incentives to

 attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, its Parent and Subsidiaries, by offering them an opportunity to participate in the Company's future performance through awards of Options, Restricted Stock and Stock Bonuses. Capitalized terms not defined in the text are defined in Section 23.

2. SHARES SUBJECT TO THE PLAN.

2.1 Number of Shares Available. Subject to Sections 2.2 and 18,

 the total number of Shares reserved and available for grant and issuance pursuant to this Plan will be 2,000,000 Shares. Subject to Sections 2.2 and 18, Shares that: (a) are subject to issuance upon exercise of an Option but cease to be subject to such Option for any reason other than exercise of such Option; (b) are subject to an Award granted hereunder but are forfeited or are repurchased by the Company at the original issue price; or (c) are subject to an Award that otherwise terminates without Shares being issued, will again be available for grant and issuance in connection with future Awards under this Plan. Any authorized shares not issued or subject to outstanding grants under the Company's 1997 Stock Option Plan and the Company's 1995 Stock Option Plan (the "Prior Plans") on the Effective Date (as defined below) and any shares that are issuable upon exercise of options granted pursuant to the Prior Plans that expire or become unexercisable for any reason without having been exercised in full, will no longer be available for grant and issuance under the Prior Plans, but will be available for grant and issuance under this Plan. In addition, any shares issued under the Prior Plans which are repurchased or forfeited will be available for grant and issuance under this Plan. At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Options granted under this Plan and all other outstanding but unvested Awards granted under this Plan.

2.2 Adjustment of Shares. In the event that the number of

 outstanding shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company without consideration, then (a) the number of Shares reserved for issuance under this Plan, (b) the Exercise Prices of and number of Shares subject to outstanding Options, and (c) the number of Shares subject to other outstanding Awards will be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and compliance with applicable securities laws; provided, however, that

 fractions of a Share will not be issued but will either be replaced by a cash payment equal to the Fair Market Value of such fraction of a Share or will be rounded up to the nearest whole Share, as determined by the Committee.

3. ELIGIBILITY. ISOs (as defined in Section 5 below) may be granted

 only to employees (including officers and directors who are also employees) of the Company or of a Parent or Subsidiary of the Company. All other Awards may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company or any Parent or Subsidiary of the Company; provided such consultants, contractors and advisors render bona fide

 services not in connection with the offer and sale of securities in a capital-raising transaction. No person will be eligible to receive more than 400,000 Shares in any calendar year under this Plan pursuant to the grant of Awards hereunder, other than new employees of the Company or of a Parent or Subsidiary of the Company (including new employees who are also officers and directors of the Company or any Parent or Subsidiary of the Company), who are eligible to receive up to a maximum of 1,000,000 Shares in the calendar year in which they commence their employment. A person may be granted more than one Award under this Plan.

4. ADMINISTRATION.

4.1 Committee Authority. This Plan will be administered by the

Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan. Without limitation, the Committee will have the authority to:

- (a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;
- (b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;
- (c) select persons to receive Awards;
- (d) determine the form and terms of Awards;
- (e) determine the number of Shares or other consideration subject to Awards;
- (f) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent or Subsidiary of the Company;
- (g) grant waivers of Plan or Award conditions;
- (h) determine the vesting, exercisability and payment of Awards;
- (i) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;
- (j) determine whether an Award has been earned; and
- (k) make all other determinations necessary or advisable for the administration of this Plan.

4.2 Committee Discretion. Any determination made by the

Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of this Plan or Award, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Award under this Plan. The Committee may delegate to one or more officers of the Company the authority to grant an Award under this Plan to Participants who are not Insiders of the Company.

5. OPTIONS. The Committee may grant Options to eligible persons and

will determine whether such Options will be Incentive Stock Options within the meaning of the Code ("ISO") or Nonqualified Stock Options ("NQSOs"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 Form of Option Grant. Each Option granted under this Plan

will be evidenced by an Award Agreement which will expressly identify the Option as an ISO or an NQSO ("Stock Option Agreement"), and will be in such form and contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan.

5.2 Date of Grant. The date of grant of an Option will be the date

on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 Exercise Period. Options may be exercisable within the times or

upon the events determined by the Committee as set forth in the Stock Option Agreement governing such Option; provided, however, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who directly or by

attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary of the Company ("Ten Percent Stockholder") will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4 Exercise Price. The Exercise Price of an Option will be

determined by the Committee when the Option is granted and may be not less than 85% of the Fair Market Value of the Shares on the date of grant; provided that: (i) the Exercise Price of an ISO will be not less than 100% of the Fair Market Value of the Shares on the date of grant; and (ii) the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than 110% of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 8 of this Plan.

5.5 Method of Exercise. Options may be exercised only by delivery to

the Company of a written stock option exercise agreement (the "Exercise Agreement") in a form approved by the Committee (which need not be the same for each Participant), stating the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price for the number of Shares being purchased.

5.6 Termination. Notwithstanding the exercise periods set forth in

the Stock Option Agreement, exercise of an Option will always be subject to the following:

- (a) If the Participant is Terminated for any reason except death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable upon the Termination Date no later than three (3) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be an NQSO), but in any event, no later than the expiration date of the Options.
- (b) If the Participant is Terminated because of Participant's death or Disability (or the Participant dies within three (3) months after a Termination other than because of Participant's death or disability), then Participant's Options may be exercised only to the extent that such Options would have been exercisable by Participant on the Termination Date and must be exercised by Participant (or Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (or such shorter or longer time period not exceeding five (5) years as may be determined by the Committee, with any such exercise beyond (a) three (3) months after the Termination Date when the Termination is for any reason other than the Participant's death or Disability, or (b) twelve (12) months after the Termination Date when the Termination is for Participant's death or Disability, deemed to be an NQSO), but in any event no later than the expiration date of the Options.

- (c) Notwithstanding the provisions in paragraph 5.6(a) above, if a Participant is terminated for Cause, neither the Participant, the Participant's estate nor such other person who may then hold the Option shall be entitled to exercise any Option with respect to any Shares whatsoever, after termination of service, whether or not after termination of service the Participant may receive payment from the Company or Subsidiary for vacation pay, for services rendered prior to termination, for services rendered for the day on which termination occurs, for salary in lieu of notice, or for any other benefits. In making such determination, the Board shall give the Participant an opportunity to present to the Board evidence on his behalf. For the purpose of this paragraph, termination of service shall be deemed to occur on the date when the Company dispatches notice or advice to the Participant that his service is terminated.

5.7 Limitations on Exercise. The Committee may specify a reasonable

minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 Limitations on ISO. The aggregate Fair Market Value (determined

as of the date of grant) of Shares with respect to which ISO are exercisable for the first time by a Participant during any calendar year (under this Plan or under any other incentive stock option plan of the Company, Parent or Subsidiary of the Company) will not exceed \$100,000. If the Fair Market Value of Shares on the date of grant with respect to which ISO are exercisable for the first time by a Participant during any calendar year exceeds \$100,000, then the Options for the first \$100,000 worth of Shares to become exercisable in such calendar year will be ISO and the Options for the amount in excess of \$100,000 that become exercisable in that calendar year will be NQSOs. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date of this Plan to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISO, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9 Modification, Extension or Renewal. The Committee may modify,

extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. The Committee may reduce the Exercise Price of outstanding Options without the consent of Participants affected by a written notice to them; provided, however, that the Exercise Price may not be reduced below the minimum

Exercise Price that would be permitted under Section 5.4 of this Plan for Options granted on the date the action is taken to reduce the Exercise Price.

5.10 No Disqualification. Notwithstanding any other provision in this

Plan, no term of this Plan relating to ISO will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. RESTRICTED STOCK. A Restricted Stock Award is an offer by the

Company to sell to an eligible person Shares that are subject to restrictions. The Committee will determine to whom an offer will be made, the number of Shares the person may purchase, the price to be paid (the "Purchase Price"), the restrictions to which the Shares will be subject, and all other terms and conditions of the Restricted Stock Award, subject to the following:

6.1 Form of Restricted Stock Award. All purchases under a

Restricted Stock Award made pursuant to this Plan will be evidenced by an Award Agreement ("Restricted Stock Purchase Agreement") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. The offer of Restricted Stock will be accepted by the Participant's execution and delivery of the Restricted Stock Purchase Agreement and full payment for the Shares to the Company within thirty (30) days from the date the Restricted Stock Purchase Agree-

ment is delivered to the person. If such person does not execute and deliver the Restricted Stock Purchase Agreement along with full payment for the Shares to the Company within thirty (30) days, then the offer will terminate, unless otherwise determined by the Committee.

6.2 Purchase Price. The Purchase Price of Shares sold pursuant to a

Restricted Stock Award will be determined by the Committee on the date the Restricted Stock Award is granted, except in the case of a sale to a Ten Percent Stockholder, in which case the Purchase Price will be 100% of the Fair Market Value. Payment of the Purchase Price may be made in accordance with Section 8 of this Plan.

6.3 Terms of Restricted Stock Awards. Restricted Stock Awards shall

be subject to such restrictions as the Committee may impose. These restrictions may be based upon completion of a specified number of years of service with the Company or upon completion of the performance goals as set out in advance in the Participant's individual Restricted Stock Purchase Agreement. Restricted Stock Awards may vary from Participant to Participant and between groups of Participants. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the payment of any Restricted Stock Award, the Committee shall determine the extent to which such Restricted Stock Award has been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

6.4 Termination During Performance Period. If a Participant is

Terminated during a Performance Period for any reason, then such Participant will be entitled to payment (whether in Shares, cash or otherwise) with respect to the Restricted Stock Award only to the extent earned as of the date of Termination in accordance with the Restricted Stock Purchase Agreement, unless the Committee will determine otherwise.

7. STOCK BONUSES.

7.1 Awards of Stock Bonuses. A Stock Bonus is an award of

Shares (which may consist of Restricted Stock) for services rendered to the Company or any Parent or Subsidiary of the Company. A Stock Bonus may be awarded for past services already rendered to the Company, or any Parent or Subsidiary of the Company pursuant to an Award Agreement (the "Stock Bonus Agreement") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. A Stock Bonus may be awarded upon satisfaction of such performance goals as are set out in advance in the Participant's individual Award Agreement (the "Performance Stock Bonus Agreement") that will be in such form (which need not be the same for each Participant) as the Committee will from time to time approve, and will comply with and be subject to the terms and conditions of this Plan. Stock Bonuses may vary from Participant to Participant and between groups of Participants, and may be based upon the achievement of the Company, Parent or Subsidiary and/or individual performance factors or upon such other criteria as the Committee may determine.

7.2 Terms of Stock Bonuses. The Committee will determine the number

of Shares to be awarded to the Participant. If the Stock Bonus is being earned upon the satisfaction of performance goals pursuant to a Performance Stock Bonus Agreement, then the Committee will: (a) determine the nature, length and starting date of any Performance Period for each Stock Bonus; (b) select from among the Performance Factors to be used to measure the performance, if any; and (c) determine the number of Shares that may be awarded to the Participant. Prior to the payment of any Stock Bonus, the Committee shall determine the extent to which such Stock Bonuses have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Stock Bonuses that are subject to different Performance Periods and different performance goals and other criteria. The number of Shares may be fixed or may vary in accordance with such performance goals and criteria as may be determined by the Committee. The Committee may adjust the performance goals applicable to the Stock Bonuses to take into account changes in law and accounting or tax rules and to make such adjustments as

the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships.

7.3 Form of Payment. The earned portion of a Stock Bonus may be paid

currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee may determine. Payment may be made in the form of cash or whole Shares or a combination thereof, either in a lump sum payment or in installments, all as the Committee will determine.

8. PAYMENT FOR SHARE PURCHASES.

8.1 Payment. Payment for Shares purchased pursuant to this Plan

may be made in cash (by check) or, where expressly approved for the Participant by the Committee and where permitted by law:

- (a) by cancellation of indebtedness of the Company to the Participant;
- (b) by surrender of shares that either: (1) have been owned by Participant for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by Participant in the public market;
- (c) by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; provided, however, that Participants who are

not employees or directors of the Company will not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares;
- (d) by waiver of compensation due or accrued to the Participant for services rendered;
- (e) with respect only to purchases upon exercise of an Option, and provided that a public market for the Company's stock exists:
 - (1) through a "same day sale" commitment from the Participant and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or
 - (2) through a "margin" commitment from the Participant and a NASD Dealer whereby the Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company; or
- (f) by any combination of the foregoing.

8.2 Loan Guarantees. The Committee may help the Participant pay

for Shares purchased under this Plan by authorizing a guarantee by the Company of a third-party loan to the Participant.

9. WITHHOLDING TAXES.

9.1 Withholding Generally. Whenever Shares are to be issued in

satisfaction of Awards granted under this Plan, the Company may require the Participant to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such Shares. Whenever, under this Plan, payments in satisfaction of Awards are to be made in cash, such payment will be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

9.2 Stock Withholding. When, under applicable tax laws, a

Participant incurs tax liability in connection with the exercise or vesting of any Award that is subject to tax withholding and the Participant is obligated to pay the Company the amount required to be withheld, the Committee may in its sole discretion allow the Participant to satisfy the minimum withholding tax obligation by electing to have the Company withhold from the Shares to be issued that number of Shares having a Fair Market Value equal to the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares withheld for this purpose will be made in accordance with the requirements established by the Committee and be in writing in a form acceptable to the Committee.

10. PRIVILEGES OF STOCK OWNERSHIP.

10.1 Voting and Dividends. No Participant will have any of the

rights of a stockholder with respect to any Shares until the Shares are issued to the Participant. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such

Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant will have no right to

retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's Purchase Price or Exercise Price pursuant to Section 12.

10.2 Financial Statements. The Company will provide financial

statements to each Participant prior to such Participant's purchase of Shares under this Plan, and to each Participant annually during the period such Participant has Awards outstanding; provided, however, the Company will not be

required to provide such financial statements to Participants whose services in connection with the Company assure them access to equivalent information.

11. TRANSFERABILITY. Awards granted under this Plan, and any

interest therein, will not be transferable or assignable by Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the laws of descent and distribution or as determined by the Committee and set forth in the Award Agreement with respect to Awards that are not ISOs. During the lifetime of the Participant an Award will be exercisable only by the Participant, and any elections with respect to an Award may be made only by the Participant unless otherwise determined by the Committee and set forth in the Award Agreement with respect to Awards that are not ISOs.

12. RESTRICTIONS ON SHARES. At the discretion of the Committee, the

Company may reserve to itself and/or its assignee(s) in the Award Agreement a right to repurchase a portion of or all Unvested Shares held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of Participant's Termination Date and the date Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Exercise Price or Purchase Price, as the case may be.

13. CERTIFICATES. All certificates for Shares or other securities

delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or

advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted.

14. ESCROW; PLEDGE OF SHARES. To enforce any restrictions on a

Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, 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 have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of Participant's obligation to the Company under the promissory note; provided, however, that the Committee may

require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

15. EXCHANGE AND BUYOUT OF AWARDS. The Committee may, at any time or

from time to time, authorize the Company, with the consent of the respective Participants, to issue new Awards in exchange for the surrender and cancellation of any or all outstanding Awards. The Committee may at any time buy from a Participant an Award previously granted with payment in cash, Shares (including Restricted Stock) or other consideration, based on such terms and conditions as the Committee and the Participant may agree.

16. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE. An Award will

not be effective unless such Award is in compliance with all applicable federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

17. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Award

granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent or Subsidiary of the Company or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

18. CORPORATE TRANSACTIONS.

18.1 Assumption or Replacement of Awards by Successor. In the

event of (a) a dissolution or liquidation of the Company, (b) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants), (c) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to

such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (d) the sale of substantially all of the assets of the Company, or (e) the acquisition, sale, or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction, any or all outstanding Awards may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor corporation (if any) refuses to assume or substitute Awards, as provided above, pursuant to a transaction described in this Subsection 18.1, such Awards will expire on such transaction at such time and on such conditions as the Committee will determine; provided, however, that the

Committee may, in its sole discretion, provide that the vesting of any or all Awards granted pursuant to this Plan will accelerate. If the Committee exercises such discretion with respect to Options, such Options will become exercisable in full prior to the consummation of such event at such time and on such conditions as the Committee determines, and if such Options are not exercised prior to the consummation of the corporate transaction, they shall terminate at such time as determined by the Committee.

18.2 Other Treatment of Awards. Subject to any greater rights granted

to Participants under the foregoing provisions of this Section 18, in the event of the occurrence of any transaction described in Section 18.1, any outstanding Awards will be treated as provided in the applicable agreement or plan of merger, consolidation, dissolution, liquidation, or sale of assets.

18.3 Assumption of Awards by the Company. The Company, from time to

time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the exercise price and the number and nature of Shares issuable

upon exercise of any such option will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

19. ADOPTION AND STOCKHOLDER APPROVAL. This Plan will become

effective on the date on which the registration statement filed by the Company with the SEC under the Securities Act registering the initial public offering of the Company's Common Stock is declared effective by the SEC (the "Effective Date"). This Plan shall be approved by the stockholders of the Company (excluding Shares issued pursuant to this Plan), consistent with applicable laws, within twelve (12) months before or after the date this Plan is adopted by the Board. Upon the Effective Date, the Committee may grant Awards pursuant to this Plan; provided, however, that: (a) no Option may be exercised prior to

initial stockholder approval of this Plan; (b) no Option granted pursuant to an increase in the number of Shares subject to this Plan approved by the Board will be exercised prior to the time such increase has been approved by the stockholders of the Company; and (c) in the event that stockholder approval of such increase is not obtained within the time period provided herein, all Awards granted pursuant to such increase will be canceled, any Shares issued pursuant to any Award granted pursuant to such increase will be canceled, and any purchase of Shares pursuant to such increase will be rescinded.

20. TERM OF PLAN/GOVERNING LAW. Unless earlier terminated as

provided herein, this Plan will terminate ten (10) years from the date this Plan is adopted by the Board or, if earlier, the date of stockholder approval. This Plan and all agreements thereunder shall be governed by and construed in accordance with the laws of the State of California.

21. AMENDMENT OR TERMINATION OF PLAN. The Board may at any time

terminate or amend this Plan in any respect, including without limitation
amendment of any form of Award Agreement or instrument to be executed pursuant
to this Plan; provided, however, that the Board will not, without the approval

of the stockholders of the Company, amend this Plan in any manner that requires
such stockholder approval.

22. NONEXCLUSIVITY OF THE PLAN. Neither the adoption of this Plan by

the Board, the submission of this Plan to the stockholders of the Company for
approval, nor any provision of this Plan will be construed as creating any
limitations on the power of the Board to adopt such additional compensation
arrangements as it may deem desirable, including, without limitation, the
granting of stock options and bonuses otherwise than under this Plan, and such
arrangements may be either generally applicable or applicable only in specific
cases.

23. DEFINITIONS. As used in this Plan, the following terms will have

the following meanings:

"Award" means any award under this Plan, including any Option,
Restricted Stock or Stock Bonus.

"Award Agreement" means, with respect to each Award, the signed
written agreement between the Company and the Participant setting forth the
terms and conditions of the Award.

"Board" means the Board of Directors of the Company.

"Cause" means the commission of an act of theft, embezzlement,
fraud, dishonesty or a breach of fiduciary duty to the Company or a Parent or
Subsidiary of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board.

"Company" means VeriSign, Inc. or any successor corporation.

"Disability" means a disability, whether temporary or permanent,
partial or total, within the meaning of Section 22(e)(3) of the Code, as
determined by the Committee.

"Exchange Act" means the Securities Exchange Act of 1934, as
amended.

"Exercise Price" means the price at which a holder of an Option
may purchase the Shares issuable upon exercise of the Option.

"Fair Market Value" means, as of any date, the value of a share
of the Company's Common Stock determined as follows:

- (a) if such Common Stock is then quoted on the Nasdaq National
Market, its closing price on the Nasdaq National Market on the
date of determination as reported in The Wall Street Journal;

- (b) if such Common Stock is publicly traded and is then listed on a
national securities exchange, its closing price on the date of
determination on the principal national securities exchange on
which the Common Stock is listed or admitted to trading as
reported in The Wall Street Journal;

- (c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in The Wall Street Journal;

- (d) in the case of an Award made on the Effective Date, the price per share at which shares of the Company's Common Stock are initially offered for sale to the public by the Company's underwriters in the initial public offering of the Company's Common Stock pursuant to a registration statement filed with the SEC under the Securities Act; or
- (d) if none of the foregoing is applicable, by the Committee in good faith.

"Insider" means an officer or director of the Company or any other person whose transactions in the Company's Common Stock are subject to Section 16 of the Exchange Act.

"Option" means an award of an option to purchase Shares pursuant to Section 5.

"Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"Participant" means a person who receives an Award under this Plan.

"Performance Factors" means the factors selected by the Committee from among the following measures to determine whether the performance goals established by the Committee and applicable to Awards have been satisfied:

- (a) Net revenue and/or net revenue growth;
- (b) Earnings before income taxes and amortization and/or earnings before income taxes and amortization growth;
- (c) Operating income and/or operating income growth;
- (d) Net income and/or net income growth;
- (e) Earnings per share and/or earnings per share growth;
- (f) Total shareholder return and/or total shareholder return growth;
- (g) Return on equity;
- (h) Operating cash flow return on income;
- (i) Adjusted operating cash flow return on income;
- (j) Economic value added; and
- (k) Individual confidential business objectives.

"Performance Period" means the period of service determined by the Committee, not to exceed five years, during which years of service or performance is to be measured for Restricted Stock Awards or Stock Bonuses.

"Plan" means this VeriSign, Inc. 1998 Equity Incentive Plan, as amended from time to time.

"Restricted Stock Award" means an award of Shares pursuant to Section 6.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Shares" means shares of the Company's Common Stock reserved for issuance under this Plan, as adjusted pursuant to Sections 2 and 18, and any successor security.

"Stock Bonus" means an award of Shares, or cash in lieu of Shares, pursuant to Section 7.

"Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"Termination" or "Terminated" means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, officer, director, consultant, independent contractor, or advisor to the Company or a Parent or Subsidiary of the Company. An employee will not be deemed to have ceased to provide services in the case of (i) sick leave, (ii) military leave, or (iii) any other leave of absence approved by the Committee, provided, that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing. In the case of any employee on an approved leave of absence, the Committee may make such provisions respecting suspension of vesting of the Award while on leave from the employ of the Company or a Subsidiary as it may deem appropriate, except that in no event may an Option be exercised after the expiration of the term set forth in the Option agreement. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the "Termination Date").

"Unvested Shares" means "Unvested Shares" as defined in the Award Agreement.

"Vested Shares" means "Vested Shares" as defined in the Award Agreement.

VERISIGN, INC.

1998 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

This Stock Option Agreement (this "AGREEMENT") is made and entered into as of the date of grant set forth below (the "DATE OF GRANT") by and between VeriSign, Inc., a Delaware corporation (the "COMPANY"), and the participant named below ("OPTIONEE"). Capitalized terms not defined herein shall have the meaning ascribed to them in the Company's 1998 Equity Incentive Plan, as amended (the "PLAN").

OPTIONEE: _____

SOCIAL SECURITY NUMBER: _____

OPTIONEE'S ADDRESS: _____

TOTAL OPTION SHARES: _____

EXERCISE PRICE PER SHARE: _____

DATE OF GRANT: _____

VESTING START DATE: _____

EXPIRATION DATE: _____

1. GRANT OF OPTION. The Company hereby grants to Optionee an option

(this "OPTION") to purchase up to the total number of shares of Common Stock of the Company set forth above (collectively, the "SHARES") at the Exercise Price Per Share set forth above (the "EXERCISE PRICE"), subject to all of the terms and conditions of this Agreement and the Plan. If designated as an Incentive Stock Option above, this Option is intended to qualify as an "incentive stock option" ("ISO") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "CODE").

2. VESTING; EXERCISE PERIOD.

2.1 Vesting of Shares. [ALTERNATIVE #1: (IMMEDIATELY

EXERCISABLE)] This Option is immediately exercisable, subject to repurchase pursuant to Section 12 of the Plan and Section 6 of this Agreement. Subject to the terms and conditions of the Plan and this Agreement, this Option shall vest with respect to ___ of the Shares on _____ following the Date of Grant, provided the Optionee has not been Terminated as of such date and has continuously provided services to the Company or a Parent or Subsidiary of

VERISIGN, INC.

1998 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

This Stock Option Agreement (this "AGREEMENT") is made and entered into as of the date of grant set forth below (the "DATE OF GRANT") by and between VeriSign, Inc., a Delaware corporation (the "COMPANY"), and the participant named below ("OPTIONEE"). Capitalized terms not defined herein shall have the meaning ascribed to them in the Company's 1998 Equity Incentive Plan, as amended (the "PLAN").

OPTIONEE: _____

SOCIAL SECURITY NUMBER: _____

OPTIONEE'S ADDRESS: _____

TOTAL OPTION SHARES: _____

EXERCISE PRICE PER SHARE: _____

DATE OF GRANT: _____

VESTING START DATE: _____

EXPIRATION DATE: _____

TYPE OF STOCK OPTION

(CHECK ONE): INCENTIVE STOCK OPTION
 NONQUALIFIED STOCK OPTION

1. GRANT OF OPTION. The Company hereby grants to Optionee an option

(this "OPTION") to purchase up to the total number of shares of Common Stock of the Company set forth above (collectively, the "SHARES") at the Exercise Price Per Share set forth above (the "EXERCISE PRICE"), subject to all of the terms and conditions of this Agreement and the Plan. If designated as an Incentive Stock Option above, this Option is intended to qualify as an "incentive stock option" ("ISO") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "CODE").

2. VESTING; EXERCISE PERIOD.

2.1 Vesting of Shares. [ALTERNATIVE #1: (IMMEDIATELY

EXERCISABLE)] This Option is immediately exercisable, subject to repurchase pursuant to Section 12 of the Plan and Section 6 of this Agreement. Subject to the terms and conditions of the Plan and this Agreement, this Option shall vest with respect to ____ of the Shares on _____ following the Date of Grant, provided the Optionee has not been Terminated as of such date and has continuously provided services to the Company or a Parent or Subsidiary of

the Company. [ALTERNATIVE #2: (EXERCISABLE AS OPTION VESTS)]: Subject to the terms and conditions of the Plan and this Agreement, this Option shall become exercisable with respect to _____ of the Shares on _____ of the Date of Grant (the "FIRST VESTING DATE") and with respect to _____ of the Shares on _____ following the First Vesting Date, provided the Optionee has not been Terminated and has continuously provided services to the Company or a Parent or Subsidiary of the Company.

[IF IMMEDIATELY EXERCISABLE:

2.2 Vesting of Options. Shares that are vested pursuant to the

schedule set forth in Section 2.1 are "VESTED SHARES." Shares that are not vested pursuant to the schedule set forth in Section 2.1 are "UNVESTED SHARES." Unvested Shares may not be sold or otherwise transferred by Optionee without Optionee's prior written consent.]

2.3 Expiration. This Option shall expire on the Expiration Date

set forth above and must be exercised, if at all, on or before the earlier of the Expiration Date or the date on which this Option is earlier terminated in accordance with the provisions of Section 3.

3. TERMINATION.

3.1 Termination for Any Reason Except Death, Disability or Cause.

If Optionee is Terminated for any reason except Optionee's death, Disability or Cause (as defined in the Plan), then this Option, to the extent (and only to the extent) that it is vested in accordance with the schedule set forth in Section 2.1 of this Agreement on the date of Termination, may be exercised by Optionee no later than three (3) months after the date of Termination, but in any event no later than the Expiration Date.

3.2 Termination Because of Death or Disability. If Optionee is

Terminated because of death or Disability of Optionee (or the Optionee dies within three (3) months after a Termination other than because of death or disability), then this Option, to the extent that it is vested in accordance with the schedule set forth in Section 2.1 of this Agreement on the date of Termination, may be exercised by Optionee (or Optionee's legal representative) no later than twelve (12) months after the date of Termination, but in any event no later than the Expiration Date.

3.3 Termination for Cause. If Optionee is Terminated for Cause

(as defined in the Plan), this Option will expire on the Optionee's date of Termination.

3.4 No Obligation to Employ. Nothing in the Plan or this

Agreement shall confer on Optionee any right to continue in the employ of, or other relationship with, the Company or any Parent or Subsidiary of the Company, or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Optionee's employment or other relationship at any time, with or without Cause.

4. MANNER OF EXERCISE.

4.1 Stock Option Exercise Agreement. To exercise this Option,

Optionee (or in the case of exercise after Optionee's death, Optionee's executor, administrator, heir or legatee, as the case may be) must deliver to the Company an executed stock option exercise agreement in the form attached hereto as Exhibit A, or in such other form as may be approved by the Company

from time to time (the "EXERCISE AGREEMENT"), which shall set forth, inter alia,

Optionee's election to exercise this Option, the number of shares being purchased, any restrictions imposed on the Shares and any representations, warranties and agreements regarding Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws. If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise this Option.

4.2 Limitations on Exercise. This Option may not be exercised

unless such exercise is in compliance with all applicable federal and state securities laws, as they are in effect on the date of exercise. This Option may not be exercised as to fewer than 100 Shares unless it is exercised as to all Shares as to which this Option is then exercisable.

4.3 Payment. The Exercise Agreement shall be accompanied by full

payment of the Exercise Price for the Shares being purchased in cash (by check), or where permitted by law [AND ONLY IF PERMITTED BY THE COMMITTEE]:

- [(a) by cancellation of indebtedness of the Company to the Optionee;
- (b) by surrender of shares of the Company's Common Stock that either: (1) have been owned by Optionee for more than six (6) months and have been paid for within the meaning of SEC Rule 144 (and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares); or (2) were obtained by Optionee in the open public market; and (3) are clear of all liens,

claims, encumbrances or security interests;
- (c) IF PERMITTED BY THE COMMITTEE, by tender of a full recourse promissory note having such terms as may be approved by the Committee and bearing interest at a rate sufficient to avoid imputation of income under Sections 483 and 1274 of the Code; provided, however, that Optionees

who are not employees or directors of the Company shall not be entitled to purchase Shares with a promissory note unless the note is adequately secured by collateral other than the Shares;
- (d) by waiver of compensation due or accrued to Optionee for services rendered;
- (e) provided that a public market for the Company's stock exists: (1) through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD DEALER") whereby Optionee

irrevocably elects to exercise this Option and to sell a portion of the Shares so purchased to pay for the exercise price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or (2) through a "margin"

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commitment from Optionee and a NASD Dealer whereby Optionee irrevocably elects to exercise this Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or

(f) by any combination of the foregoing.]

4.4 Tax Withholding. Prior to the issuance of the Shares upon

exercise of this Option, Optionee must pay or provide for any applicable federal or state withholding obligations of the Company. If the Committee permits, Optionee may provide for payment of withholding taxes upon exercise of this Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld. In such case, the Company shall issue the net number of Shares to the Optionee by deducting the Shares retained from the Shares issuable upon exercise.

4.5 Issuance of Shares. Provided that the Exercise Agreement and

payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Shares registered in the name of Optionee, Optionee's authorized assignee, or Optionee's legal representative, and shall deliver certificates representing the Shares with the appropriate legends affixed thereto.

5. NOTICE OF DISQUALIFYING DISPOSITION OF ISO SHARES. If this Option

is an ISO, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (a) the date two (2) years after the Date of Grant, and (b) the date one (1) year after transfer of such Shares to Optionee upon exercise of this Option, then Optionee shall immediately notify the Company in writing of such disposition.

[IF IMMEDIATELY EXERCISABLE:

6. REPURCHASE RIGHT. The Company shall have the right to repurchase

all Unvested Shares held by Optionee if Optionee is Terminated. The Company shall exercise such repurchase right, if at all, within 90 days after the Optionee's date of Termination for cash or cancellation of purchase money indebtedness at the Optionee's original exercise price.]

7. COMPLIANCE WITH LAWS AND REGULATIONS. The exercise of this Option

and the issuance and transfer of Shares shall be subject to compliance by the Company and Optionee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer. Optionee understands that the Company is under no obligation

to register or qualify the Shares with the Securities and Exchange Commission, any state securities commission or any stock exchange to effect such compliance.

8. NONTRANSFERABILITY OF OPTION. This Option may not be transferred

in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

9. TAX CONSEQUENCES. Set forth below is a brief summary as of the

date the Board of Directors of the Company adopted the Plan of some of the federal and California tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISOR BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

9.1 Exercise of ISO. If this Option qualifies as an ISO, there

will be no regular federal or California income tax liability upon the exercise of this Option, although the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price will be treated as a tax preference item for federal income tax purposes and may subject the Optionee to the alternative minimum tax in the year of exercise.

9.2 Exercise of Nonqualified Stock Option. If this Option does

not qualify as an ISO, there may be a regular federal and California income tax liability upon the exercise of this Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Shares on the date of exercise over the Exercise Price. The Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

[IF IMMEDIATELY EXERCISABLE:

9.3 Section 83(b) Election for Unvested Shares. With respect to

Unvested Shares which are subject to repurchase pursuant to Section 6 of this Agreement, unless an election is filed by the Optionee with the Internal Revenue Service (and, if necessary, the proper state taxing authorities), within 30 days

of the purchase of the Unvested Shares, electing pursuant to Code Section 83(b) (and similar state tax provisions, if applicable) to be taxed currently on any difference between the exercise price of the Unvested Shares and their Fair Market Value on the date of exercise, there may be a recognition of taxable income (including, where applicable, alternative minimum taxable income) to the Optionee, measured by the excess, if any, of the Fair Market Value of the Unvested Shares at the time they cease to be Unvested Shares, over the Exercise Price of the Unvested Shares.]

9.4 Disposition of Shares. The following tax consequences may

apply upon disposition of the Shares.

a. Incentive Stock Options. If the Shares are held for

more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an ISO and are disposed of more than two (2) years after the Date of Grant, any gain realized on disposition of the Shares will be treated as capital gain for federal and California income tax purposes. The maximum federal capital gain tax rates are twenty eight percent (28%) for Shares held more than twelve (12) months, but not more than eighteen (18) months ("MID-TERM CAPITAL GAIN"), and twenty percent (20%) for Shares held for more than eighteen (18) months ("LONG-TERM CAPITAL GAIN"). If Shares purchased under an ISO are disposed of within the applicable one (1) year or two (2) year period, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price.

b. Nonqualified Stock Options. If the Shares are held for

more than twelve (12) months after the date of the transfer of the Shares pursuant to the exercise of an NQSO, any gain realized on disposition of the Shares will be treated as Mid-Term Capital Gain or Long-Term Capital Gain, as the case may be.

c. Withholding. The Company may be required to withhold

from Participant's compensation or collect from the Participant and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income.

10. PRIVILEGES OF STOCK OWNERSHIP. Optionee shall not have any of the

rights of a shareholder with respect to any Shares until Optionee exercises this Option and pays the Exercise Price.

11. INTERPRETATION. Any dispute regarding the interpretation of this

Agreement shall be submitted by Optionee or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Optionee.

12. ENTIRE AGREEMENT. The Plan is incorporated herein by reference.

This Agreement and the Plan and the Exercise Agreement constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

13. NOTICES. Any notice required to be given or delivered to the

Company under the terms of this Agreement 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 Optionee shall be in writing and addressed to Optionee at the address indicated above or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by rapifax or telecopier.

VeriSign, Inc.
Stock Option Agreement

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 set forth herein, this Agreement shall be binding upon Optionee and Optionee's heirs, executors, administrators, legal representatives, successors and assigns.

15. GOVERNING LAW. This Agreement shall be governed by and construed

in accordance with the internal laws of the State of California, without regard to that body of law pertaining to choice of law or conflict of law.

16. ACCEPTANCE. Optionee hereby acknowledges receipt of a copy of the

Plan and this Agreement. Optionee has read and understands the terms and provisions thereof, and accepts this Option subject to all the terms and conditions of the Plan and this Agreement. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Shares and that the Company has advised Optionee to consult a tax advisor prior to such exercise or disposition.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in duplicate by its duly authorized representative and Optionee has executed this Agreement in duplicate as of the Date of Grant.

VERISIGN, INC.

OPTIONEE

By:

(Signature)

(Please print name)

(Please print name)

(Please print title)

EXHIBIT A

STOCK OPTION EXERCISE AGREEMENT

EXHIBIT A

VERISIGN, INC.
1998 EQUITY INCENTIVE PLAN (THE "PLAN")
STOCK OPTION EXERCISE AGREEMENT

I hereby elect to purchase the number of shares of Common Stock of VERISIGN, INC. (the "Company") as set forth below:

Optionee _____ Number of Shares Purchased: _____
Social Security Number: _____ Purchase Price per Share: _____
Address: _____ Aggregate Purchase Price: _____
_____ Date of Option Agreement: _____

Type of Option: Incentive Stock Option Exact Name of Title to Shares: _____
 Nonqualified Stock Option _____

1. Delivery of Purchase Price. Optionee hereby delivers to the Company the Aggregate Purchase Price, to the extent permitted in the Option Agreement (the "Option Agreement") as follows (check as applicable and complete):

in cash (by check) in the amount of \$ _____, receipt of which is acknowledged by the Company;

IF THE COMMITTEE ALLOWED PAYMENT BY OTHER MEANS IN THE STOCK OPTION AGREEMENT, ADD ONE OR MORE OF THE FOLLOWING, AS APPLICABLE:

by cancellation of indebtedness of the company to optionee in the amount of \$ _____;

by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of \$ _____ per share;

by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of \$ _____ ;

by tender of a full recourse promissory note in the principal amount of \$ _____, secured by a Pledge Agreement of even date herewith (the par value of the Shares is tendered in cash (by check) receipt of which is acknowledged by the Company);

through a "same-day-sale" commitment, delivered herewith, from Optionee and the NASD Dealer named therein, in the amount of \$ _____; or

through a "margin" commitment, delivered herewith from Optionee and the NASD Dealer named therein, in the amount of \$ _____.

2. MARKET STANDOFF AGREEMENT. Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are required to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The company may impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

3. TAX CONSEQUENCES. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE. IN PARTICULAR, IF THE SHARES ARE SUBJECT TO REPURCHASE BY THE COMPANY, OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH OPTIONEE'S TAX ADVISER CONCERNING THE ADVISABILITY OF FILING THE ATTACHED 83(B) ELECTION WITH THE INTERNAL REVENUE SERVICE.

4. ENTIRE AGREEMENT. The Plan and Option Agreement are incorporated herein by reference. This Exercise Agreement, the Plan and the Option Agreement constitute the entire agreement and understanding of the parties and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by California law except for that body of law pertaining to choice of law or

conflict of law.

Date: _____

SIGNATURE OF OPTIONEE

Spousal Consent

I acknowledge that I have read the foregoing Stock Option Exercise Agreement (the "Agreement") and that I know its contents. I hereby consent to and approve all the provisions of the Agreement, and agree that the shares of the Common Stock of VeriSign, Inc. purchased thereunder (the "Shares") and any interest I may have in such Shares are subject to all the provisions of the Agreement. I will take no action at any time to hinder operation of the Agreement on these Shares or any interest I may have in or to them.

Date: _____

SIGNATURE OF OPTIONEE'S SPOUSE

SPOUSE'S NAME - TYPED OR PRINTED

OPTIONEE'S NAME - TYPED OR PRINTED

ELECTION UNDER SECTION 83(B) OF THE
INTERNAL REVENUE CODE

The undersigned Taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include the excess, if any, of the fair market value of the property described below at the time of transfer over the amount paid for such property, as compensation for services in the calculation of: (1) regular gross income; (2) alternative minimum taxable income or (3) disqualifying disposition gross income, as the case may be.

1. TAXPAYER'S NAME: _____
TAXPAYER'S ADDRESS: _____
SOCIAL SECURITY NUMBER: _____

2. The property with respect to which the election is made is described as follows: _____ shares of Common Stock of _____, a _____ corporation which were transferred upon exercise of an option (the "COMPANY"), which is Taxpayer's employer or the corporation for whom the Taxpayer performs services.
3. The date on which the shares were transferred pursuant to the exercise of the option was _____, 199__ and this election is made for calendar year 199__.
4. The shares received upon exercise of the option are subject to the following restrictions: The Company may repurchase all or a portion of the shares at the Taxpayer's original purchase price under certain conditions at the time of Taxpayer's termination of employment or services.
5. The fair market value of the shares (without regard to restrictions other than restrictions which by their terms will never lapse) was \$___ per share at the time of exercise of the option.
6. The amount paid for such shares upon exercise of the option was \$___ per share.
7. The Taxpayer has submitted a copy of this statement to the Company.

THIS ELECTION MUST BE FILED WITH THE INTERNAL REVENUE SERVICE ("IRS"), AT THE OFFICE WHERE THE TAXPAYER FILES ANNUAL INCOME TAX RETURNS, WITHIN 30 DAYS AFTER _____
THE DATE OF TRANSFER OF THE SHARES, AND MUST ALSO BE FILED WITH THE TAXPAYER'S INCOME TAX RETURNS FOR THE CALENDAR YEAR. THE ELECTION CANNOT BE REVOKED WITHOUT THE CONSENT OF THE IRS.

Dated: _____
Taxpayer's Signature

VERISIGN, INC.

1998 EMPLOYEE STOCK PURCHASE PLAN

As Adopted December 19, 1997

1. Establishment of Plan. VeriSign, Inc. (the "Company") proposes to grant options for purchase of the Company's Common Stock to eligible employees of the Company and its Participating Subsidiaries (as hereinafter defined) pursuant to this Employee Stock Purchase Plan (this "Plan"). For purposes of this Plan, "Parent Corporation" and "Subsidiary" (collectively, "Participating Subsidiaries") shall have the same meanings as "parent corporation" and "subsidiary corporation" in Sections 424(e) and 424(f), respectively, of the Internal Revenue Code of 1986, as amended (the "Code"). "Participating Subsidiaries" are Parent Corporations or Subsidiaries that the Board of Directors of the Company (the "Board") designates from time to time as corporations that shall participate in this Plan. The Company intends this Plan to qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments to or replacements of such Section), and this Plan shall be so construed. Any term not expressly defined in this Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. A total of 500,000 shares of the Company's Common Stock is reserved for issuance under this Plan. Such number shall be subject to adjustments effected in accordance with Section 14 of this Plan.

2. Purpose. The purpose of this Plan is to provide eligible employees of the Company and Participating Subsidiaries with a convenient means of acquiring an equity interest in the Company through payroll deductions, to enhance such employees' sense of participation in the affairs of the Company and Participating Subsidiaries, and to provide an incentive for continued employment.

3. Administration. This Plan shall be administered by the Compensation Committee of the Board (the "Committee"). Subject to the provisions of this Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of this Plan shall be determined by the Committee and its decisions shall be final and binding upon all participants. Members of the Committee shall receive no compensation for their services in connection with the administration of this Plan, other than standard fees as established from time to time by the Board for services rendered by Board members serving on Board committees. All expenses incurred in connection with the administration of this Plan shall be paid by the Company.

4. Eligibility. Any employee of the Company or the Participating Subsidiaries is eligible to participate in an Offering Period (as hereinafter defined) under this Plan except the following:

(a) employees who are not employed by the Company or Participating Subsidiaries ten (10) days before the beginning of such Offering Period, except that employees who are employed on the effective date of the registration statement filed by the Company with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended (the "Securities Act") registering the initial public offering of the Company's Common Stock shall be eligible to participate in the first Offering Period under the Plan;

(b) employees who are customarily employed for twenty (20) hours or less per week;

(c) employees who are customarily employed for five (5) months or less in a calendar year;

(d) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Participating Subsidiaries or who, as a result of being granted an option under this Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Participating Subsidiaries; and

VeriSign, Inc.
1998 Employee Stock Purchase Plan

(e) individuals who provide services to the Company or any of its Participating Subsidiaries as independent contractors who are reclassified as common law employees for any reason except for federal income and employment tax purposes.

5. Offering Dates. The offering periods of this Plan (each, an "Offering Period") shall be of twenty-four (24) months duration commencing on February 1 and August 1 of each year and ending on January 31 and July 31 of each year; provided, however, that notwithstanding the foregoing, the first such Offering Period shall commence on the first business day on which price quotations for the Company's Common Stock are available on the Nasdaq National Market (the "First Offering Date") and shall end on January 31, 1999. Except for the first Offering Period, each Offering Period shall consist of four (4) six-month purchase periods (individually, a "Purchase Period") during which payroll deductions of the participants are accumulated under this Plan. The first Offering Period shall consist of no more than five and no fewer than three Purchase Periods, any of which may be greater or less than six months as determined by the Committee. The first business day of each Offering Period is referred to as the "Offering Date". The last business day of each Purchase Period is referred to as the "Purchase Date". The Committee shall have the power to change the duration of Offering Periods or Purchase Periods with respect to offerings without stockholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first Offering Period or Purchase Period to be affected.

6. Participation in this Plan. Eligible employees may become participants in an Offering Period under this Plan on the first Offering Date after satisfying the eligibility requirements by delivering a subscription agreement to the Company's treasury department (the "Treasury Department") not later than five (5) days before such Offering Date unless a later time for filing the subscription agreement authorizing payroll deductions is set by the Committee for all eligible employees with respect to a given Offering Period. An eligible employee who does not deliver a subscription agreement to the Treasury Department by such date after becoming eligible to participate in such Offering Period shall not participate in that Offering Period or any subsequent Offering Period unless such employee enrolls in this Plan by filing a subscription agreement with the Treasury Department not later than five (5) days preceding a subsequent Offering Date. Once an employee becomes a participant in an Offering Period, such employee will automatically participate in the Offering Period commencing immediately following the last day of the prior Offering Period unless the employee withdraws or is deemed to withdraw from this Plan or terminates further participation in the Offering Period as set forth in Section 11 below. Such participant is not required to file any additional subscription agreement in order to continue participation in this Plan.

7. Grant of Option on Enrollment. Enrollment by an eligible employee in this Plan with respect to an Offering Period will constitute the grant (as of the Offering Date) by the Company to such employee of an option to purchase on the Purchase Date up to that number of shares of Common Stock of the Company determined by dividing (a) the amount accumulated in such employee's payroll deduction account during such Purchase Period by (b) the lower of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date (but in no event less than the par value of a share of the Company's Common Stock), or (ii) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Purchase Date (but in no event less than the par value of a share of the Company's Common Stock), provided, however, that the number of shares of the Company's Common Stock subject to any option granted pursuant to this Plan shall not exceed the lesser of (a) the maximum number of shares set by the Committee pursuant to Section 10(c) below with respect to the applicable Purchase Date, or (b) the maximum number of shares which may be purchased pursuant to Section 10(b) below with respect to the applicable Purchase Date. The fair market value of a share of the Company's Common Stock shall be determined as provided in Section 8 hereof.

8. Purchase Price. The purchase price per share at which a share of Common Stock will be sold in any Offering Period shall be eighty-five percent (85%) of the lesser of:

- (a) The fair market value on the Offering Date; or
- (b) The fair market value on the Purchase Date.

For purposes of this Plan, the term "Fair Market Value" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

- (a) if such Common Stock is then quoted on the Nasdaq National Market, its closing price on the Nasdaq National Market on the date of determination as reported in The Wall Street Journal;

- (b) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in The Wall Street Journal;

- (c) if such Common Stock is publicly traded but is not quoted on the Nasdaq National Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in The Wall Street Journal; or

- (d) if none of the foregoing is applicable, by the Board in good faith, which in the case of the First Offering Date will be the price per share at which shares of the Company's Common Stock are initially offered for sale to the public by the Company's underwriters in the initial public offering of the Company's Common Stock pursuant to a registration statement filed with the SEC under the Securities Act.

9. Payment Of Purchase Price; Changes In Payroll Deductions; Issuance Of Shares.

(a) The purchase price of the shares is accumulated by regular payroll deductions made during each Offering Period. The deductions are made as a percentage of the participant's compensation in one percent (1%) increments not less than two percent (2%), nor greater than ten percent (10%) or such lower limit set by the Committee. Compensation shall mean base salary, commissions, bonuses, incentive compensation and shift premiums not to exceed \$250,000 per calendar year, provided however, that for purposes of determining a participant's compensation, any election by such participant to reduce his or her regular cash remuneration under Sections 125 or 401(k) of the Code shall be treated as if the participant did not make such election. Payroll deductions shall commence on the first payday of the Offering Period and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in this Plan.

(b) A participant may decrease or increase the rate of payroll deductions during an Offering Period by filing with the Treasury Department a new authorization for payroll deductions, in which case the new rate shall become effective for the next payroll period commencing more than fifteen (15) days after the Treasury Department's receipt of the authorization and shall continue for the remainder of the Offering Period unless changed as described below. Such change in the rate of payroll deductions may be made at any time during an Offering Period, but not more than one (1) change may be made effective during any Offering Period. A participant may increase or decrease the rate of payroll deductions for any subsequent Offering Period by filing with the Treasury Department a new authorization for payroll deductions not later than fifteen (15) days before the beginning of such Offering Period.

(c) All payroll deductions made for a participant are credited to his or her account under this Plan and are deposited with the general funds of the Company. No interest accrues on the payroll deductions. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

(d) On each Purchase Date, so long as this Plan remains in effect and provided that the participant has not submitted a signed and completed withdrawal form before that date which notifies the Company that the participant wishes to withdraw from that Offering Period under this Plan and have all payroll deductions accumulated in the account maintained on behalf of the participant as of that date returned to the participant, the Company shall

apply the funds then in the participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per share shall be as specified in Section 8 of this Plan. Any cash remaining in a participant's account after such purchase of shares shall be refunded to such participant in cash, without interest; provided, however that any amount remaining in such participant's account on a Purchase Date which is less than the amount necessary to purchase a full share of Common Stock of the Company shall be carried forward, without interest, into the next Purchase Period or Offering Period, as the case may be. In the event that this Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date shall be returned to the participant, without interest. No Common Stock shall be purchased on a Purchase Date on behalf of any employee whose participation in this Plan has terminated prior to such Purchase Date.

(e) As promptly as practicable after the Purchase Date, the Company shall issue shares for the participant's benefit representing the shares purchased upon exercise of his or her option.

(f) During a participant's lifetime, such participant's option to purchase shares hereunder is exercisable only by him or her. The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

10. Limitations on Shares to be Purchased.

(a) No participant shall be entitled to purchase stock under this Plan at a rate which, when aggregated with his or her rights to purchase stock under all other employee stock purchase plans of the Company or any Subsidiary, exceeds \$25,000 in fair market value, determined as of the Offering Date (or such other limit as may be imposed by the Code) for each calendar year in which the employee participates in this Plan. The Company shall automatically suspend the payroll deductions of any participant as necessary to enforce such limit provided that when the Company automatically resumes such payroll deductions, the Company must apply the rate in effect immediately prior to such suspension.

(b) No more than two hundred percent (200%) of the number of shares determined by using eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date as the denominator may be purchased by a participant on any single Purchase Date.

(c) No participant shall be entitled to purchase more than the Maximum Share Amount (as defined below) on any single Purchase Date. Not less than thirty (30) days prior to the commencement of any Offering Period, the Committee may, in its sole discretion, set a maximum number of shares which may be purchased by any employee at any single Purchase Date (hereinafter the "Maximum Share Amount"). Until otherwise determined by the Committee, there shall be no Maximum Share Amount. In no event shall the Maximum Share Amount exceed the amounts permitted under Section 10(b) above. If a new Maximum Share Amount is set, then all participants must be notified of such Maximum Share Amount prior to the commencement of the next Offering Period. Once the Maximum Share Amount is set, it shall continue to apply with respect to all succeeding Purchase Dates and Offering Periods unless revised by the Committee as set forth above.

(d) If the number of shares to be purchased on a Purchase Date by all employees participating in this Plan exceeds the number of shares then available for issuance under this Plan, then the Company will make a pro rata allocation of the remaining shares in as uniform a manner as shall be reasonably practicable and as the Committee shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased under a participant's option to each participant affected thereby.

(e) Any payroll deductions accumulated in a participant's account which are not used to purchase stock due to the limitations in this Section 10 shall be returned to the participant as soon as practicable after the end of the applicable Purchase Period, without interest.

11. Withdrawal.

(a) Each participant may withdraw from an Offering Period under this Plan by signing and delivering to the Treasury Department a written notice to that effect on a form provided for such purpose. Such withdrawal may be elected at any time at least fifteen (15) days prior to the end of an Offering Period.

(b) Upon withdrawal from this Plan, the accumulated payroll deductions shall be returned to the withdrawn participant, without interest, and his or her interest in this Plan shall terminate. In the event a participant voluntarily elects to withdraw from this Plan, he or she may not resume his or her participation in this Plan during the same Offering Period, but he or she may participate in any Offering Period under this Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth above for initial participation in this Plan.

(c) If the purchase price on the first day of any current Offering Period in which a participant is enrolled is higher than the purchase price on the first day of any subsequent Offering Period, the Company will automatically enroll such participant in the subsequent Offering Period. Except with respect to the first Offering Period, any funds accumulated in a participant's account prior to the first day of such subsequent Offering Period will be applied to the purchase of shares on the Purchase Date immediately prior to the first day of such subsequent Offering Period. With respect to the first Offering Period, any funds accumulated in a participant's account prior to the first day of such subsequent Offering Period will be applied to the purchase of shares on the Purchase Date next following the first day of such subsequent Offering Period. A participant does not need to file any forms with the Company to automatically be enrolled in the subsequent Offering Period.

12. Termination of Employment. Termination of a participant's employment for any reason, including retirement, death or the failure of a participant to remain an eligible employee of the Company or of a Participating Subsidiary, immediately terminates his or her participation in this Plan. In such event, the payroll deductions credited to the participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest. For purposes of this Section 12, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company or of a Participating Subsidiary in the case of sick leave, military leave, or any other leave of absence approved by the Board; provided that such leave is for a period of not more than ninety (90) days or
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reemployment upon the expiration of such leave is guaranteed by contract or statute.

13. Return of Payroll Deductions. In the event a participant's interest in this Plan is terminated by withdrawal, termination of employment or otherwise, or in the event this Plan is terminated by the Board, the Company shall promptly deliver to the participant all payroll deductions credited to such participant's account. No interest shall accrue on the payroll deductions of a participant in this Plan.

14. Capital Changes. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each option under this Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under this Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under this Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock of the Company resulting from a stock split or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of issued and outstanding shares of Common Stock effected without receipt of any consideration by the Company; provided, however, that conversion of any

convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Committee, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. The

Committee may, in the exercise of its sole discretion in such instances, declare that this Plan shall terminate as of a date fixed by the Committee and give each participant the right to purchase shares under this Plan prior to such termination. In the event of (i) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the options under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all participants), (ii) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (iii) the sale of substantially all of the assets of the Company or (iv) the acquisition, sale, or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction, the Plan shall continue for all Offering Periods which began prior to the transaction and shares will be purchased based on the fair market value of the surviving corporation's stock on each Purchase Date (taking into account the exchange ratio, where necessary).

The Committee may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, or in the event of the Company being consolidated with or merged into any other corporation.

15. Nonassignability. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under this Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be void and without effect.

16. Reports. Individual accounts will be maintained for each participant in this Plan. Each participant shall receive promptly after the end of each Purchase Period a report of his or her account setting forth the total payroll deductions accumulated, the number of shares purchased, the per share price thereof and the remaining cash balance, if any, carried forward to the next Purchase Period or Offering Period, as the case may be.

17. Notice of Disposition. Each participant shall notify the Company if the participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two (2) years from the Offering Date or within one (1) year from the Purchase Date on which such shares were purchased (the "Notice Period"). Unless such participant is disposing of any of such shares during the Notice Period, such participant shall keep the certificates representing such shares in his or her name (and not in the name of a nominee) during the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to this Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the participant to provide such notice shall continue notwithstanding the placement of any such legend on the certificates.

18. No Rights to Continued Employment. Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Participating Subsidiary, or restrict the right of the Company or any Participating Subsidiary to terminate such employee's employment.

19. Equal Rights And Privileges. All eligible employees shall have equal rights and privileges with respect to this Plan so that this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 or any successor provision of the Code and the related regulations. Any provision of this Plan which is inconsistent with Section 423 or any successor provision of the Code shall, without further act or amendment by the Company, the Committee or the Board, be reformed to comply with the requirements of Section 423. This Section 19 shall take precedence over all other provisions in this Plan.

20. Notices. All notices or other communications by a participant to the Company under or in connection with this Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Term; Stockholder Approval. After this Plan is adopted by the Board, this Plan will become effective on the date that is the First Offering Date (as defined above). This Plan shall be approved by the stockholders of the Company, in any manner permitted by applicable corporate law, within twelve (12) months before or after the date this Plan is adopted by the Board. No purchase of shares pursuant to this Plan shall occur prior to such stockholder approval. This Plan shall continue until the earlier to occur of (a) termination of this Plan by the Board (which termination may be effected by the Board at any time), (b) issuance of all of the shares of Common Stock reserved for issuance under this Plan, or (c) ten (10) years from the adoption of this Plan by the Board.

22. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under this Plan in the event of such participant's death subsequent to the end of an Purchase Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under this Plan in the event of such participant's death prior to a Purchase Date.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under this Plan who is living at the time of such participant's death, the Company shall deliver such shares or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

23. Conditions Upon Issuance of Shares; Limitation on Sale of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act, the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

24. Applicable Law. The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of California.

25. Amendment or Termination of this Plan. The Board may at any time amend, terminate or extend the term of this Plan, except that any such termination cannot affect options previously granted under this Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participant, nor may any amendment be made without approval of the stockholders of the Company obtained in accordance with Section 21 hereof within twelve (12) months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would:

(a) increase the number of shares that may be issued under this Plan;

or

(b) change the designation of the employees (or class of employees) eligible for participation in this Plan.

VERISIGN, INC.

1998 EMPLOYEE STOCK PURCHASE PLAN

SUBSCRIPTION AGREEMENT

1. I elect to participate in the VeriSign, Inc. (the "COMPANY") 1998 Employee Stock Purchase Plan (the "PLAN") and to subscribe to purchase shares of the Company's Common Stock (the "SHARES") in accordance with this Subscription Agreement and the Plan.
2. I authorize payroll deductions from each of my paychecks in that percentage of my gross compensation as shown on my Enrollment Form, in accordance with the Plan.
3. I understand that such payroll deductions shall be accumulated for the purchase of Shares under the Plan at the applicable purchase price determined in accordance with the Plan. I further understand that except as otherwise set forth in the Plan, Shares will be purchased for me automatically at the end of each Purchase Period unless I withdraw from the Plan or otherwise become ineligible to participate in the Plan.
4. I understand that this Subscription Agreement will automatically re-enroll me in all subsequent Offering Periods unless I withdraw from the Plan or I become ineligible to participate in the Plan.
5. I acknowledge that I have a copy of and am familiar with the Company's most recent Prospectus which describes the Plan. A copy of the complete Plan and the Prospectus is on file with the Company. (In the case of the initial Plan Purchase Period, the Prospectus will be on file on the first day of the Offering Period.)
6. I understand that Shares purchased for me under the Plan will be held in a personal account with the Plan Broker unless I request otherwise.
7. I hereby agree to be bound by the terms of the Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Plan.
8. I have read and understood this Subscription Agreement.

Signature: _____

Name: _____

Date: _____

PLEASE RETURN THIS FORM TO HUMAN RESOURCES.

VERISIGN, INC.

1998 EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

I, _____, the undersigned participant in the Offering Period of the VeriSign, Inc. 1998 Employee Stock Purchase Plan (the "PLAN") which began on _____, hereby notify the Company that I wish to withdraw from the Offering Period. I direct the Company to pay to me as promptly as practicable all payroll deductions credited to my account with respect to such Offering Period. I understand and agree that my participation in the Plan will terminate and no shares will be purchased for me at the end of the Purchase Period so long as I submit this Notice of Withdrawal to the Company at least 15 days prior to the end of the Purchase Period. I understand and agree that if I submit this Notice of Withdrawal to the Company less than 15 days prior to the

end of the Purchase Period, shares will be purchased for me at the end of the Purchase Period, and my participation in the Plan will end at the beginning of the next Purchase Period or Offering Period, as the case may be. I further understand that no additional payroll deductions will be made for the purchase of shares in the current Offering Period, and I shall be eligible to participate in succeeding Offering Periods only by timely delivering to the Company a new Subscription Agreement and Enrollment Form.

Name and address of Participant (please print):

Name: _____

Street Address or P.O. Box: _____

City, State ZIP: _____

Signature

Date

PLEASE RETURN THIS FORM TO HUMAN RESOURCES.

ASSIGNMENT

THIS ASSIGNMENT ("ASSIGNMENT") is by and between RSA Data Security, Inc.

("RSA") and Digital Certificates International, Inc., a Delaware corporation

("DCI") and is dated this 18th day of April, 1995.

RECITALS

- A. RSA has sold its certification services business including the goodwill thereof to DCI in return for shares of DCI's Common Stock.
- B. Such sale has been accomplished pursuant to a Founders Subscription Agreement between RSA and DCI of even date herewith.
- C. The Founders Subscription Agreement requires an assignment by RSA of the assets of its certification services business and the parties have entered into this Agreement to execute such transfer.

AGREEMENT

1. ASSIGNMENT. Except as set forth in Section 2, for good and valuable

consideration the adequacy of which is hereby acknowledged, RSA hereby transfers and assigns to DCI all of its right, title and interest in the following property:

1.1 All of RSA's hierarchy root keys including without limitation its Low-Assurance Hierarchy, Secure Server Hierarchy, Intra-Organization Only Hierarchy, Persona Root Key and Commercial Hierarchy as listed on Exhibit A

hereto.

1.2 The source code, object code, copyright and trade secrets (the "SOFTWARE") contained in the software products set forth on Exhibit B hereto.

The source code shall include, but is not limited to, design documents, error logs, bug lists, and developer's documentation.

1.3 All discoveries, developments, designs, innovations, improvements, inventions, formulas, processes, techniques, know-how and data (whether or not patentable, and whether or not at a commercial stage, or registrable under copyright or similar statutes) (the "KNOW-HOW") contained in -----
the Software.

1.4 The design, specifications, blueprints, shop drawings and trade secrets embodied in the CIS hardware more specifically described on Exhibit C -----
hereto, subject to the rights (the "BNN RIGHTS") of BBN Communications, a -----
Division of Bolt Beranek and Newman Inc., and affiliated entities as set forth in the Source Code Software License Agreement between BBN Communications and RSA dated October 5, 1992, the Value Added Reseller Agreement between BBN Communications and RSA dated October 7, 1992 and the Software License Agreement between BBN Systems and Technologies and RSA dated September 22, 1994.

1.5 The tangible personal property set forth on Exhibit D hereto. -----

2. RETENTION OF RIGHTS. Notwithstanding the provisions of paragraphs 1.2 -----
and 1.3 of this Assignment, the following property and rights are expressly excluded from the assignments hereunder and reserved to RSA:

2.1 All right, title and interest in and to the Software and the Know-How in RSA's products known as "TIPEM" and "BSAFE" including without limitation that portion of the software products identified on Exhibit B -----
consisting of TIPEM and BSAFE. Contemporaneously with the execution of this Assignment, RSA and DCI shall enter an OEM Master License Agreement granting DCI a license to TIPEM and BSAFE on the terms and conditions set forth in such OEM Master License Agreement.

2.2. A non-exclusive, perpetual, transferable, royalty-free right and license to make, use, modify, support, compile, reproduce, display, disclose, perform, transmit, market, sublicense and distribute the Software and the Know-How in the software products identified on Exhibit B as "SoftCIS" with TIPEM,

BSAFE or any successor products to TIPEM or BSAFE; provided, however, that: (i) RSA shall have no right to sublicense SoftCIS as a standalone product; and (ii) sublicenses of SoftCIS will restrict use of such products to certification of public keys provided by RSA or DCI.

2.3 A non-exclusive, perpetual, transferable, royalty-free right and license to embed the hierarchy root keys assigned to DCI hereunder in TIPEM or BSAFE or any successor product to TIPEM or BSAFE to permit users of TIPEM or BSAFE to embed such root keys in software products made, used, modified, supported, compiled, reproduced, displayed, disclosed, performed, transmitted, marketed, sublicensed or distributed by such users.

3. ASSIGNMENT OF CONTRACTS.

3.1 RSA hereby assigns all of its rights, title and interest in the contracts (or portions thereof) set forth in Exhibit E hereto and any bids, proposals, quotations and commitments set forth on Exhibit G attached hereto.

DCI hereby assumes all outstanding liabilities and obligations of RSA under such contracts. To the extent such contracts require consent of any party to their assignment, the consent so required has been obtained except as noted on Exhibit

E. If so noted, such assignment and assumption is subject to RSA obtaining such consent. RSA agrees to use its reasonable best efforts to obtain such consents. In the event any such consent cannot be obtained, RSA and DCI agree to negotiate in good faith to permit

RSA to honor its obligations to other parties to such contracts while obtaining for DCI the economic benefits of this Assignment.

3.2 With respect to the assignment of Sections 2.3 and 7 (the "APPLE SECTIONS") of the Second Encryption Software License Agreement between RSA Data Security, Inc. and Apple Computer, Inc. ("APPLE COMPUTER") dated as of September 25, 1990 (the "APPLE AGREEMENT"), Sections 2.1.5, 2.2.4, 5.2 and 5.15 (the "MICROSOFT SECTIONS") of the Technology Software License Agreement between RSA and Microsoft Corporation ("MICROSOFT") dated May 24, 1991 (the "MICROSOFT AGREEMENT"), the second sentence of Section 2.3.5 of the BSAFE/TIPEM OEM Master License Agreement between RSA and Enterprise Integration Technologies Corporation, dated as of November 21, 1994 (the "EIT SECTIONS") and that portion of Exhibit A quoted on Exhibit E hereto to that certain BSAFE/TIPEM OEM Master License Agreement between RSA and Premenos Corp., dated July 12, 1994 ("PREMENOS SECTIONS") RSA agrees that it shall not consent to any amendment to the Apple Sections, Microsoft Sections, EIT Sections or Premenos Sections without DCI's prior written consent.

3.3 In the event RSA breaches its covenants set forth in Section 3.2, DCI shall be entitled to recover from RSA its actual out-of-pocket damages plus reasonably anticipated lost profits from RSA's breach.

3.4 In the event Apple Computer or Microsoft do not consent to the assignment of the Apple Sections or Microsoft Sections respectively, and DCI wishes to cause RSA to enforce either the Apple Sections or Microsoft Sections, RSA agrees, upon DCI's written

request and at DCI's sole expense, to prosecute enforcement of such Sections through counsel selected by DCI. Such counsel shall represent RSA and RSA waives any conflict in connection with such representation provided that such counsel previously has not represented any party in a matter or proceeding in which such party's interest was adverse to RSA. In this connection RSA agrees to cooperate with DCI in connection with the prosecution of any such matter. Notwithstanding the foregoing, RSA's obligations under this Section 3.4 shall terminate and be of no further force or effect upon DCI's failure to make timely payments of all costs and expenses incurred by RSA or its counsel under this Section 3.4.

4. FURTHER ASSISTANCE. RSA agrees, at no charge to DCI, but at DCI's

expense, (i) to sign and deliver to DCI such other documents as DCI considers desirable to evidence the assignment of the foregoing rights to DCI and DCI's ownership of such rights and property and (ii) to cooperate with DCI in performing any lawful act or signing any document which DCI in its sole judgment considers necessary to apply for, prosecute, obtain or enforce any patent, copyright or other right of protection relating to any intellectual property. In the event DCI is unable to secure RSA's signature on any such document, RSA hereby irrevocably designates and appoints each of DCI and its duly authorized agents as its attorney-in-fact, to act for and in its behalf and stead, for the limited purpose of executing and filing any such document and doing all other lawfully permitted acts to further the prosecution, issuance and enforcement of patents, copyrights, or other protections with the same force and effect as if executed and delivered by RSA.

5. REPRESENTATIONS AND WARRANTIES OF RSA. RSA represents and warrants to

DCI that:

5.1 RSA has, and hereby transfers to DCI, good, valid and marketable title free from all security interests, liens, claims, charges, encumbrances, or any other defects in title of any nature whatsoever to all of the rights and assets described in Section 1 above, subject to Section 2 and the BBN Rights.

5.2 The property and contract rights assigned by RSA to DCI pursuant to Section 1 and Section 3 above are sufficient to permit DCI to conduct the certification business described in that "Digital Certificates International, Inc. Strategic Business Plan, November 1994, Version 2.0."

5.3 Attached hereto as Exhibit F is a true and accurate list of the

names and addresses of employees of RSA that may be employed by DCI (the "EMPLOYEES"). Exhibit F sets forth for each such employee a rate of

compensation (including annual bonuses), and anticipated date of salary review. RSA does not have any employment contracts or consulting agreements currently in effect with such employees which are not terminable at will except as set forth on Exhibit F.

5.4 Attached as Exhibit G is a true and accurate list of all

outstanding bids, proposals, quotations, and commitments for the sale of certification services by RSA.

5.5 The Agreements set forth on Exhibit E are in full force and

effect and are binding upon RSA and to the best of RSA's knowledge are binding on the other parties thereto. No default by RSA has occurred thereunder and to the best of RSA's knowledge, no default by

the other contracting parties has occurred thereunder and no event has occurred which with the giving of notice or the lapse of time or both would constitute a default. The agreements set forth in Exhibit E are all of the agreements to

which RSA is a party which commit RSA to engage in the "Certificate Business" as such term is defined in the Non-Compete and Non-Solicitation Agreement of even date herewith between RSA and DCI. The agreements set forth in Exhibit E are all of the agreements to which

RSA is a party necessary to permit DCI to conduct its business as now being conducted or proposed to be conducted in the Business Plan Version 2.0 dated November, 1994 and attached as Exhibit E to the Series A Preferred Stock

Purchase Agreement dated an even date herewith, by and between DCI, RSA and the purchasers listed on Exhibit A to such Agreement. True and complete copies of

the agreements set forth in Exhibit E have been delivered to counsel to Bessemer Venture Partners.

5.6 The agreements set forth on Exhibit H are a true and complete

list of the agreements to which RSA is a party which contain restrictions on a third party's ability to engage in the Certificate Business, other than agreements set forth on Exhibit E.

5.7 The execution, delivery and performance of this Assignment has been duly and validly approved and authorized by RSA's Board of Directors and no authorization or approval, governmental or otherwise, is necessary in order to enable RSA to enter into and perform the terms of this Agreement. This Assignment is a valid and binding obligation of RSA enforceable in accordance with its terms. Neither the execution and delivery of this Assignment nor the consummation of the transactions contemplated hereby will conflict with, or result in a breach or violation of, any provision of RSA's Certificate of Incorporation or Bylaws as

currently in effect, or any material instrument or contract to which RSA is a party or by which RSA is bound.

6. EMPLOYEES. Exhibit F sets forth those RSA employees and consultants

which RSA anticipates may be employed by DCI. DCI shall, at its sole election, determine those RSA employees and consultants listed on Exhibit F which it

desires to employ and shall employ same on such terms and conditions as shall be negotiated between DCI and each such employee. If DCI employs any such RSA employee or consultant within sixty (60) days from the date hereof, DCI will reimburse RSA for all salary and benefits paid to such employee or consultant after the date hereof to the date of employment by DCI.

7. PROPRIETARY RIGHTS INFRINGEMENT BY RSA.

7.1 Subject to the limitations set forth below, RSA, at its own expense, shall: (i) defend, or at its option settle, any claim, suit or proceeding against DCI on the basis of infringement of any United States patent, copyright or trade secret in the field of cryptography by the software described on Exhibit B delivered by RSA to DCI hereunder or any claim that RSA has no

right to transfer and assign such software hereunder; and (ii) pay any final judgment entered or settlement against DCI on such issue in any such suit or proceeding defended by RSA. RSA shall have no obligation to DCI pursuant to this Section 7.1 unless: (A) DCI gives RSA prompt written notice of the claim; (B) RSA is given the right to control and direct the investigation, preparation, defense and settlement of the claim; and (C) the claim is based on the software delivered in accordance with this Assignment. RSA shall have no obligation under this Section 7.1 if DCI shall have modified the software described on Exhibit B and except for such

modifications the software described
on Exhibit B would not have infringed on any such patent, copyright or trade

secret. In the event RSA accepts provisional responsibility hereunder and it is
determined by any final judgment that RSA was not liable hereunder because of
such modifications, DCI shall reimburse RSA for all expenses incurred by it in
connection with this Section 7.1.

7.2 If RSA receives notice of an alleged infringement, RSA shall have
the right, at its sole option, to obtain the right to continue use of the
software or to replace or modify the software so that it is no longer
infringing; provided, that such replacement or modified software performs
comparably to that which it replaces.

7.3 WITHOUT LIMITING DCI'S RIGHTS AND REMEDIES UNDER ANY OTHER
AGREEMENT, THE RIGHTS AND REMEDIES SET FORTH IN SECTIONS 7.1 AND 7.2 CONSTITUTE
THE ENTIRE OBLIGATION OF RSA AND THE EXCLUSIVE REMEDIES OF DCI CONCERNING RSA'S
PROPRIETARY RIGHTS INFRINGEMENT UNDER THIS AGREEMENT.

8. INDEMNITY. RSA shall indemnify, hold harmless, reimburse and
defend DCI against any loss, liability or other damages, including reasonable
costs of investigation, interest, penalties and attorneys' and accountants' fees
incurred in connection with, or arising from, or attributable to (i) any breach
or inaccuracy in any representation or warranty made by RSA under this
Assignment, and (ii) any breach or failure to perform any covenant or agreements
of RSA under this Assignment.

9. MISCELLANEOUS.

9.1 GOVERNING LAWS. IT IS THE INTENTION OF THE PARTIES HERETO THAT THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, U.S.A.

(IRRESPECTIVE OF ITS CHOICE OF LAW PRINCIPLES) SHALL GOVERN THE VALIDITY OF THIS ASSIGNMENT, THE CONSTRUCTION OF ITS TERMS, AND THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HERETO. THE PARTIES HEREBY EXCLUDE THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS FROM THIS ASSIGNMENT. THE PARTIES HEREBY AGREE THAT ANY SUIT TO ENFORCE ANY PROVISION OF THIS ASSIGNMENT OR ARISING OUT OF OR BASED UPON THIS ASSIGNMENT OR THE BUSINESS RELATIONSHIP BETWEEN ANY OF THE PARTIES HERETO SHALL BE BROUGHT IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA OR THE SUPERIOR OR MUNICIPAL COURT IN AND FOR THE COUNTY OF SAN MATEO, CALIFORNIA, U.S.A.

9.2 BINDING UPON SUCCESSORS AND ASSIGNS.

Subject to, and unless otherwise provided in, this Assignment, each and all of the covenants, terms, provisions, and agreements contained herein shall be binding upon, and inure to the benefit of, the permitted successors, executors, heirs, representatives, administrators and assigns of the parties hereto.

9.3 ENTIRE AGREEMENT. This Assignment, the exhibits hereto, the

documents referenced herein, and the exhibits thereto, constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior

and contemporaneous agreements or understandings, inducements or conditions, express or implied, written or oral, between the parties with respect hereto and thereto. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof.

9.4 SURVIVAL OF AGREEMENTS. All covenants, agreements,

representations and warranties made herein shall survive the execution and delivery of this Assignment and the consummation of the transactions contemplated hereby.

9.5 ATTORNEYS FEES.

9.5.1 Should suit or arbitration be brought to enforce or interpret any part of this Assignment, the prevailing party shall be entitled to recover reasonable attorneys' fees to be fixed by the court or arbitrator (including without limitation, costs, expenses and fees on any appeal). If either party to this Assignment shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Assignment, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees incurred in bringing such suit and enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered in such action shall contain a specific provision providing for the recovery of attorney fees and costs incurred in enforcing such judgment. For the purposes of this section, attorney fees shall include, without limitation, fees incurred in the following: (i) postjudgment motions; (ii) contempt proceedings; (iii) garnishment, levy, and debtor and third party examinations; (iv) discovery; and (v) bankruptcy litigation.

9.5.2 In addition to attorneys' fees recoverable pursuant to Section 9.5.1 above, the prevailing party in any suit or arbitration shall be entitled to recover its reasonable attorneys' fees incurred in enforcing the final judgment or arbitration award. Such right to attorneys' fees pursuant to this Section 9.5.2 is severable from the other provisions of this agreement, shall survive the initial judgment or award in favor of the prevailing party, and is not to be deemed to be merged into such judgment or award.

9.6 NOTICES. Whenever any party hereto desires or is required to

give any notice, demand or request with respect to this agreement, each such communication shall be in writing and shall be given or made by, telecopy, telegraph, cable, mail or other delivery and telecopied, telegraphed, cabled, mailed or delivered to the intended recipient at the addresses specified below:

RSA: RSA Data Security, Inc.
100 Marine Parkway, Suite 500
Redwood City, CA 94065
Attn: President

If to RSA,
with a copy to: Timothy Tomlinson, Esq.
Tomlinson Zisko Morosoli & Maser
200 Page Mill Road, Second Floor
Palo Alto, California 94306

DCI: Digital Certificates International, Inc.
100 Marine Parkway
Suite 500
Redwood City, CA 94054
Attn: President

Except as may be otherwise provided elsewhere in this Assignment, all such communications shall be deemed to have been duly given when transmitted by telecopier

with verified receipt by the receiving telecopier, when delivered to the telegraph or cable office, when personally delivered, or in the case of a mailed notice, five (5) days after being deposited in the United States certified or registered mail, postage prepaid. Any party may change its address for such communications by giving notice thereof to the other parties in conformance with this section.

9.7 FURTHER ASSURANCES. Each party agrees to cooperate fully with

the other parties and to execute such further instruments, documents and agreements and to give such further written assurances, as may be reasonably requested by any other party, to better evidence and reflect the transactions described herein and contemplated hereby, and to carry into effect the intents and purposes of this Assignment.

9.8 FOREIGN RESHIPMENT LIABILITY. THIS ASSIGNMENT IS EXPRESSLY MADE

SUBJECT TO ANY LAWS, REGULATIONS, ORDERS OR OTHER RESTRICTIONS ON THE EXPORT FROM THE UNITED STATES OF AMERICA OF SOFTWARE, DERIVATIVE SOFTWARE OR APPLICATION PROGRAMS OR OF INFORMATION ABOUT SUCH SOFTWARE, DERIVATIVE SOFTWARE OR APPLICATION PROGRAMS WHICH MAY BE IMPOSED FROM TIME TO TIME BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA. NOTWITHSTANDING ANYTHING CONTAINED IN THIS ASSIGNMENT TO THE CONTRARY, DCI SHALL NOT EXPORT OR REEXPORT, DIRECTLY OR INDIRECTLY, ANY SOFTWARE, DERIVATIVE SOFTWARE OR APPLICATION PROGRAM OR INFORMATION PERTAINING THERETO TO ANY COUNTRY OR DESTINATION OR PERMIT ITS TRANSHIPMENT TO ANY COUNTRY

OR DESTINATION FOR WHICH SUCH GOVERNMENT OR ANY
AGENCY THEREOF
REQUIRES AN EXPORT LICENSE OR OTHER GOVERNMENTAL APPROVAL AT THE TIME OF EXPORT
WITHOUT FIRST OBTAINING SUCH LICENSE OR APPROVAL.

9.9 ABSENCE OF THIRD PARTY BENEFICIARY RIGHTS. No provisions of this

Agreement are intended nor shall be interpreted to provide or create any third
party beneficiary rights or any other rights of any kind in any client,
customer, affiliate, shareholder, or partner of any party hereto or any other
person; unless specifically provided otherwise herein, and, except as so
provided, all provisions hereof shall be personal solely between the parties to
this Assignment.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment
as of the date first hereinabove written.

RSA DATA SECURITY, INC.
By: /S/ D. James Bidzos

Its: President

DIGITAL CERTIFICATES
INTERNATIONAL, INC.

By: /S/ D. Cowan

Its: Chairman of the Board

EXHIBIT A

ROOT KEYS

- Commercial Hierarchy Root Key
- Secure Server Hierarchy Root Key
- Intra-Organization Only Hierarchy Root Key
- Low Assurance Hierarchy Root Key
- Persona Root Key

EXHIBIT B

SOFTWARE PRODUCTS

CIS Software	Certificate Issuing Software including the user interface and management of the CIS hardware and certificate database
CSC CIS	Internal software used by RSA Certificate Services to manage the services
SoftCIS	Software - only certificate issuing product
Persona Responder	Automatic, anonymous certificate issuing for Internet user's testing and play
Co-Issuer Tool	Software that allows co-issuer customers to preview certificate requests and forward them to RSA Certificate Services
Co-Issuer Software	Software that allows RSA Certificate Services to manage private keys and sign data and other files on behalf of co-signer customers.
IVR Software	Software component of the Integrated Voice Response system that provides certificate status via telephone
WinSign	Software utility under development that provides for a digital signature creation and verification capability in the Windows environment
Conversion Utility	Software that converts Macintosh signers to PC format certificates
rsaSign/rsaCheck	Software application providing digital signature creation and verification capabilities

EXHIBIT C

CIS HARDWARE

CIS Hardware	Secure Certificate Signing Unit (CSU) hardware provided by BBN
Datakey Reader(s)	Used for Co-Signing business

EXHIBIT D

Tangible Personal Property

IVR	(1) Integrated Voice Response system
BBN CSU Inventory	(4) used internally (1) on loan to prospect (9) in inventory
DataKey Inventory	(80) Short Datakeys (2) Long Datakeys
Safes	(2) Sentry Model 1250 Personal Safes (2) Medium Size Mosler Safes (1) 4-Drawer Mosler File Cabinet
Macintosh Computers	(1) Centris 610 (DI, ST) (1) Quadra 650 (PH) (2) Quadra 800 (JP, GP)
IBM Compatible PCs	(1) Gateway PC Clone (Pentium 66 MHz) (JP) (1) Dell Latitude XP Notebook (ST)
Servers:	(1) Sun SPARCserver 10
Other Hardware	(1) Apple Laser Writer Select Laser Printer

EXHIBIT E

Contracts

1. RSA Commercial Hierarchy Certified Agreement between RSA Data Security, Inc. and Apple Computer, Inc., dated November 5, 1993.
2. RSA Commercial Hierarchy Co-Issuer Agreement between RSA Data Security, Inc. and Apple Computer, AB., dated June 3, 1994.*
3. RSA Commercial Hierarchy Co-Issuer Agreement between RSA Data Security, Inc. and Cisco Systems, Inc., dated November 1, 1994.
4. RSA Commercial Hierarchy Co-Issuer Agreement between RSA Security, Inc. and Consensus Development Corporation, dated April 5, 1994.
5. RSA Commercial Hierarchy Certifier Agreement between RSA Data Security and ESL, Inc., dated April 19, 1994.
6. RSA Commercial Hierarchy Trusted Third Party Service Provider Agreement between RSA Data Security, Inc. and Fix, Inc., dated May 24, 1994.
7. RSA Data Security, Inc. Co-Signer Agreement between RSA Data Security and General Magic, Inc., dated December 5, 1993.
8. RSA Commercial Hierarchy Certifier Agreement between RSA Data Security, Inc. and Lawrence Livermore National Laboratory, dated June, 1994.
9. RSA Certificate Services Agreement Co-Issuer Agreement between RSA Data Security, Inc. and Norwest Bank Minnesota, National Association, dated September 27, 1994.
10. RSA Commercial Hierarchy Co-Issuer Agreement between RSA Data Security, Inc. and RSA Data Security, Inc., dated August 2, 1994.
11. RSA Commercial Hierarchy Certifier Agreement between RSA Data Security, Inc. and San Joaquin Delta Community College District, dated May 3, 1994.
12. RSA Commercial Hierarchy Co-Issuer Agreement between RSA Data Security and Shana Corporation, dated February 10, 1994.
13. BBN Communications Source Code Software License Agreement between BBN Communications and RSA Data Security, Inc. dated October 5, 1992

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* Consent to assignment required.

14. Value Added Reseller Agreement between BBN Communications, A Division of Bolt Beranek and Newman, Inc. and RSA Data Security, Inc. dated October 7, 1992.
15. Software License Agreement for BBN Software between BBN Systems and Technologies and RSA Data Security, Inc., signed September 22, 1994.
16. RSA Commercial Hierarchy Co-Issuer Agreement between RSA Data Security, Inc. and CommerceNet, signed March 24, 1995.
17. RSA Commercial Hierarchy Co-Issuer Agreement between RSA Data Security, Inc. and CommerceNet, signed March 10, 1995.
18. RSA Commercial Hierarchy Certifier Agreement between RSA Data Security, Inc. and NTT Electronics Technology Corporation, dated January 10, 1995.

Partial Assignment

RSA will assign all rights to receive revenue under and all rights to enforce the following sections to the following documents and DCI will assume all obligations under such sections:

1. Sections 2.1.5, 2.2.4, 5.2 and 5.15 of that certain Technology Software License Agreement between RSA and Microsoft Corporation dated May 24, 1991.*
2. Sections 2.3 and 7 of that certain Second Encryption Software License Agreement between RSA Data Security, Inc. and Apple Computer, Inc. dated as of September 25, 1990.*
3. RSA will assign all rights to enforce the following sections to the following documents:
 - 3.1 The second sentence of Section 2.3.5 of that certain BSAFE/TIPEM OEM Master License Agreement between RSA and Enterprise Integration Technologies Corporation, a California corporation dated November 21, 1994.
 - 3.2 The sentence that reads: "Nothing herein shall be construed to permit OEM or any third person to issue certificates to third parties, act as a certification authority, or provide certificate-issuing services, or any fee-generating service associated with the issuance of certificates." appearing on Exhibit "A" dated July 12, 1994 to that certain BSAFE/TIPEM OEM Master License Agreement between RSA and Premenos Corp., a Delaware corporation, dated July 12, 1994.

* Consent to assignment required.

EXHIBIT F

Employees

Name	Anticipated Title at DCI	Anticipated Compensation at DCI
Definitely Will Transfer to DCI		
Danny Ivan	Sr. Certificate Services Support Rep.	\$40K/year
Patricia Holmes	Certificate Services Support Rep.	\$30K/year
George Parsons	Director, Engineering & Operations	\$90K + \$40K bonus at 100% of objectives
Most Likely Will Transfer to DCI (RSA Employees)		
Jason Paul	Software Engineer	\$70K/year
Web Augustine	VP, Marketing and Sales	\$120K + \$30K bonus at 100% of objectives
Most Likely Will Transfer to DCI (Currently Consultants to RSA)		
Andy Leventhal**	Business Development Manager	\$70K + \$20K bonus at 100% of objectives
Simon Taylor**	Sales Engineer	\$55K + \$15K at 100% of objectives
Todd Varland**	Lotus Notes Architect	\$55K + \$15K at 100% of objectives
Ram Moskovitz**	QA Engineer	\$35K/year

- NOTES:
- 1). Accrued vacation bonus and expense reimbursement will be paid out by RSA as part of the termination process for employees transferring to DCI. Consequently, all employees will start at DCI without any accrued vacation or sick leave.
 - 2). Initial review dates for all employees anticipated to be twelve months after hire date at DCI.
 - 3). ** These consultants are under different contracts with RSA. Compensation shown is anticipated compensation upon hiring by DCI

EXHIBIT G

Outstanding Bids, Proposals, Quotations and Commitments

Service Provider Proposals

Spry Proposal to issue certificates for end-users of Spry
WWW products

National Semiconductor Proposal to issue certificates for end users of
National Semiconductor iPower tokens used in
conjunction with Axent's SECUREExchange product

Co-Issuer Proposals

Apple Computer Proposal to co-issue certificates for internal Apple
employees

Motorola CIS and co-issuer quotation for certification of
internal Motorola employees

CIS Quotations

Trusted Information Custom hierarchy CIS quotation
Systems

Sonoma State University

Draper Labs

EXHIBIT H

Other Contracts Restricting Third Party Certificate Business

[NONE]

CONFIDENTIAL TREATMENT REQUESTED

MICROSOFT/VERISIGN
CERTIFICATE TECHNOLOGY PREFERRED PROVIDER AGREEMENT

Company: MICROSOFT CORPORATION (Washington)

 (name and jurisdiction of incorporation)

Company Address: One Microsoft Way

 Redmond, Washington 98052-6399

Company Contact: -----

Effective Date: May 1, 1997

Term: Two (2) years from Effective Date

THIS MICROSOFT/VERISIGN CERTIFICATE TECHNOLOGY PREFERRED PROVIDER AGREEMENT ("Agreement"), effective as of the Effective Date set forth above, is entered into by and between VeriSign, Inc., a Delaware corporation, ("VeriSign") having its principal place of business at 2593 Coast Avenue, Mountain View, California 94043 and Microsoft Corporation, a Washington corporation, ("Microsoft") having a principal address as set forth above.

RECITALS

The purpose of this Agreement is to set out the terms and conditions under which each party will become the Preferred Provider of the other's existing products and services that involve the use of Certificate technology and will work closely together to bring new products and services to market. VeriSign will make the Microsoft Technology Platform (including Windows 95, Windows NT Workstation, Windows NT Server, ***) its preferred platform for delivering existing and new products and services *** . Microsoft will make VeriSign the Preferred Provider of Certificate Authority products and services that are used by Microsoft customers or for Microsoft internal use. Microsoft will promote VeriSign as the Preferred Provider in its strategic marketing programs related to commercial Certificate Authority products and services.

AGREEMENT

1. DEFINITIONS

1.1 Certificate means a message that, at least, states a name or

 identifies the IA,

*** Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

identifies the Subscriber, contains the Subscriber's public key, identifies its operational period, contains a certificate serial number, and is digitally signed by the IA. "Certify" or "Certification" means the act of generating a

Certificate. "Certified" means the condition of having been issued a valid

Certificate by a Certifier, which Certificate has not been revoked.

1.2 Certificate Revocation List ("CRL") means a periodically (or

exigently) issued list, digitally signed by an IA, of certificates that have been suspended or revoked prior to their expiration date. The list generally indicates the issuer's name, the time of issue, the time of the next scheduled CRL issue, the suspended or revoked certificates' serial numbers, and the specific times and reasons for suspension and revocation.

1.3 Certification Authority or Certifier ("CA") means VeriSign or any

entity which is authorized to issue Certificates.

1.4 Certification Practice Statement ("CPS") means VeriSign's statement of

the practices an IA in the VeriSign Public Certification Service employs in issuing Certificates, as further described in Section 2.2 of this Agreement.

1.5 Digital ID means VeriSign's service-marked name for a Certificate.

1.6 Digital Signature means a transformation of a message, using an

asymmetric cryptosystem, such that a person having the initial message and the signer's Public Key can accurately determine whether the transformation was created using the Private Key that corresponds to the signer's Public Key and whether the message has been altered since the transformation was made.

1.7 ECAS means VeriSign's proprietary software product marketed and

developed under the name "Electronic Commerce Authentication System" providing secure on-line Certificate issuance as presently in existence and as developed and enhanced in the future by VeriSign.

1.8 Issuing Authority ("IA") means the VeriSign Root or a Certification

Authority that issues, suspends or revokes a Certificate within the VeriSign Public Certification Services. An Issuing Authority is identified by a distinguished name on all Certificates and CRLs it issues.

1.9 Microsoft Product means any product developed by Microsoft that

utilizes a commercial Certificate.

1.10 Microsoft Technology Platform means the existing Microsoft products

currently known as Windows NT Server, Windows 95, Windows NT Workstation, Internet Information Server, Certificate Server, Internet Explorer, Crypto API and ActiveX, as they may be revised or updated from time to time during the term of this Agreement.

1.11 Preferred Provider means a provider of products and services which

are a preferred choice for internal use and recommended to customers as a preferred choice through the strategic marketing programs and other commitments set forth in this Agreement.

1.12 Private Key means a mathematical key (kept secret by the holder) used

to create Digital Signatures and, depending upon the algorithm, to decrypt messages encrypted with the corresponding Public Key.

1.13 Public Key means a mathematical key that can be made publicly

available and which is used to verify signatures created with its corresponding Private Key. Public Keys are also used to encrypt messages or files which can then only be decrypted using the matching Private Key.

1.14 Root means the IA that issues the first Certificate in a

certification chain. The Root's Public Key must be known in advance by a Certificate user in order to validate a certification chain. A Root's Public Key is made trustworthy by some mechanism other than a Certificate, such as the policies and procedures defined for that infrastructure.

1.15 Subscriber means a person who is the subject of a Certificate,

accepts it, and uses or is capable of using, and authorized to use, the Private Key that corresponds to the Public Key listed in the Certificate.

1.16 WWW or Web means World Wide Web, a hypertext-based, distributed

information system in which users may create, edit, or browse hypertext documents; a graphical document publishing and retrieval medium; a collection of linked documents that reside on the Internet.

2. SCOPE

2.1 VeriSign Will Migrate Existing Products and Services to Microsoft Technology Platform.

VeriSign will migrate its existing products and services to the Microsoft Technology Platform during the normal course of planned system upgrades and enhancements, provided the Microsoft Technology Platform is able to meet the technical requirements of the specific product or service. The specific products and services to be considered will include the following:

- A. Digital ID Center operator tools will be migrated to Windows 95 and Windows NT Workstation within 6 months of satisfaction of VeriSign technical requirements.
- B. ***
- C. Web pages on VeriSign Web sites that are accessed by customers using Microsoft Internet Explorer will be updated to include the use of ActiveX controls to perform enrollment and other operations within 6 months of satisfaction of VeriSign technical requirements.

*** Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

- D. VeriSign will make best efforts to release the commercial version of ECAS on Microsoft NT Server and Microsoft Internet Information Server no later than one year after release on other platforms. Once ECAS is released on the Microsoft Technology Platform, new releases of ECAS will thereafter be released on such Microsoft Technology Platform with equivalent functionality and simultaneously with VeriSign's new releases on the then current Sun/Solaris platform.
- E. VeriSign will make best efforts to migrate servers used by VeriSign to perform back-end operations (including signing servers, authentication servers, lifecycle management servers, but excluding Oracle database server) to Windows NT Server within one year of the satisfaction of VeriSign technical requirements.
- F. VeriSign will make reasonable efforts to migrate its internal systems to Microsoft Windows 95, Windows NT Workstation, and Windows NT Server within one year after execution of this Agreement. To the extent VeriSign migrates VeriSign internal systems, Microsoft will provide VeriSign the opportunity to acquire "Not for Resale" or "NFR" Microsoft software at published prices for NFR software to complete the migration. VeriSign's use of the software will be subject to the terms and conditions of the End User License Agreement ("EULA") accompanying such software; provided however, any restrictions contained in the EULA against VeriSign's use of the software in a production environment shall not apply.
- G. ***
- H. ***

In order to expedite the migration process, VeriSign will train up to five (5) members of its technical staff to become Certified Microsoft Professionals for Windows NT Server. Microsoft will provide VeriSign with access to training materials and programs for training of VeriSign's technical staff at Microsoft's expense.

2.2 ***

*** Confidential treatment has been requested with respect to certain portions of this exhibit. Confidential portions have been omitted from the public filing and have been filed separately with the Securities and Exchange Commission.

2.3 Microsoft Will Make VeriSign the Preferred Provider of Commercial Certificate Authority Services Acquired by Customers through the Microsoft Technology Platform.

VeriSign will be Microsoft's Preferred Provider of commercial Certificate Authority services that are necessary for the effective use of Microsoft Products and services. Preferred Provider status means that Microsoft will use commercially reasonable efforts to provide preferential placement of VeriSign services in Microsoft Products in initial and subsequent releases by listing VeriSign services before any non-preferred providers in any listing of service providers that is displayed in the product and in a distinguished form (e.g., through default registration links, specific and unique graphics, logos, sizing, ad banners, preferred CA WWW Page, etc.). The parties recognize that such preferential listing shall exclude situations such as programmatic enumeration (such as in the case of trusted roots) due to design characteristics of Microsoft's certificate management architecture. The Microsoft Products may include:

- . Internet Explorer
- . Internet Information Server
- . Exchange mail client

Microsoft may publish certain criteria that other Certificate Authorities or other potential Preferred Providers must meet to be recognized as a trusted Certificate Authority or a Preferred Provider on Microsoft Certificate Authority pages or to be enabled in Microsoft Products, including bundling of the trusted CA's root keys in such products. Such criteria may include: objectively reviewed and published a certification practice statement, audited secure facilities and practices, third party accreditation, volume scalability, liability insurance, etc. Prior to issuing final criteria for Certificate Authorities and Preferred Provider status, Microsoft will provide to VeriSign for review and comment its proposed criteria and consider VeriSign's comments if provided in a timely manner.

To attain and retain Preferred Provider status for commercial Certificate Authority services in Microsoft Products, VeriSign must meet the following criteria:

- A. VeriSign must provide, within commercially reasonable limitations, a specific service that Microsoft deems necessary for the effective use of a Microsoft Product and must make that service available at the time of the first general availability beta release of the Microsoft Product. VeriSign shall support Certificate services for all platforms for which the Microsoft Product is released. The specified service must be available to customers in any geographic market in which Microsoft Product will be used whether the service is available directly through VeriSign's presence in such market or indirectly via the Internet, subject to the legal, infrastructure, or regulatory restrictions on CA products or services in those geographies.
- B. If Microsoft, in its reasonable judgment, notifies VeriSign of deficiencies in the delivery of VeriSign services, VeriSign shall correct any such deficiencies in accordance with obligations specified in any applicable

Service Level Agreements (or substantially similar forms agreed to by the parties). Moreover, if the parties, for whatever reason, are not able to agree upon a Service Level Agreement for a particular service, or if the parties cannot agree upon the application or interpretation of an existing Service Level Agreement to a service, either party may escalate the issue to executives for the thirty (30) day period described below. In the event the parties cannot agree after such executive period, Microsoft shall reasonably specify or interpret VeriSign's obligation to address the deficiencies.

- C. The VeriSign service must offer pricing and service quality similar to the pricing and quality of equivalent services provided by VeriSign competitors under similar terms and conditions.

Microsoft at its sole discretion may develop relationships with alternative providers for any technology or service. However, an additional thirty (30) day executive escalation period will be required before other providers may be considered for Preferred Provider status due to VeriSign's lack of compliance with the above. Provided that VeriSign continues to be in compliance with the above, for a period of twelve (12) months after the Effective Date of this Agreement, VeriSign shall be the only Preferred Provider of Certificate Authority services for Microsoft Products.

2.4 Microsoft Will Make VeriSign the Preferred Provider of Commercial Certificate Authority Services Acquired by Microsoft for Use in Products or Services.

Individual Microsoft operating units may require Certificate Authority services for internal use or for inclusion in products or services for their external customers. Microsoft will provide VeriSign with (i) access to purchase decision-makers in the Microsoft organization, and to executives responsible for Microsoft's external distribution channels (including OEMs, VARs, system integrators and resellers), (ii) designation by a Microsoft executive of VeriSign as a Microsoft Preferred Provider of commercial Certificate Authority Services and (iii) an e-mail introduction to VeriSign (in a form substantially similar to Exhibit "A"). Examples of such products and services may include, but are not limited to:

- . Product registration
- . The Microsoft.com web site and specific sections of the Web Site such as the developer forum
- . The MSWeb web site
- . The Microsoft Network, and specific "channels" on MSN
- . A Microsoft "passport" service
- . Active Desktop content channels

2.5 Microsoft and VeriSign Will Collaborate to Cross-Promote Each Other's Products and Services.

Microsoft and VeriSign will work together to develop marketing plans which feature each other's products and services. These marketing plans may include, but not be limited to, the following variety of activities:

- . Inclusion of VeriSign marketing materials in Microsoft seminars on Microsoft products which include VeriSign Certificate Authority services
- . Advertisement of VeriSign services on The Microsoft Network at favorable pricing
- . Advertisement of Microsoft products on the VeriSign Digital ID Center at favorable pricing
- . Joint sales calls on mutual existing and prospective customers
- . Joint participation in trade shows, at the invitation of individual product groups
- . Joint participation in vertical market programs developed by the Microsoft Industry Marketing Group

Specific written plans may be developed by mutual agreement from time to time by the appropriate representatives of the product marketing organizations for each company.

2.6 Microsoft and VeriSign Will Collaborate to Develop New Certificate-Based Technologies, Products and Services.

Microsoft and VeriSign will explore in good faith the potential development of new Certificate technologies, products, and services, including but not limited to:

- . Microsoft Certificate Server Add-on modules
- . Microsoft Certificate Server gateways
- . ECAS integration with Microsoft Certificate Server
- . Authentication
- . Code Signing
- . Personalization/Demographics
- . S.E.T. (or pre-SET)
- . Digital Wallet
- . Content Signing
- . Smart Cards
- . Internationalization
- . Software Metering
- . Coupons/attribute Certificates
- . Executable Certificates

In the event that Microsoft and VeriSign agree to cooperate on a new Certificate-based technology, product or service, the parties will consider in good faith an agreement to provide the other party with a time-to-market advantage relative to competitors, as described in detail below. Performance enhancements to existing services and new Certificate-based technology developed by VeriSign for release on a Microsoft Technology Platform will not involve such market advantage.

2.6.1 Performance Enhancements to Existing Services. VeriSign will develop performance enhancements that shall be implemented on Microsoft's browsers at the same time as, if not before, any competing browser. VeriSign will not keep this development work confidential. Microsoft has no confidentiality obligation with respect to any publicly disclosed information regarding this type of development work by VeriSign and can work with other vendors who are making similar changes to their services at the same time VeriSign is making such enhancements. Example: a standards change, acceleration and improvement of execution of CA products and services.

2.6.2 New VeriSign Service on a Microsoft Technology Platform. This section will apply in the event VeriSign wishes to develop at its own expense a new product or service for use with Microsoft technology and wishes to keep this development confidential until release. VeriSign will identify the development as confidential to Microsoft. Microsoft will maintain strict confidentiality regarding such VeriSign development until full commercial release of the Microsoft Product containing the VeriSign service. Following commercial release, Microsoft will continue to maintain confidentiality regarding any details not made public by VeriSign.

2.6.3 Original Joint Development. In the event VeriSign and Microsoft work together to develop new products or services, both companies, including developers for each, will work together on a confidential basis. Strict confidentiality will be maintained by both parties until full commercial release of the new product or service. Following commercial release, each party will continue to maintain confidentiality regarding any details not made public by the other party.

2.6.4 Ownership of Intellectual Property. Each party shall retain all right, title and interest in the technology which it owns as of the date of this Agreement and all intellectual property embodied therein. Nothing in this Agreement shall preclude any party from independent development of any technology without use of another party's confidential information or without infringement of another party's intellectual property. Each party shall be responsible for providing its customers with appropriate patent infringement and other intellectual property protection, if any, relating to its own technology and products. Prior to any original joint development under Section 2.6.3, the parties shall agree on the right, title and interest in and to the resulting products or services, and any intellectual property rights embodied therein. Each party agrees to grant the other party any and all intellectual property rights necessary, but only to the extent necessary, for the other party's performance of its obligations under the terms of this Agreement.

2.7 Process for Technical and Marketing Collaboration.

Microsoft and VeriSign agree to use commercially reasonable efforts to collaborate in the following ways:

- A. Meet by mutual agreement from time to time to develop an agreed upon list of development priorities and commitments. The participants in this meeting will review product and service plans, customer requirements, technical requirements and delivery schedules.
- B. Cooperate on standards group initiatives. Microsoft and VeriSign shall use commercially reasonable efforts to present a unified position to standards organizations whose primary focus is Public Key Infrastructure technology. Representatives of Microsoft and VeriSign shall discuss issues and develop joint positions on critical issues prior to attending standards group meetings or posting to discussion forums frequented by individuals who are involved in standards organizations. In the event that a representative of either party is the sole participant in a Public Key Infrastructure standards organization meeting, that person will provide a summary of the proceedings to a designated counterpart.
- C. Coordinate to provide effective customer support. For each product and service initiative, Microsoft and VeriSign will identify appropriate technical support contacts who will develop a plan to resolve customer problems which arise through the use of our respective products and services.
- D. Provide early access to respective products and services. Microsoft and VeriSign will disclose to each other on a confidential and reasonable efforts basis (as determined by the disclosing party) plans for future products and services that may use or be used in connection with Certificate technology. Microsoft and VeriSign may extend invitations to each other to attend public conference and public technical design reviews of technology related to digital Certificates.

The following people will serve as contacts for collaboration on activities identified in this Agreement:

Area for Collaboration	VeriSign Technical	VeriSign Marketing	Microsoft Technical	Microsoft Marketing
Primary contact for overall relationship	Arne Schaeffer	Steve Crawford	Lead Public Key Security PM - NT	Group Product Manager - NT Security
Web Server integration	Mahi DeSilva	Greg Smirin	Lead Security PM - IIS	Group Product Manager - IIS
Web Browser integration (e.g., client authentication)	Mahi DeSilva	Greg Smirin	Lead Security PM - IE	Group Product Manager - IIS
Developer Tools integration (e.g., code-signing)	Mahi DeSilva	Greg Smirin	Lead PK Security PM - NT	Group Product Manager - NT Security

2.8 Public Announcements.

Microsoft and VeriSign will jointly announce the relationship created by this Agreement. The parties agree that any announcement concerning the execution of this Agreement shall be a mutually agreed upon joint announcement. Microsoft shall issue press releases in connection with Microsoft Products which provide access to VeriSign Certificate technology. Either of the parties may at any time make announcements which are required by applicable law, regulatory bodies, or stock exchange or stock association rules, so long as the party so required to make the announcement, promptly upon learning of such requirement, notifies the other party of such requirement and discusses with the other party in good faith the exact wording of any such announcement. VeriSign grants Microsoft the right to state publicly that VeriSign products and services work with Microsoft Products to provide access to VeriSign Certificates. Microsoft grants VeriSign the right to state publicly that Microsoft Products incorporate the VeriSign Issuing Authority Keys and provide access to VeriSign Certificates.

3. CONFIDENTIALITY

The terms and conditions of this Agreement and any information provided by the parties pursuant to this Agreement shall be governed by the terms and conditions of the Nondisclosure Agreement dated January 15, 1996, between the parties.

4. LIMITED WARRANTY; DISCLAIMER OF WARRANTIES; LIMITATION OF LIABILITY;

INDEMNITIES

4.1 VeriSign Limited Warranty.

During the term of this Agreement, VeriSign represents and warrant
that

4.1.1 it has full power to enter into this Agreement and perform its
obligations hereunder;

4.1.2 this Agreement and VeriSign's performance of its obligations
hereunder shall not violate any third-party agreement to which VeriSign is a
party; and

4.1.3 VeriSign's performance of its obligations hereunder shall not
infringe any copyright, patent, trade secret or other proprietary right held by
any third party.

4.2 Microsoft Limited Warranty.

During the term of this Agreement, Microsoft represents and warrants
that

4.2.1 it has full power to enter into this Agreement and perform its
obligations hereunder;

4.2.2 this Agreement and Microsoft's performance of its obligations
hereunder shall not violate any third-party agreement to which Microsoft is a
party; and

4.2.3 Microsoft's performance of its obligations hereunder shall not
infringe any copyright, patent, trade secret or other proprietary right held by
any third party.

4.3 DISCLAIMER

EXCEPT FOR THE EXPRESS LIMITED WARRANTIES PROVIDED IN SECTIONS 4.1 AND
4.2, EACH PARTY'S PRODUCTS AND SERVICES ARE PROVIDED "AS IS" WITHOUT ANY
WARRANTY WHATSOEVER. EACH PARTY DISCLAIMS ALL WARRANTIES, EXPRESS, IMPLIED OR
STATUTORY, AS TO ANY MATTER WHATSOEVER, INCLUDING ALL IMPLIED WARRANTIES OF
MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. NO ORAL OR WRITTEN
INFORMATION OR ADVICE GIVEN BY A PARTY OR ITS EMPLOYEES OR REPRESENTATIVES SHALL
CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF SUCH PARTY'S OBLIGATIONS.

4.4 LIMITATION OF LIABILITY

EXCEPT AS PROVIDED IN SECTION 4.5, NEITHER PARTY SHALL BE LIABLE TO
ANY PERSON FOR ANY CONSEQUENTIAL, INDIRECT, PUNITIVE, SPECIAL, OR INCIDENTAL
DAMAGES INCLUDING, BUT NOT LIMITED TO, ANY DAMAGES ARISING FROM LOSS OF DATA,
GOODWILL, PROFITS, USE OF MONEY OR FACILITIES, INTERRUPTION IN USE OR
AVAILABILITY OF DATA OR COMPUTER

RESOURCES, STOPPAGE OF OTHER WORK OR IMPAIRMENT OF OTHER ASSETS, AND LABOR CLAIM(S), WHETHER FORESEEABLE OR UNFORESEEABLE, ARISING OUT OF BREACH OF ANY EXPRESS OR IMPLIED WARRANTY, BREACH OF CONTRACT, MISREPRESENTATION, NEGLIGENCE, STRICT LIABILITY (IN TORT OR OTHERWISE), EXCEPT IN THE CASE OF DEATH OR PERSONAL INJURY, IF APPLICABLE LAW REQUIRES SUCH LIABILITY.

4.5 INDEMNITY

VeriSign shall indemnify, defend, and hold Microsoft and its successors, officers, directors and employees harmless from any and all actions, causes of action, claims, demands, costs, liabilities, expenses and damages (including attorneys' fees) brought by third parties arising out of, or in connection with any other claim that is attributable to VeriSign's failure to comply with its Certification Practice Statement, or its equivalent, as amended from time to time (representing VeriSign's statement of the practices an Issuing Authority employs in issuing Certificates).

5. TERM AND TERMINATION

5.1 Termination.

This Agreement shall terminate on the earliest of:

5.1.1 The end of the term set forth on the first page hereof unless renewed pursuant to Section 5.2, below;

5.1.2 Failure by either party to perform any of its material obligations under this Agreement if, after a thirty (30) day executive escalation period, such breach is not cured within thirty (30) days after receipt of notice thereof from the other party;

5.1.3 Notwithstanding Section 5.1.2, notice from the non-assigning party to the other party after the occurrence of a purported assignment of this Agreement in violation of Section 7.2; or

5.1.4 Notice from either party to the other if the other party is adjudged insolvent or bankrupt, or the institution of any proceedings by or against the other party seeking relief, reorganization or arrangement under any laws relating to insolvency, or any assignment for the benefit of creditors, or the appointment of a receiver, liquidator or trustee of any of the other party's property or assets, or the liquidation, dissolution or winding up of the other party's business.

5.2 Extension of Term.

This Agreement may be renewed by mutual agreement of the parties, in writing, for an additional one-year term upon expiration of the term provided for in Section 5.1.1, unless otherwise terminated pursuant to Section 5.1.

5.3 Effect of Termination.

Sections 1, 3, 4, 6, and 7 of this Agreement which shall continue in full force and effect to the extent necessary to permit the complete fulfillment thereof.

6. INCENTIVES FOR TIMELY AND EFFECTIVE EXECUTION

The effective execution of this Agreement is expected to accelerate the growth and valuation of VeriSign. VeriSign will provide Microsoft with one hundred thousand shares of VeriSign common stock upon execution of this Agreement.

7. MISCELLANEOUS PROVISIONS

7.1 Governing Laws; Venue; Waiver of Jury Trial.

THE LAWS OF THE STATE OF NEW YORK, USA (IRRESPECTIVE OF ITS CHOICE OF LAW PRINCIPLES) SHALL GOVERN THE VALIDITY OF THIS AGREEMENT, THE CONSTRUCTION OF ITS TERMS, AND THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HERETO. THE PARTIES AGREE THAT THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS SHALL NOT APPLY TO THIS AGREEMENT. The parties hereby waive any right to jury trial with respect to any action brought in connection with this Agreement.

7.2 Binding upon Successors and Assigns.

Except as otherwise provided herein, this agreement shall be binding upon, and inure to the benefit of, the successors, executors, heirs, representatives, administrators and assigns of the parties hereto. This Agreement shall not be assignable by either party, by operation of law (including as a result of a merger involving such party or a transfer of a controlling interest in such party's voting securities) or otherwise without the prior written consent of the other party, which consent shall not be unreasonably withheld. Any such purported assignment or delegation shall be void and of no effect and shall permit the non-assigning party to terminate this Agreement pursuant to Section 5.1.3.

7.3 Severability.

If any provision of this Agreement, or the application thereof, shall for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as best to reasonably effect the intent of the parties hereto. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT EACH AND EVERY PROVISION OF THIS AGREEMENT WHICH PROVIDES FOR

A LIMITATION OF LIABILITY, DISCLAIMER OF WARRANTIES OR EXCLUSION OF DAMAGES IS INTENDED BY THE PARTIES TO BE SEVERABLE AND INDEPENDENT OF ANY OTHER PROVISION AND TO BE ENFORCED AS SUCH.

7.4 Entire Agreement.

THIS AGREEMENT, INCLUDING EXHIBIT A, CONSTITUTES THE ENTIRE UNDERSTANDING AND AGREEMENT OF THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDE ALL PRIOR AND CONTEMPORANEOUS AGREEMENTS OR UNDERSTANDINGS BETWEEN THE PARTIES.

7.5 Amendment and Waivers.

Except as otherwise expressly provided in this Agreement, any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived, only in writing signed by the party to be bound thereby.

7.6 Attorneys' Fees.

Should suit be brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of the costs of suit and not as damages, reasonable attorneys' fees to be fixed by the court (including without limitation, costs, expenses and fees on any appeal). Each party agrees to pay all costs, including attorneys' fees, which it incurs in connection with the negotiation of this Agreement.

7.7 Notices.

Whenever any party hereto desires or is required to give any notice, demand, or request with respect to this Agreement, each such communication shall be in writing and shall be effective only if it is delivered sent by a courier service that confirms delivery in writing or mailed, certified or registered mail, postage prepaid, return receipt requested, addressed as follows:

VeriSign: To the address set forth on page 1
Attention: Stratton Sclavos, President and CEO

Microsoft: To the address set forth on Page 1
Attention: Group Vice President Personal and Business
Systems Group

With a copy to: Law and Corporate Affairs at the same address

Such communications shall be effective when they are received. Any party may change its address for such communications by giving notice thereof to the other party in conformity with this Section.

7.8 Foreign Reshipment Liability.

THIS AGREEMENT IS EXPRESSLY MADE SUBJECT TO ANY LAWS, REGULATIONS, ORDERS OR OTHER RESTRICTIONS ON THE EXPORT FROM THE UNITED STATES OF AMERICA OF TECHNICAL INFORMATION, SOFTWARE OR INFORMATION ABOUT SUCH SOFTWARE WHICH MAY BE IMPOSED FROM TIME TO TIME BY THE GOVERNMENT OF THE UNITED STATES OF AMERICA. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, NEITHER MICROSOFT NOR VERISIGN SHALL EXPORT OR REEXPORT, DIRECTLY OR INDIRECTLY, ANY TECHNICAL INFORMATION, SOFTWARE OR INFORMATION ABOUT SUCH SOFTWARE TO ANY COUNTRY FOR WHICH SUCH GOVERNMENT OR ANY AGENCY THEREOF REQUIRES AN EXPORT LICENSE OR OTHER GOVERNMENT APPROVAL AT THE TIME OF EXPORT OR REEXPORT WITHOUT FIRST OBTAINING SUCH LICENSE OR APPROVAL.

7.9 No Waiver.

Failure by either party to enforce any provision of this Agreement will not be deemed a waiver of future enforcement of that or any other provision.

7.10 Counterparts.

This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but which collectively will constitute one and the same instrument.

7.11 Headings and References.

The headings and captions used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

7.12 Due Authorization.

Each party hereby represents and warrants to the other party that the individual executing this Agreement on its behalf is duly authorized to execute this Agreement on its behalf and to bind it hereby.

7.13 Independent Contractor.

The relationship of VeriSign and Microsoft is that of independent contractors. Neither party's employees, consultants, contractors or agents: (a) are agents, employees or joint ventures of the other party, or (b) have any authority to bind the other party by contract or otherwise to any obligation. They will not represent to the contrary, either expressly, implicitly, by appearance or otherwise.

IN WITNESS WHEREOF, this Agreement shall be effective as of the day and year first written above.

MICROSOFT CORPORATION

By: /s/ Microsoft Corporation

Its: Vice President, WOSD

VERISIGN, INC.

By: /s/ Stratton Sclavos

Its: President & CEO 11/20/97

EXHIBIT "A"

LETTER OF INTRODUCTION

From: Director TBD
To: Microsoft Business Units
Re: VeriSign Becomes Microsoft's Preferred Provider for
Digital Certificate Technology and Services

Microsoft recently led a strategic investment round in VeriSign, Inc., the leading provider of digital certificate services and technology for the Internet. Other investors include: AT&T, Cisco, First Data Corp, GemPlus, Reuters, SoftBank and VISA International.

Microsoft believes that digital certificates and digital signatures will be a key enabling technology for transforming the internet into a secure commerce platform. As part of this investment, Microsoft and VeriSign have agreed to become Preferred Providers of each others' technology and services. Applications of VeriSign Digital IDs include:

- . Software Code Signing (Authenticode, developed with Microsoft)
- . Consumers and website authentication (SSL certificates)
- . Secure email (SMIME certificates)
- . Secure credit card transactions (S.E.T. certificates)
- . Secure network/router communications (IPSEC certificates)
- . Business-to-business EDI (SMIME certificates)
- . 1-to-1 Marketing (Personalized SSL certificates)
- . Custom-branded certificates for major consumer brands (e.g. Merrill Lynch)
- . Employee authentication on Intranets.

As our Preferred Provider, VeriSign is our 1st choice for internal and external Microsoft customers who need to incorporate digital certificates into their products and services. If you have special market requirements, VeriSign can develop customized Digital ID services that can often be delivered to market within weeks!

We urge you to offer VeriSign the opportunity to service your digital certificate needs.

Key Contacts:

- - - - -
Microsoft - Karan Khanna 425-936-6029
VeriSign - Mary Anderson, Director Channels Marketing, 415-429-3364,
manderson@verisign.com