Table of Contents

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2006

OR

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

For the transition period from _____ to _____

Commission File Number: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3221585**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
487 E. Middlefield Road, Mountain View, CA	**94043**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (650) 961-7500

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock $0.001 Par Value Per Share, and the Associated Stock Purchase Rights

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☑ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

☑ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer

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

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the Registrant as of June 29, 2007 was approximately $6,600,973,618 based upon the last sale price reported for such date on the NASDAQ Global Select Market. For purposes of this disclosure, shares of Common Stock held by persons known to the Registrant (based on information provided by such persons and/or the most recent schedule 13Gs filed by such persons) to beneficially own more than 5% of the Registrant's Common Stock and shares held by officers and directors of the Registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for other purposes.

Number of shares of Common Stock, $0.001 par value, outstanding as of the close of business on June 29, 2007: 243,838,287 shares.

TABLE OF CONTENTS

EXPLANATORY NOTE

In this Form 10-K, we are restating our consolidated balance sheet as of December 31, 2005, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for the years ended December 31, 2005 and 2004.

We are also restating the unaudited quarterly financial information and financial statements for interim periods of 2005, and the unaudited condensed financial statements for the three months ended March 31, 2006. The decision to restate was based on the results of an independent review into our stock option accounting that was conducted under the direction of an ad hoc group of our independent directors who had not served on our Compensation Committee before 2005 ("Ad Hoc Group"). As part of the restatement, we have also made adjustments to our consolidated financial statements for the years ended December 31, 2005, 2004, 2003 and 2002 to correct errors identified for these fiscal years, which were not material to our financial statements in the aggregate or for any prior fiscal year.

Previously filed annual reports on Form 10-K and quarterly reports on Form 10-Q affected by the restatements have not been amended and should not be relied upon.

We first learned of the potential issues associated with our past stock option grants from a May 16, 2006 article published by the Center for Financial Research and Analysis ("CFRA") in which we were referenced as one of 15 public companies with one or two stock grants between 1997 and 2002 that the CFRA suggested were timed at, or close to, 40-day lows in the applicable company's stock price or preceding a material change in the stock price. Promptly after learning of the CFRA article, and prior to receiving the grand jury subpoena or the informal SEC request described below, the Ad Hoc Group, with the assistance of independent outside counsel, Cleary Gottlieb Steen & Hamilton LLP ("Cleary Gottlieb"), began reviewing the facts and circumstances of the timing of our historical stock option grants for the period January 1998 to May 2006 ("relevant period"). We believe that the analysis was properly limited to the relevant period. In addition to Cleary Gottlieb, the Ad Hoc Group was assisted in its Review by independent forensic accountants (collectively the "Review Team").

On June 27, 2006, we announced that we had received a grand jury subpoena from the U.S. Attorney for the Northern District of California requesting documents relating to our stock option grants and practices dating back to January 1, 1995, and had received an informal request for information from the Securities and Exchange Commission ("SEC") related to our stock option grants and practices. On February 9, 2007, we subsequently received a formal order of investigation from the SEC. We are fully cooperating with the U.S. Attorney's investigation and the SEC investigation.

On November 21, 2006, we announced that the Ad Hoc Group had determined the need to restate our historical financial statements to record additional non-cash stock-based compensation expense related to past stock option grants.

On March 30, 2007, we requested guidance from the Office of the Chief Accountant of the SEC (the "OCA") concerning certain accounting issues relating to the restatement of our historical financials and the Review. On June 25, 2007, we concluded our discussions with the OCA regarding these accounting issues.

On May 29, 2007, we announced that Stratton Sclavos, our then-current Chairman and Chief Executive Officer, had resigned from his position with the Company. Following Mr. Sclavos' resignation, the Board elected director William A. Roper, Jr. as our President and CEO and Edward Mueller as our Chairman of the Board of Directors.

On July 10, 2007, Dana L. Evan, our then-current Executive Vice President, Finance and Administration and Chief Financial Officer resigned from her position with VeriSign.

On July 5, 2007 and July 12, 2007, the Board of Directors appointed Albert E. Clement as Chief Accounting Officer and Executive Vice President, Finance and Chief Financial Officer, respectively, of the Company.

The Review Team tested grants made on 239 dates, incurred 21,800 person-hours, searched more than 11 million pages of physical and electronic documents and conducted 75 interviews of 33 current and former directors, officers, employees, and advisors. We announced on January 31, 2007 that the Ad Hoc Group's Review was substantially completed and that, based on a review of the totality of evidence and the applicable law, the Review did not find intentional wrongdoing by any current member of the senior management team or the former CEO. The Ad Hoc Group's Review concluded that we failed to implement appropriate processes and controls for granting, accounting for, and reporting stock option grants and that corporate records in certain circumstances were incomplete or inaccurate.

The Review Team examined all grants to Section 16 officers and directors during the relevant period, as well as 7 annual performance grants to rank and file employees and 179 acquisition, new hire and promotion, and other grants to rank and file employees on 239 dates from January 1998 through January 2006.

The Review Team identified 8,164 stock option grants made on 41 dates during the relevant period for which measurement dates were incorrectly determined. The measurement dates required revision because the stated date either preceded or was subsequent to the proper measurement date and the stock price on the stated date was generally lower than the price on the proper measurement date. In several instances, the Review Team also determined that the stock price assigned on the initial grant dates was subsequently modified, without being given the required accounting and disclosure treatment.

Consistent with the accounting literature and recent guidance from the SEC, as part of the restatement, the grants during the relevant period were organized into categories based on grant type and process by which the grant was finalized. The evidence related to each category of grant was analyzed including, but not limited to, electronic and physical documents, document metadata, and witness interviews. Based on the relevant facts and circumstances, and consistent with the accounting literature and recent guidance from the SEC, the controlling accounting standards were applied to determine, for every grant within each category, the proper measurement date. If the measurement date was not the originally assigned grant date, accounting adjustments were made as required, resulting in stock-based compensation expense and related income tax effects.

Measurement Date Hierarchy

We have adopted the following framework for determining the measurement dates of our stock option grants and have applied this framework to each grant based on the facts, circumstances and availability of documentation.

- We reviewed the date of the minutes of the Board of Directors or Compensation Committee meetings for grants made at such meetings when the number of options and exercise price for each recipient had been clearly approved. Where the Review Team determined that the meeting date was not the measurement date, the Review Team determined the actual date of approval of the grant via other documentary evidence and interviews.
- When a grant was approved by unanimous written consent ("UWC"), the measurement date was the date of the Compensation Committee's approval of the UWC as established by available evidence, such as receipt of signature pages of the UWC, contemporaneous telephone and/or e-mail communications.
- If a grant was approved by the CEO under authority delegated by the Compensation Committee, the measurement date was the date on which the CEO communicated approval to the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.
- If a grant was approved by the CEO based on the mistaken belief that he had delegated authority to do so (de facto or "substantive" authority), the measurement date was the date on which the CEO

communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.

- In the event the date on which the CEO communicated approval was not evident from the approval forms, the measurement date was the date on which other available evidence, such as the surrounding e-mail communications, established the date the CEO approved the grant.
- In the event the date of CEO approval could not be established by reviewing other available evidence, such as e-mails, the measurement date was the date on which the number of options and exercise price were entered into our option tracking database (Equity Edge).
- Except for grants to Section 16 officers which require Compensation Committee approval, for new hire grants and promotion grants, prior to March 13, 1998, the measurement date was the date the Compensation Committee approved the grant (as described above). For new hire grants and promotion grants after March 13, 1998 and prior to September 2000 and after September 30, 2002, the measurement date was the 15th day or the last day of the month (or the prior business day if that day was not a business day) following the actual and documented start date or promotion date of the respective employee receiving the grant. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval. For new hire grants and promotion grants in the period September 1, 2000 through September 30, 2002, the measurement date was the date on which the CEO communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price. If that date could not be determined, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge.

After determining the measurement date through the steps in the above Measurement Date Hierarchy, we then determined if there were any changes to the individual recipients, exercise prices or amount of shares granted after such measurement date. If there were no changes following such measurement date, then that date would be used. If we identified changes following such measurement date, then we would evaluate whether the changes should delay the measurement date for the entire list of grants on that date, result in a repricing, or result in separate accounting for specific grants.

Director Grants

Required Granting Actions: Grants to directors under the 1998 Director Plan (the “Director Plan”) were automatic and non-discretionary; the Director Plan did not require the CEO, the Board or the Compensation Committee to review or approve director grants. Each new director received an initial grant of a specified number of options on the date of his or her appointment and annually on the anniversary of the initial grant to be priced on the appointment or anniversary date, respectively. Directors serving before the Director Plan was adopted received an annual grant on the anniversary of their previous grant.

Method for Determining Proper Measurement Dates: For the initial grant, the measurement date was the date the director was appointed to the Board, as reflected in Board minutes. In the absence of Board minutes, the measurement date was the date specified in the proxy statement or, if not clear, the date of the first Board meeting attended by the new director. For anniversary grants, the measurement date was the annual anniversary of the initial grant (or the next business day if such date was not a business day).

Executive Grants

Required Granting Actions: The Compensation Committee is required to approve all grants to executive officers. For grants to the former CEO, the Review Team concluded that, in all but three cases (including the February 2002 grant described below), the Compensation Committee or the Board of Directors approved the grant on the stated grant date, resulting in a correct measurement date.

Method for Determining Proper Measurement Dates: For grants other than the February/May 2002 grant described below, including the other two grants to the former CEO referred to above, please refer to the Measurement Date Hierarchy above.

Acquisition Grants

Required Granting Actions: CEO authorization required. The Board of Directors implicitly delegated to the CEO authority to approve grants to employees from acquisitions when the Board approved an acquisition.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Annual Refresh Grants

Required Granting Actions: The Compensation Committee was required to approve all annual refresh grants through and including the 2004 annual refresh grant. In 2005, the Compensation Committee delegated to the CEO the authority to approve rank and file annual refresh grants.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Extended Grants

Required Granting Actions: The Compensation Committee or the Board of Directors is required to approve all extensions of grants.

Method for Determining Proper Measurement Dates: Extended grants are a modification of a previous award. Available documentation was used to establish the modification date and to measure the additional compensation charge.

Retention and Off-Cycle Grants

Required Granting Actions: The Compensation Committee is required to approve all retention and off-cycle grants.

Method for Determining Proper Measurement Dates: Refer to the Documentation Hierarchy above. For the February/May 2002 retention grant described below, the former CEO approved the grants to rank and file employees.

New Hire and Promotion Grants

Required Granting Actions: New hire grants and promotion grants made after March 13, 1998 and prior to September 2000 and those made after September 30, 2002 were automatic and did not require the CEO, the Board or the Compensation Committee review or approval. Prior to March 13, 1998, the Compensation Committee was required to approve all new hire and promotion grants. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

The 8,164 grants previously identified as having incorrectly determined measurement dates were classified into the following six categories: (1) 27 grants on 11 dates to persons elected or appointed as members of the Board of Directors (“Director Grants”); (2) 33 grants to executive officers (“Executive Grants”); (3) 2,908 grants to employees issued after an acquisition, newly hired employees and promoted employees under the new hire and promotion grants program described below (“New Hire and Promotion Grants Program”), and other grants to a

large number of non-executives; (4) 4,226 grants made in broad-based awards to large numbers of employees, usually on an annual basis ("Annual Refresh Grants"); (5) 964 off-cycle performance grants; and (6) 6 grants whereby the expiration dates were extended ("Extended Grants"). All references to the number of option shares, option exercise prices, and share prices have been adjusted for all subsequent stock splits.

As discussed below, it was determined that the originally assigned grant dates for 8,164 grants were not ascribed the proper measurement dates for accounting purposes. Accordingly, after accounting for forfeitures, stock-based compensation expense of $171.4 million on a pre-tax basis was recognized over the respective awards' vesting terms for the periods from 1998 to 2006. As noted below, we also considered alternative measurement dates for eight grant dates which, if applied, would have resulted in additional stock-based compensation expense of approximately $25.7 million. The adjustments made to reflect the proper measurement dates for accounting purposes and the financial statement impact of the alternative measurement dates considered by us, were determined by category as follows:

Director Grants: 64 director grants were made on 36 dates during the relevant period. Of the 64 grants, there were 27 grants to directors for which it was determined that the originally determined grant dates preceded or succeeded the measurement dates, 11 grants were in excess of plan parameters, and some of the dates were selected in hindsight based on an advantageous share price. Of the 27 grants with measurement date issues, 26 of the grants involved periods of 5 days or less and resulted in a stock-based compensation expense of less than $100,000 in the aggregate. Revisions to measurement dates for director grants were made where the wrong date was selected based on the requirements of the Director Plan and where incorrect start dates were used for the date the director joined the Board of Directors. The excess grants have been historically honored by us. As a result, $0.3 million of stock-based compensation expense was recognized.

Executive Officer Grants: It was determined that for 33 of the grants to executive officers, the originally determined grant dates preceded the measurement dates or the grant dates and exercise prices were subsequently changed. Some of these dates were selected in hindsight based on an advantageous share price. As the stock prices on the originally determined grant dates were lower than the stock prices on the proper measurement date, $28.1 million of stock-based compensation expense was recognized. The revised measurement dates for various executive officer grants were based on Compensation Committee meeting dates, signed UWCs, delayed CEO approval, and for one date the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. We also considered an alternative measurement date for one grant date which would have increased the compensation expense by approximately $130,000 for that grant. The authority for 21 grants, which have been historically honored by us, is based on the CEO's presumed authority.

New Hire and Promotion Grants Program: We concluded that the new hire and promotion grants made pursuant to the New Hire and Promotion Grants Program within the pre-established guidelines did not require an adjustment, with the exception of the grants made from September 1, 2000 to September 30, 2002. For the 1,728 grants made during that time period, management concluded that the measurement dates occurred only on the dates of the CEO approval. Due to practical difficulties in ascertaining the actual dates of the CEO approval for many new hire and promotion grants in that time period, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. The incremental stock-based compensation expense associated with the New Hire and Promotion Grants during the relevant period was $11.9 million.

Acquisition Grants: After the consummation of certain acquisitions, we granted stock options to employees of the acquired entities. It was determined that the measurement dates for 1,180 option grants required revision because the stated grant dates preceded the proper measurement dates and the approval authority was based on CEO approval. Some of these dates were chosen in hindsight based on an advantageous share price. Of the 1,180 grants, 1,048 grants were extinguished as part of our exchange program which commenced in November 2002. Due to issues associated with the measurement dates for the acquisition grants, $36.2 million of additional stock-based compensation expense was recognized during the relevant period. We also considered an

alternative measurement date for three different acquisition grant dates which, if they had been used, would have increased the compensation expense by approximately $675,000.

Annual Refresh Grants: During the relevant period, 3,782 broad-based grants were made to employees under an annual program (the "Refresh Grants") for which the originally assigned grant dates were not the proper measurement dates. Some of these dates were chosen in hindsight based on an advantageous share price, and the authority for some of the Refresh Grants was the CEO's presumed authority. For one of the annual Refresh Grants which occurred in August 2000, there was conflicting documentation and inconclusive evidence with respect to the measurement date. It was determined that the most appropriate measurement date, due to the lack of affirmative evidence otherwise, was the date on which the number of options and exercise price were entered into Equity Edge, and based on that date, $19.2 million of stock-based compensation expense was recognized in the period 2000 to 2002. These grants were extinguished in December 2002 as part of our exchange program which commenced in November 2002. We did not approve or process any stock option grants to existing employees during the period of the tender offer or agree or imply that we would compensate employees for any increases in the market price during the tender period. The Review also determined that the annual refresh grants for the years 1999, 2001, 2004, and a portion of the 2003 grant had a measurement date that was later than the date that was originally used. In these cases, where the measurement dates were revised, the authority for the grants varied and included new dates based on UWCs by the Compensation Committee or approvals by the CEO. Where approval was not determinable based on the above, we utilized the date on which the number of options and exercise price were entered into Equity Edge. Due to the errors in measurement dates associated with the annual refresh grants, stock-based compensation expense of $55.1 million was recognized. We also considered alternative measurement dates for two Refresh Grants which did not create additional compensation charge where one alternative measurement date had a lower price than the original grant date and the options for the second alternative measurement date were cancelled prior to the one-year cliff vesting date.

Off-Cycle Performance Grants: There were 964 performance grants made to employees on March 15, 2001 and October 1, 2003. These dates were chosen in hindsight based on an advantageous share price, and the authority for these grants was the CEO's de facto authority. The revised measurement dates were based on the dates of the UWC for the March 15, 2001 grant and e-mail correspondence for the October 1, 2003 grant. Due to the errors in measurement dates associated with the off-cycle performance grants, stock-based compensation expense of $5.6 million was recognized. We also considered an alternative measurement date for the October 1, 2003 grant which, if it had been used, would have decreased the compensation expense by approximately $100,000 for that grant.

Extended Grants: During the relevant period, there were 6 stock option extensions (including one to the former CEO described below) whereby an option was extended beyond its expiration or termination date and for which a compensation charge had not been recorded. As a result, $2.1 million of stock-based compensation expense was recognized.

The former CEO received certain options from Network Solutions, Inc. ("NSI") in his capacity as a NSI director prior to our acquisition of NSI. Upon receiving legal advice, management extended the term of those options beyond their original expiration date. The former CEO exercised those options on May 24, 2002. The Ad Hoc Group reviewed the extension of these options and determined that the legal advice was incorrect and that the options should not have been extended. Upon learning of this determination in January 2007, the former CEO voluntarily paid $174,425 to us, reflecting the after-tax net profit he received from the exercise of those options.

2002 Retention Grants: Between February and May 2002, the Compensation Committee considered special option grants as a retention incentive for executive officers and other executives and key employees, since in many cases the exercise prices of options previously granted to these individuals were significantly above the then-current market price for shares of our common stock. These retention grants are summarized as follows:

Grants to Executive Officers and Other Executives: We determined that 68 grants of options for a total of 4,631,000 shares to executive officers and other executives were finalized on April 10, 2002 rather than the

stated grant date of February 21, 2002. The Review Team was unable, after review of detailed documentation, including multiple draft versions of the February 12, 2002 Compensation Committee minutes, approval forms (which were undated) and email correspondence, to affirmatively determine when the grants to executive officers and other executives were approved. In accordance with our measurement date hierarchy for grants described above, we determined that April 10, 2002 was the correct measurement date because that was the date that other grants, including certain executive grants, were entered into Equity Edge. The grant price as of the measurement date was $23.74, the closing market price of our stock on April 10, 2002. Because the stated exercise price of the grants was set based on the closing market price on February 21, 2002 of $22.71 and preceded the measurement date, an incremental $1.3 million of stock-based compensation expense was recognized.

We also determined that the Compensation Committee repriced 1,870,000 of these options on May 24, 2002, with an exercise price of $10.08, the closing market price of our stock on May 24, 2002. We determined that these grants were a reprice based on a UWC of the Compensation Committee. The accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and we did not properly disclose the circumstances of these grants. In accordance with FIN 44 and after applying variable accounting, we recognized incremental stock-based compensation expense of approximately $15.8 million, net of reversals, for the periods between 2002 and 2006. Had we considered an alternative measurement date between the periods from February 13, 2002 through April 25, 2002, compensation expense would have increased by up to $25.0 million for these grants.

Grants to Employees: Broad-based employee grants were also considered during the February to May 2002 period. The Review Team determined that the CEO, under his presumed authority, approved 305 broad-based employee grants on or about March 20, 2002 with a grant price of $26.42, the closing market price of our stock on that date. These awards were communicated shortly thereafter to the employees. We determined that March 20, 2002 was a definitive measurement date for the awards to the employees.

The grants to employees previously approved by the CEO on March 20, 2002 were submitted for approval to the Compensation Committee as evidenced in a UWC dated May 24, 2002. The Compensation Committee approved the 305 employee grants with an exercise price of $10.08, the market value of our common stock on May 24, 2002. Therefore the employee awards were re-priced on that date. Although the awards had been communicated to the employees and disclosed in our Form 10-Q for the first quarter of 2002, the accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and we did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately $6.6 million, net of reversals of additional stock-based compensation expense, has been recorded for the periods between 2002 and 2006.

Retention Grants to our former CEO: In the February 12, 2002 Compensation Committee meeting, the Committee considered the number and vesting period of a proposed option award to the CEO. The Review Team found multiple draft versions of the minutes for the February 12, 2002 meeting of the Compensation Committee and concluded that the signed minutes were inaccurate. Attendees at the meeting have different recollections of the business conducted. One draft, unapproved version of those minutes, stated the number of options to be awarded to the CEO was 1,200,000, while the signed version of the minutes approved by the members of the Compensation Committee in late May 2002 stated that the number of options to be awarded was 600,000. Both versions of the minutes stated that the grant date and the exercise price was February 21, 2002 and $22.71. The minutes of a Board meeting held on February 12, 2002, after the Compensation Committee meeting, also indicate that the CEO was awarded 1,200,000 options at the February 12, 2002 Compensation Committee meeting.

We have determined that the measurement date for the 1,200,000 options to the CEO was February 12, 2002 with a grant price of $26.31, the closing market price of our stock on that date, and that the options were repriced on February 21, 2002 with a grant price of $22.71, the closing market price of our stock on that date. Subsequently, 600,000 options of the 1,200,000 options were repriced on May 24, 2002 with a grant price of $10.08, the closing market price of our stock on that date. The accounting impact of the repricings was not

recorded at the time of the Compensation Committee approval and we did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately $7.5 million, net of reversals, of additional stock-based compensation expense has been recorded for the periods between 2002 and 2006.

Actions Taken by the Board with respect to Grants: As part of the Review, the Board of Directors confirmed all option grants (including those to our former CEO and CFO) that the Review Team concluded had authority issues as legally binding and enforceable obligations of us as of the date of such grant. In addition, the Board of Directors decided to modify the following grants to the former CEO and CFO in 2007 and no reversal of compensation expense was recorded for these negative modifications in the financial statements.

Former CEO: An option grant to the former CEO of 100,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CEO: The February 2002 option grant to the former CEO of 600,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $26.31.

Former CFO: An option grant to the CFO of 25,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CFO: An option grant to the CFO of 125,000 shares originally dated August 1, 2000 at an exercise price of $151.25 was modified to a new exercise price of $165.22.

Former CFO: An option grant to the CFO of 40,000 shares originally dated March 15, 2001 at an exercise price of $34.438 was modified to a new exercise price of $42.26. The CFO's 409A tax election described below modified 1,667 of these options and the Board of Directors determined to modify the remaining 38,333 options.

Former CFO: A grant to the CFO of 90,000 shares originally dated September 6, 2001 at an exercise price of $34.16 was modified to a new exercise price of $38.30. The CFO's 409A tax election described below modified 11,250 of these options and the Board of Directors determined to modify the remaining 78,750 options.

Former CFO: The February 2002 option grant to the CFO of 100,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $23.74.

Other: The Company and the Review Team also determined that the former CEO received an option grant in October 1998 for 100,000 shares (95,928 non-qualified stock options ("NQSOs") and 4,072 incentive stock options ("ISOs")), which split to options for 200,000 shares in May 1999 and then split again to options for 400,000 shares in November 1999 when we announced a stock split during those respective periods. The account statements and monthly reporting statements for November 1 and December 1, 2000 showed that the former CEO held options for 400,000 shares at the split-adjusted price of $7.67. However, the Ad Hoc Group determined that sometime between December 1, 2000 and January 1, 2001, we erroneously changed the former CEO's options to reflect the pre-split amount of 100,000 shares instead of 400,000 shares, but at the post-split price of $7.67. The error was never subsequently corrected. Therefore, the former CEO did not receive the benefit of the additional 300,000 options arising from the two stock splits, which expired in 2005. Based on a determination by the Board of Directors after the Ad Hoc Group's Review in May 2007, we have agreed to pay the former CEO $5,459,430, reflecting the gain he would have realized from the exercise of these options prior to their expiration, based on the weighted-average price of stock options exercised by the former CEO in August 2005.

The other principal factual findings of the Review included the following:

- The human resources, accounting, and legal departments failed to implement appropriate processes and controls. During 2000 through 2003, the option grant process was characterized by a high degree of informality and relatively little oversight.

- The Review found no evidence that accounting personnel were aware of the deficient practices used in selecting grant dates.
- The Review found instances of incomplete and inaccurate corporate records, including two sets of Committee minutes that were inaccurate.
- The Review found no evidence of fictitious individuals being granted options.
- Options found to be misdated, have a date chosen in hindsight based on an advantageous share price, repriced, or unauthorized with a stated exercise price lower than the share price at the actual approval date will result in adverse tax consequences to the recipients and us.
- In light of the Review's other findings, our disclosures related to option grants were inaccurate in some respects.

The principal recommendations of the Ad Hoc Group's Review included the following:

- The Board or the Compensation Committee should approve all grants that the Review found to be unauthorized, with the exception of certain grants made to our former CEO and CFO. The Board or the Compensation Committee should consider whether to cancel or request forfeiture of any options granted to the former CEO and CFO that were determined to be unauthorized, misdated, have a date chosen in hindsight based on an advantageous share price, or repriced, and then should consider the appropriate equity compensation for these officers for the periods covered by the Review.
- We should develop and implement detailed written grant policies.
- We should designate individuals in the legal and accounting departments to oversee the documentation of and accounting for option grants.
- We should develop and implement improved training and controls relating to option granting practices to ensure that all personnel involved in the granting and administration of stock options understand the relevant option plans and accounting, tax, and disclosure requirements.
- We should award regular grants (new hire, promotion, and annual performance) at predetermined dates and with all approvals documented and finalized on those dates.

The Board has adopted all of the Review's findings and recommendations. The Company, under the direction of the Audit Committee and the Compensation Committee, and with the assistance of PricewaterhouseCoopers LLP, has implemented or is in the process of implementing the recommendations.

Based on the results of the Review, we have recorded additional non-cash stock-based compensation expense (benefit) and related income tax effects related to past stock option grants of $1.5 million for the first quarter ended March 31, 2006, ($21.6 million) and $36.9 million in fiscal years 2005 and 2004, respectively. These adjustments were recorded based on the evidence and findings from the Ad Hoc Group's review, including analysis of the measurement dates for the 8,164 stock option grants made on 41 dates during the relevant period that the Review determined were incorrect.

The incremental impact from recognizing stock-based compensation expense resulting from the Ad Hoc Group's Review of past stock option grants is as follows (in thousands):

Fiscal Year	As Restated	As Previously Reported	Pre-Tax Expense (Income) Adjustments	After Tax (Income) Expense Adjustments
1998	$ 1,288	$ 1,280	$ 8	$ 8
1999	7,057	104	6,953	6,953
2000	24,814	1,722	23,092	23,092
2001	42,500	7,803	34,697	34,697
2002	70,066	18,956	51,110	51,110
2003	35,010	7,389	27,621	27,621
Total 1998 – 2003 impact	180,735	37,254	143,481	143,481
2004	46,835	3,136	43,699	36,873
2005(2)	(10,588)(2)	6,312	(17,670)	(21,560)
2006(1)	66,285	64,438	1,847(1)	1,532(1)
Total	$283,267	$111,140	$ 171,357	$ 160,326

(1) Pre-tax expense adjustments are through March 31, 2006 and represents amounts being reported pursuant to FAS 123R whereas amounts for all other years represent amounts being reported pursuant to APB 25.
(2) Includes $0.8 million of other stock-based compensation adjustments that were unrelated to past stock option grants.

Additionally, the pro forma expense under SFAS No. 123 in Note 1 in the Notes to Consolidated Financial Statements of this Form 10-K has been restated to reflect the impact of these adjustments for the years ended December 31, 2005 and December 31, 2004.

As noted above we considered alternative measurement dates for eight grants which, if applied, would have resulted in additional stock-based compensation of approximately $25.7 million. With the exception of these eight grants, there was no uncertainty on the measurement date for option grants. The table below shows what the incremental impact to stock-based compensation expense would have been by category of grant had these alternative measurement dates been applied (in thousands):

Category	Pre-Tax Expense (Income)
Director Grants	$ —
Executive Grants	100
Acquisition Grants	675
Annual Refresh Grants	—
Extended Grants	—
Retention and Off-Cycle Grants	(100)
New Hire and Promotion Grants	—
2002 Retention Grants	25,000
Total	$25,675

Tax Implications

We evaluated the impact of the restatements on our global tax provision and have determined that a portion of the tax benefit relating to stock-based compensation expense formerly associated with stock option deductions is attributable to continuing operations. We identified deferred tax assets totaling $16.3 million at December 31, 2005 which reflect the benefit of tax deductions from future employee stock option exercises. We have not realized this or any other deferred tax asset relating to taxing jurisdictions within the United States as of

December 31, 2005. See Note 14 of Notes to Consolidated Financial Statements regarding our realization of United States-based deferred tax assets.

We also believe that we should not have taken a tax deduction under Internal Revenue Code (IRC) Section 162(m) in prior years for stock option related amounts pertaining to certain executives. Section 162(m) limits the deductibility of compensation above certain thresholds. As a result, our tax net operating losses associated with the stock option intra-period allocation have decreased by $12.6 million. We continue to apply a valuation allowance to our tax net operating losses relating to stock options exercised prior to the adoption of SFAS No. 123R, "*Share-Based Payment*". Pursuant to Footnote 82 of SFAS No. 123R, we recognize financial statement benefit of these tax net operating losses when such losses reduce cash taxes paid.

Section 409A of the Internal Revenue Code ("Section 409A") imposes significant penalties on individual income taxpayers who were granted stock options that were unvested as of December 31, 2004 and that have an exercise price of less than the fair market value of the stock on the date of grant ("Affected Options"). These tax consequences include income tax at vesting, an additional 20% tax and interest charges. In addition, the issuer of Affected Options must comply with certain reporting and withholding obligations under Section 409A.

These adverse tax consequences may be avoided for unexercised Affected Options if the exercise price of the Affected Option is adjusted to reflect the fair market value at the time the option was granted (as such measurement date is determined for financial reporting purposes). Under Treasury regulations, Affected Options held by executive officers or directors were to be amended on or before December 31, 2006 to avoid the adverse tax consequences of Section 409A; holders of Affected Options who are not executive officers or directors have until December 31, 2007 to amend their Affected Options to avoid the adverse tax consequences of Section 409A. Four of our current and former executive officers and a current director holding Affected Options elected to increase the exercise price of their Affected Options to the market price on December 31, 2006. Effective December 31, 2006, the exercise prices of Affected Options held by D. James Bidzos, a current board member, Dana Evan, former Chief Financial Officer, Robert Korzeniewski, Executive Vice President of Corporate Development, Judy Lin, former Executive Vice President of Security Services and Mark McLaughlin, Executive Vice President of Products, Marketing and Customer Support, were adjusted so that these options will not be subject to Section 409A. We are currently considering actions to avoid or alleviate certain of the adverse tax consequences associated with Affected Options for employees who are not executive officers of the Company and whether to offer compensation to the executive officers and director who elected to increase the exercise price of their Affected Options as of December 31, 2006. Should we decide to take actions to avoid or alleviate these adverse tax consequences associated with current and former employees' outstanding Affected Options, we estimate the related compensatory payments would be approximately $11.6 million. In June 2007, we made payments of approximately $0.9 million on behalf of current and former employees who exercised Affected Options in 2006 under the IRS and California Franchise Tax Board 409A Compliance Resolution Programs. We estimate the cost to participate in these compliance resolution programs, including a gross-up payment to the affected employees, will be approximately $1.9 million.

PART I

ITEM 1. BUSINESS

Overview

We operate intelligent infrastructure services that enable and protect billions of interactions every day across the world's voice and data networks. We offer a variety of Internet and communications-related services which are marketed through Web site sales, direct field sales, channel sales, telesales, and member organizations in our global affiliate network.

In 2006, we were organized into two service-based lines of business: the Internet Services Group and the Communications Services Group. The Internet Services Group consisted of the Security Services business and the Information Services business. The Security Services business provides products and services that protect online and network interactions, enabling companies to manage reputational, operational and compliance risks. The Information Services business is the authoritative directory provider of all *.com*, *.net*, *.cc*, *and .tv* domain names, and also provided other value-added services, including intelligent supply chain services, real-time publisher services and digital brand management services. The Communications Services Group provides communications services, such as connectivity and interoperability services and intelligent database services; commerce services, such as billing and operational support system services, mobile commerce, self-care and analytics services; and content services, such as digital content and messaging services.

In January 2007, we announced a new functional business structure that reorganizes the Internet Services Group and the Communications Services Group to deliver an integrated portfolio of products and services through a unified sales and services team across multiple industries. Our two main functional units are Sales and Consulting Services and Products and Marketing. The Sales and Consulting Services group combined our multiple sales and consulting functions into one organization, focusing on global accounts, strategic partnerships and worldwide channel relationships. This group is aligned by vertical industry to focus on specialized customer needs and solutions delivery, and includes our in-market consulting services, business development and global channels teams. The Products and Marketing group is responsible for the development, marketing, delivery and support of all our products and solutions to businesses of all sizes. This group includes all facets of product management, product development, marketing and customer support, as well as a new innovation team chartered with looking at longer-term product line synergies and emerging market trends. Unless otherwise specified herein, this Annual Report on Form 10-K describes the organizational structure in place as of December 31, 2006.

We were incorporated in Delaware on April 12, 1995. Our principal executive offices are located at 487 East Middlefield Road, Mountain View, California 94043. Our telephone number at that address is (650) 961-7500 and our common stock is traded on the NASDAQ Global Select Market under the ticker symbol VRSN. Our primary Web site is www.verisign.com. The information on our Web sites is not a part of this annual report. VeriSign, the VeriSign logo, GeoTrust, thawte, and certain other product or service names are trademarks or registered trademarks of VeriSign, Inc., and/or its subsidiaries in the United States and other countries. Other names used in this report may be trademarks of their respective owners.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available, free of charge, through our Web site at http://investor.verisign.com as soon as is reasonably practicable after filing such reports with the Securities and Exchange Commission.

Internet Services Group

The Internet Services Group consists of the Security Services business and Information Services business. The Security Services business provides products and services that protect online and network interactions,

enabling companies to manage reputational, operational and compliance risks. The following types of services are included in the Security Services business: SSL certificate services; managed security services; iDefense security intelligence services; authentication services, including managed public key infrastructure ("PKI") services, unified authentication services, and VeriSign Identity Protection services; and global security consulting services. The Information Services business operates the authoritative directory of all *.com*, *.net*, *.cc*, and *.tv* domain names, and provides other services, including intelligent supply chain services, real-time publisher services, and digital brand management services.

Security Services

SSL Certificate Services

Our SSL Certificate services enable enterprises and Internet merchants to implement and operate secure networks and Web sites that utilize SSL protocol. These services provide customers the means to authenticate themselves to their end users and Web site visitors and to encrypt communications between client browsers and web servers.

We currently offer the following SSL Certificate Services.

- *VeriSign Secure Site and Secure Site Pro Certificates.* Both our Secure Site and Secure Site Pro certificates enable up to 256-bit SSL encryption when both the web server and the client browser support such sessions. Secure Site Pro, our premium certificate offering, implements Server Gated Cryptography, a technology which automatically steps-up encryption levels to 128-bit in certain client/browser configurations that would otherwise encrypt at lower levels.
- *GeoTrust®, RapidSSL and thawte® Branded Certificates.* We offer SSL Certificate Services under the GeoTrust, RapidSSL and thawte brands. These services use similar underlying infrastructure as VeriSign branded certificates and are targeted at Internet providers, web hosting companies, domain name registrars, small businesses and independent software developers.
- *Extended Validation Certificates.* Extended Validation SSL Certificates give high security Web browsers information to clearly identify a Web site's organizational identity by providing third-party verification through a visual display on the browser. Extended Validations SSL Certificates also rely on high assurance authentication standards promulgated by the CA/Browser Forum.

Managed Security Services ("MSS"). Our MSS services enable enterprises to effectively monitor and manage their network security infrastructure on a 24x7 basis while reducing the associated time, expense, and personnel commitments by relying on VeriSign's security platform and experienced security staff. Our MSS services include: Firewall Management Services, Intrusion Prevention Management Service, Intrusion Detection Management Service, Security Risk Profiling Service, Log Management Service, Vulnerability Management Service, and Phishing Response Service.

iDefense Security Intelligence Services. Our iDefense Security Intelligence services deliver comprehensive, actionable intelligence to help companies decide how to respond to threats and manage risk. Our teams identify, verify and track vulnerabilities, malicious code, and global threats, providing unique insight into the evolution of security risks and early discovery of software vulnerabilities.

Authentication Services. We offer a suite of Authentication products and services, including our Managed PKI service, our Unified Authentication service, and our VeriSign Identity Protection ("VIP") service.

- *Managed PKI Service*. Our Managed PKI service enables enterprises to easily secure intranets, extranets, VPNs, email, and e-commerce applications while retaining full control of access to information and leveraging VeriSign's service infrastructure for cost effective provisioning and validation.
- *Unified Authentication Service*. Our Unified Authentication service provides a single, integrated platform for provisioning and managing all types of two-factor authentication credentials used to validate

users, devices or applications for a variety of purposes, such as remote access, windows logon, and Wi-Fi access. Unified Authentication supports strong authentication using smart cards, device-generated one-time passwords and digital certificates, as well as PKI-based encryption, digital signing and non-repudiation. Unified Authentication can be run at the enterprise or through VeriSign's infrastructure.

- *VeriSign Identity Protection ("VIP") Service*. Our VIP services are a comprehensive suite of identity protection and authentication services that enable consumer-facing applications to provide a secure online experience for end users. Our VIP Fraud Detection service provides an invisible means of delivering proactive protection to consumers by detecting fraudulent logins and transactions in real-time without affecting a legitimate user's web experience. Our VIP Authentication service provides a visible means for businesses to easily issue and/or accept multiple credentials from users. As part of the VIP Authentication service, we provide access to the VIP Shared Authentication Network where it is anticipated that consumers will be able to use a single second factor authentication device to access multiple online accounts.

Global Security Consulting Services. Our Global Security Consulting services help enterprises understand corporate security requirements, navigate sets of diverse regulations, identify security vulnerabilities, defend against and respond to attacks, reduce risk, and meet the security compliance requirements of their business and industry. Key offerings include enterprise security assessments, enterprise compliance assessments, a security certification program, incident response and forensic services, technical security services, security policy and programs services, security architecture and design services, identity and access management services, and disaster recovery and business continuity solutions.

Information Services

Our Information Services business operates the authoritative directory provider of all *.com*, *.net*, *.cc*, *and .tv* domain names and provides other services, including intelligent supply chain services, real-time publisher services and digital brand management services.

Naming Services. We are the exclusive registry of domain names within the *.com* and *.net* generic top-level domains ("gTLDs") under agreements with the Internet Corporation for Assigned Names and Numbers ("ICANN") and the Department of Commerce ("DOC"). As a registry, we maintain the master directory of all second-level domain names in these top-level domains. We own and maintain the shared registration system that allows all registrars to enter new second-level domain names into the master directory and to submit modifications, transfers, re-registrations and deletions for existing second-level domain names.

We are also the exclusive registry for domain names within the *.tv* and *.cc* country code top-level domains ("ccTLDs"). These top-level domains are supported by our global name server constellation and shared registration system. We also provide internationalized domain name, or IDN, services that enable Internet users to access Web sites in their local language characters. Currently, IDNs are available in more than 350 languages such as Chinese, Greek, Korean and Russian.

Intelligent Supply Chain Services. Our intelligent supply chain services enable trusted, secure and scalable information exchange and collaboration among global supply chain participants. Our point-of-sale data service is a hosted, Web-based solution for accessing and managing daily updates of point-of-sale data from multiple key retailer partners. We have been selected by EPCglobal, a not-for-profit joint-venture formed by The Uniform Code Council, Inc. and EAN International, to operate the authoritative root directory for the EPCglobal Network™, the authoritative directory of information sources that is available to describe products assigned electronic product codes ("EPCs"). Additionally, we offer radio frequency identification ("RFID") consulting services and managed services that are designed to work in conjunction with RFID and bar code technology and the EPC root directory to facilitate the secure sharing of product data across diverse supply chains.

Real-Time Publisher Services. Our Real-Time Publisher services allow organizations to obtain access to and organize large amounts of constantly updated content, and distribute it, in real time, to enterprises,

web-portal developers, application developers and consumers. The Real-Time Publisher services also make it easier for publishers of all sizes to distribute and track their content feeds, which may improve the reliability and quality of their real-time content.

Digital Brand Management Services. We offer a range of corporate domain name and brand protection services that help enterprises, legal professionals, information technology professionals and brand marketers monitor, protect and build digital brand equity. These services include domain name management, global brand expansion services and digital brand monitoring solutions.

Communications Services Group

The Communications Services Group provides managed solutions to fixed line, broadband, mobile operators and enterprise customers through our integrated communications, content and commerce platforms. Our communications services offerings include network connectivity and interoperability services and intelligent database services; our content services offerings include digital content services and messaging services; and our commerce services offerings include billing and operational support system services, mobile commerce services, and self care and analytics services.

Communications Services

Connectivity and Interoperability Services

Through our connectivity and interoperability services, we provide connections and services that signal and route information within and between telecommunication carrier networks.

- *SS7 Connectivity and Signaling Services*. Our Signaling System 7 ("SS7") network is an industry-standard system of protocols and procedures used to control telephone communications and provide routing information in association with vertical calling features, such as calling card validation, local number portability, toll-free number database access and caller identification. Our SS7 trunk-signaling service reduces post-dial delay, allowing call connection almost as soon as dialing is completed which enables telecommunications carriers to deploy a full range of intelligent database services more quickly and cost effectively. By using our trunk-signaling service, carriers simplify SS7 link provisioning, and reach local exchange carriers and wireless carriers' networks through our direct access to hundreds of carriers.
- *Voice and Data Roaming Services*. We offer wireless carriers roaming services using the ANSI-41 and GSM signaling protocols that allow carriers to provide support for roamers visiting their service area and for their customers when they roam outside their service area. These services also allow number validation inside and outside carriers' service areas by accessing our SS7 network. Our Interstandard Roaming service manages signaling conversion across protocols to provide activation processing, international customer care, end-user billing, and fraud protection, while our Wireless Data Roaming service enables carriers to offer wireless data roaming to their subscribers over Wi-Fi, CDMA2000 and GSM/GPRS networks.
- *Voice Over Internet Protocol ("VoIP") Services*. The VeriSign® IP Connect service allows VoIP providers, cable operators and MSOs to extend VoIP services across multiple access methods to enterprise customers. VeriSign® SIP-7 Service integrates Session Initiation Protocol ("SIP") based VoIP platforms with the existing SS7 network, allowing interconnection between IP networks and the Public Switch Telephone Network.
- *CALEA Compliance Services*. Our NetDiscovery services enable telecommunications carriers to meet the requirements of the Communications Assistance for Law Enforcement Act through provisioning, access and delivery of call information from carriers to law enforcement agencies.

Intelligent Database Services

Through our Intelligent Database services, we enable carriers to find and interact with network databases and conduct database queries that are essential for many advanced services, including the following:

- *Number Portability.* Our Number Portability services deliver essential network and database capabilities so providers can port numbers, route calls to ported numbers, and process orders when subscribers change service providers.
- *Calling Name ("CNAM") Database Services.* With our CNAM Database services, carriers can enable enhanced caller ID for wireline, broadband, and wireless devices; store subscriber names in the database all major CNAM providers access for call delivery; and minimize inaccurate call information and reduce unavailable data responses on inbound calls.
- *Line Information Database ("LIDB").* LIDB provides subscriber information (such as the subscriber's service profile and billing specifications) to other carriers, enabling them to respond to calls (e.g., whether to block certain calls, allow collect calls, etc.).
- *Toll-free Database Services.* Leveraging VeriSign's SS7 network, our Toll-free Database services allow customers to complete 8xx calls throughout the U.S. and Canada.

Content Services

Digital Content Services

Our Digital Content services provide secure and scalable media and content delivery solutions for Internet, broadband, and mobile applications, including network connections, digital rights management, mobile storefronts and video-on-demand. With our Digital Content services, providers can deliver a wide range of content, including DVD-quality video-on-demand and IPTV solutions, business video delivery platforms for enterprises, mobile tickets, quickly deployable mobile marketing, interactive TV applications, such as voting, and white-label mobile storefronts with an extensive content library.

Messaging Services

Our Inter-Carrier Messaging services allow wireless subscribers to send text and multi-media messages between different service providers and devices. Our Inter-Carrier Multi-Media Messaging ("MMS") services allow subscribers to send pictures, audio and video between different service providers and devices and are provided on a service bureau basis that connects to wireless service providers' multimedia messaging centers and routes MMS messages between service providers. Through our hosted services we also facilitate the sharing, distribution and storage of multimedia messages for our customers in the U.S., Canada, New Zealand and Mexico. Through our Metcalf™ Inter-Carrier SMS services, we enable wireless carriers to send short messaging services ("SMS") text messages between carrier systems and devices, and across disparate networks and technologies so that customers can exchange messages outside the carrier's network.

Mobile Delivery Services

Our Mobile Content Delivery Network enables providers to deliver and bill for nearly any type of mobile content and messaging using a distribution network for mobile media and applications that reaches wireless subscribers throughout North America, Europe, and other countries. The Mobile Content Delivery Network may be used to distribute messages, premium content, and Java applications through SMS, MMS, and WAP Push; bill for premium-rated messages and receive real-time transaction data from carriers' billing systems; deliver mass messages to large customer segments; create and offer monthly auto-renew subscription plans; and monitor all mobile programs, measure effectiveness, and customize reporting.

Commerce Services

Billing and Operational Support System ("OSS") Services

We offer advanced billing, payment and customer care services to wireless providers that support advance pay, prepaid and post-paid wireless services. Our Billing & OSS services give wireless providers a single point of access for adding billing features, securing payment options, engaging content, and other operational support services. As part of a converged suite of billing and payment services, our Billing & OSS services support operations at each stage of the customer lifecycle, so providers can activate new products and services with network provisioning solutions; mediate diverse networks and platforms; differentiate their offering with content and applications; and support multiple payment models and methods with secure payment processing.

Mobile Commerce Services

Our Mobile Commerce services enable and protect a full range of mobile commerce transactions for a mobile service provider's subscribers in a trusted environment by offering mobile service providers a comprehensive suite of solutions, including our Mobile Payment services and Secure Mobile Device Management services, that enable wireless payments, mobile coupon delivery to support mobile marketing campaigns and other banking services.

Self-Care and Analytics Services

Our Self-Care and Analytics services help carriers turn billing and usage data into valuable intelligence, allowing them to better understand and manage their communications. Consumer customers may pay bills online and obtain information on charges, while business users may conduct sophisticated analyses and cost allocations.

Operations Infrastructure

Our operations infrastructure consists of secure data centers in Mountain View, California; Dulles, Virginia; Lacey, Washington; Providence, Rhode Island; Overland Park, Kansas; Melbourne, Australia; and Kawasaki, Japan. We are currently in the process of building a new secure data center in New Castle, Delaware. Most of these secure data centers operate on a 24-hours-a-day, 7 days per week, 365-days-a-year basis, supporting our business units and services. Key features of our operations infrastructure include:

- *Distributed Servers.* We deploy a large number of high-speed servers to support capacity and availability demands that in conjunction with our proprietary software offers automatic failover, global and local load balancing and threshold monitoring on critical servers.
- *Advanced Telecommunications.* We deploy and maintain redundant telecommunications and routing hardware and maintain high-speed connections to multiple Internet service providers ("ISPs") to ensure that our mission critical services are readily accessible to customers at all times.
- *Network Security.* We incorporate architectural concepts such as protected domains, restricted nodes and distributed access control in our system architecture. We have also developed proprietary communications protocols within and between software modules that are designed to prevent most known forms of electronic attacks. In addition, we employ firewalls and intrusion detection software, and contract with security consultants who perform periodic probes to test our systems and assess security risks.

As part of our operations infrastructure for our domain name registry services, we operate all domain name servers that answer domain name lookups for the *.com* and *.net* zones. We also operate two of the thirteen externally visible root zone server addresses, including the "A" root, which is considered to be the authoritative root zone server of the Internet's domain name system ("DNS"). The domain name servers provide the associated name server and IP address for every *.com* and *.net* domain name on the Internet and a large number of other top-level domain queries, resulting in an average of over 19 billion responses per day during 2006. These name servers are located around the world, providing local domain name service throughout North America, Europe,

and Asia. Each server facility is a controlled and monitored environment, incorporating security and system maintenance features. This network of name servers is one of the cornerstones of the Internet's DNS infrastructure.

To provide our communications services, we operate a SS7 network composed of specialized switches, computers and databases strategically located across the United States. These elements interconnect our customers and U.S. telecommunications carriers through leased lines. Our network currently consists of 16 mated pairs of SS7 signal transfer points ("STPs") that are specialized switches that route SS7 signaling messages, and into which our customers connect. We own ten pairs of STPs and lease capacity on six pairs of STPs from regional providers. Our SS7 network control center, located in Overland Park, Kansas, is staffed 24 hours a day, 365 days a year.

Call Centers and Help Desk. We provide customer support services through our phone-based call centers, email help desks and Web-based self-help systems. Our California call center is staffed 24 hours a day, 365 days a year and employs an automated call directory system to support our Security Services business. Our Georgia call center is staffed from 8:00 a.m. to 7:00 p.m. Eastern Time and our Washington state call center is staffed from 8:00 a.m. to 5:00 p.m. Pacific Time and employs an automated call directory system to support our Communications Services business. Our Virginia call center is staffed 24 hours a day, 365 days a year to support our Information Services business. All call centers have a staff of trained customer support agents and provide Web-based support services that are available 24 hours a day, 365 days a year, utilizing customized automatic response systems to provide self-help recommendations.

Operations Support and Monitoring. We have an extensive monitoring capability that enables us to track the status and performance of our critical database systems and our global resolution systems. Our distributed Network Operations Centers are staffed 24 hours a day, 365 days a year.

Disaster Recovery Plans. We have disaster recovery and business continuity capabilities that are designed to deal with the loss of entire data centers and other facilities. Our Information Services business maintains dual mirrored data centers that allow rapid failover with no data loss and no loss of function or capacity. Our Security Services business is similarly protected by having service capabilities that exist in both of our East and West Coast data center facilities. Our critical data services (including digital certificates, domain name registration, telecommunications services and global resolution) use advanced storage systems that provide data protection through techniques such as mirroring and remote replication.

Marketing, Sales and Distribution

We market our services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, direct marketing through all media, mass merchandisers, value-added resellers, systems integrators and VeriSign Affiliates. We intend to increase our direct sales force in the Internet Services Group and the Communications Services Group both in the United States and abroad, and to expand our other distribution channels in both businesses.

Our direct sales and marketing organization at December 31, 2006 consisted of 989 individuals, including managers, sales representatives, and marketing, technical and customer support personnel. We have field sales offices throughout the world.

Research and Development

As of December 31, 2006, we had 1,022 employees dedicated to research and development. We believe that timely development of new and enhanced Internet security, e-commerce, information, and communications services and technologies are necessary to remain competitive in the marketplace. Accordingly, we intend to continue recruiting and hiring experienced research and development personnel and to make additional investments in research and development.

Our future success will depend in large part on our ability to continue to maintain and enhance our current technologies and services. In the past, we have developed our services both independently and through efforts with leading application developers and major customers. We have also, in certain circumstances, acquired or licensed technology from third parties. Although we will continue to work closely with developers and major customers in our development efforts, we expect that most of the future enhancements to existing services and new services will be developed internally or acquired through business acquisitions.

The markets for our services are dynamic, characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The constantly changing nature of these markets and their rapid evolution will require us to continually improve the performance, features and reliability of our services, particularly in response to competitive offerings, and to introduce both new and enhanced services as quickly as possible and prior to our competitors.

Competition

We compete in markets with our naming services, security services, commerce services, communication services, content services, and managed security services. We compete with numerous companies in each of these services categories. The overall number of our competitors may increase and the identity and composition of competitors may change over time.

Several of our current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than we do and therefore may be able to respond more quickly than we can to new or changing opportunities, technologies, standards and customer requirements. Many of these competitors also have broader and more established distribution channels that may be used to deliver competing products or services directly to customers through bundling or other means. If such competitors were to bundle competing products or services for their customers, the demand for our products and services might be substantially reduced and the ability to distribute our products successfully and the utilization of our services would be substantially diminished.

New technologies and the expansion of existing technologies may increase competitive pressure. We cannot assure you that competing technologies developed by others or the emergence of new industry standards will not adversely affect our competitive position or render our security services or technologies noncompetitive or obsolete. In addition, our markets are characterized by announcements of collaborative relationships involving our competitors. The existence or announcement of any such relationships could adversely affect our ability to attract and retain customers. As a result of the foregoing and other factors, we may not be able to compete effectively with current or future competitors, and competitive pressures that we face could materially harm our business. See the section titled “The business environment is highly competitive and, if we do not compete effectively, we may suffer price reductions, reduced gross margins and loss of market share” of Item 1A of the “Risk Factors” for additional details regarding our competition.

Industry Regulation

Information Services. Within the U.S. Government, oversight of Internet administration is provided by the U.S. Department of Commerce (“DOC”). On September 29, 2006, the DOC and the Internet Corporation for Assigned Names and Numbers (“ICANN”) signed a Joint Project Agreement to continue the transition of the coordination of the technical functions relating to the management of the Internet Domain Name and Addressing System to the private sector.

As the exclusive registry of domain names within the *.com* and *.net* generic top-level domains (“gTLDs”), we have entered into certain agreements with ICANN and the DOC:

.com Registry Agreement. On November 29, 2006, the DOC approved the Registry Agreement between ICANN and VeriSign for the *.com* gTLD (the “*.com* Registry Agreement”). The *.com* Registry Agreement

provides that we will continue to be the sole registry operator for domain names in the *.com* top-level domain through November 30, 2012. The ..*com* Registry Agreement provides that it shall be renewed unless it has been determined that VeriSign has been in fundamental and material breach of certain provisions of the *.com* Registry Agreement and has failed to cure such breach. The DOC shall approve such renewal if it concludes that it is in the public interest in the continued security and stability of the domain name system and the provision of registry services offered on reasonable terms.

VeriSign is required to comply with and implement temporary specifications or policies and consensus policies, as well as other provisions in the 2006 *.com* Registry Agreement relating to handling of data and other registry operations. The 2006 *.com* Registry Agreement also provides a procedure for VeriSign to propose and ICANN to review and approve additional registry services.

Cooperative Agreement. In connection with the DOC's approval of the *.com* Registry Agreement, VeriSign and the DOC entered into Amendment No. Thirty (30) to its Cooperative Agreement—Special Awards Conditions NCR-92-18742 regarding operation of the *.com* and *.net* gTLD registries, which extends the term of the Cooperative Agreement through November 30, 2012 and provides that any renewal or extension of the *.com* Registry Agreement is subject to prior written approval by the DOC. The Amendment provides that the DOC shall approve such renewal if it concludes that it is in the public interest in the continued security and stability of the domain name system and the provision of registry services offered on reasonable terms.

.net Registry Agreement. On July 1, 2005, we entered into a Registry Agreement with ICANN for the *.net* gTLD (the "*.net* Registry Agreement"). The *.net* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.net* top-level domain through September 30, 2011. The *.net* Registry Agreement provides that it shall be renewed unless it has been determined that VeriSign has been in fundamental and material breach of certain provisions of the *.net* Registry Agreement and has failed to cure such breach.

The descriptions of the *.com* Agreement and Amendment No. 30 of the Cooperative Agreement are qualified in their entirety by the text of the complete agreements that are filed as exhibits to this report.

Security Services. Some of our security services utilize and incorporate encryption technology. Exports of software and hardware products utilizing encryption technology are generally restricted by the United States and various non-United States governments. We have obtained approval to export many of the security services we provide to customers globally under applicable United States export law, including our server digital certificate services. As the list of products and countries for which export approval is expanded or changed, government restrictions on the export of software and hardware products utilizing encryption technology may grow and become an impediment to our growth in international markets. If we do not obtain required approvals, we may not be able to sell some of our security services in international markets.

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 we do not comply with these state laws and regulations, we will lose the statutory benefits and protections that would be otherwise afforded to us. Moreover, if our market for digital certificates grows, the United States federal, state, or foreign governments may choose to enact further regulations governing certification authorities or other providers of digital certificate products and related services. These regulations or the costs of complying with these regulations could have a material, adverse impact on our business.

Communications Services. Our communications customers are subject to FCC regulation, which indirectly affects our communications services business. We cannot predict when, or upon what terms and conditions, further regulation or deregulation might occur or the effect of regulation or deregulation on our business. Several services that we offer may be indirectly affected by regulations imposed upon potential users of those services, which may increase our costs of operations. In addition, future services we may provide could be subject to direct government regulation.

Intellectual Property

We rely primarily on a combination of copyrights, trademarks, service marks, patents, restrictions on disclosure and other methods to protect our intellectual property. We also enter into confidentiality and/or invention assignment agreements with our employees, consultants and current and potential affiliates, customers and business partners. We also generally control access to and distribution of proprietary documentation and other confidential information.

We have been issued numerous patents in the United States and abroad, covering a wide range of our technology. Additionally, we have filed numerous patent applications with respect to certain of our technology in the U.S. Patent and Trademark Office and patent offices outside the United States. Patents may not be awarded with respect to these applications and even if such patents are awarded, such patents may not provide us with sufficient protection of our intellectual property.

We have obtained trademark registrations for various VeriSign marks in the United States and other countries. We have also filed numerous applications to register VeriSign trademarks and claims, and have common law rights in many other proprietary names. We take steps to enforce and police VeriSign's marks.

With regard to our Security Services business, we also rely on certain licensed third-party technology, such as public key cryptography technology licensed from RSA and other technology that is used in our security services to perform key functions. RSA has granted us a perpetual, royalty-free, nonexclusive, worldwide license to use RSA's products relating to certificate issuing, management and processing functionality. We develop services that contain or incorporate the RSA BSAFE 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, and software for customers to preview and forward digital certificate requests to them. RSA's BSAFE product is a software tool kit that allows for the integration of encryption and authentication features into software applications.

With regard to our Information Services business, our principal intellectual property consists of, and our success is dependent upon, proprietary software used in our registry service business and certain methodologies and technical expertise we use in both the design and implementation of our current and future registry services and Internet-based products and services businesses, including the conversion of internationalized domain names. We own our proprietary shared registration system through which competing registrars submit *.com* and *.net* second-level domain name registrations. Some of the software and protocols used in our registry services are in the public domain or are otherwise available to our competitors.

With regard to our Communications Services Group, we offer a wide variety of services, including network connectivity and interoperability, intelligent database, content and applications, and clearing and settlement services, each of which are protected by trade secret, patents and/or patent applications. We have also entered into agreements with third-party providers and licensors, including third-party providers of content such as music, games and logos.

Employees

The following table shows a comparison of our employee headcount by function:

	December 31, 2006	December 31, 2005	December 31, 2004
Employee headcount from continuing operations:			
Cost of revenues	2,342	1,807	1,452
Sales and marketing	989	763	656
Research and development	1,022	801	408
General and administrative	978	705	567
Total	5,331	4,076	3,083

We have never had a work stoppage, and no U.S.-based employees are represented under collective bargaining agreements. We consider our relations with our employees to be good. Our ability to achieve our financial and operational objectives depends in large part upon our continued ability to attract, integrate, train, retain and motivate highly qualified sales, technical and managerial personnel, and upon the continued service of our senior management and key sales and technical personnel, none of whom is bound by an employment agreement. Competition for qualified personnel in our industry and in some of our geographical locations is intense, particularly for software development personnel.

ITEM 1A. RISK FACTORS

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

Note: The following risk factors are intended to be current as of the date of the filing of this report.

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

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

- the long sales and implementation cycles for, and potentially large order sizes of, some of our security and communications services and the timing and execution of individual customer contracts;
- volume of domain name registrations and customer renewals in our naming services business;
- the mix of all our services sold during a period;
- our success in marketing and market acceptance of our services by our existing customers and by new customers;
- changes in marketing expenses related to promoting and distributing our services;
- customer renewal rates and turnover of customers of our services;
- continued development of our direct and indirect distribution channels for our security services and communications services, both in the U.S. and abroad;
- changes in the level of spending for information technology-related products and services by enterprise customers;
- our success in assimilating the operations, products, services and personnel of any acquired businesses;
- the timing and execution of individual customer contracts, particularly large contracts;
- the impact of price changes in our communications services and security services or our competitors' products and services;
- the impact of Statement of Financial Accounting Standards No. 123R that will require us to record a charge to earnings for stock-based compensation; and
- general economic and market conditions as well as economic and market conditions specific to the telecommunications and Internet industries.

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

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

Our operating results may be adversely affected by the uncertain geopolitical environment and unfavorable economic and market conditions.

Adverse economic conditions worldwide have contributed to downturns in the telecommunications and technology industries in the past and could impact our business in the future, resulting in:

- reduced demand for our services as a result of a decrease in information technology and telecommunications spending by our customers;
- increased price competition for our products and services; and
- higher overhead costs as a percentage of revenues.

Recent political turmoil in many parts of the world, including terrorist and military actions, may continue to put pressure on global economic conditions. If the economic and market conditions in the United States and globally do not continue to improve, or if they deteriorate, we may experience material adverse impacts on our business, operating results, and financial condition as a consequence of the above factors or otherwise.

Our limited operating history under our current business structure may result in significant fluctuations of our financial results.

We have acquired many companies, a number of which operated in different businesses from our then-current business. Therefore, we have only a limited operating history on which to base an evaluation of our consolidated business and prospects. Our success will depend on many factors, many of which are not entirely under our control, including, but not limited to, the following:

- the successful integration of acquired companies;
- the use of the Internet and other Internet Protocol (“IP”) networks for electronic commerce and communications;
- the extent to which digital certificates and domain names are used for electronic commerce or communications;
- growth in the number of Web sites;
- growth in wireless networks and communications;
- growth in demand for our services;
- the continued evolution of electronic and mobile commerce as a viable means of conducting business;
- the competition for any of our services;
- the perceived security of electronic commerce and communications over the Internet and other IP networks;
- the perceived security of our services, technology, infrastructure and practices;
- the significant lead times before a new product or service begins generating revenues;
- the varying rates at which telecommunications companies, telephony resellers and Internet service providers use our services;
- the success in marketing and overall demand for our content services to consumers and businesses;

- the loss of customers through industry consolidation or customer decisions to deploy in-house or competitor technology and services; and
- our continued ability to maintain our current, and enter into additional, strategic relationships.

To address these risks we must, among other things:

- successfully market our services to new and existing customers;
- attract, integrate, train, retain and motivate qualified personnel;
- respond to competitive developments;
- successfully introduce new services; and
- successfully introduce enhancements to our services to address new technologies and standards and changing market conditions.

The internal review of our historical stock option granting practices, the restatement of certain of our historical consolidated financial statements, investigations by the SEC and related events have had, and will continue to have, an adverse effect on us.

The Ad Hoc Group of independent directors of the Board of Directors conducted a review of our historical stock option granting practices for the period January 1998 through May 2006. During the course of the review, the Ad Hoc Group identified stock option grants with incorrect measurement dates, without required documentation, or with initial grant dates and exercise prices that were subsequently modified. Consequently, we have recorded additional non-cash stock-based compensation expense and related tax effects with regard to past stock option grants. In this Form 10-K, we are restating our consolidated balance sheet as of December 31, 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years ended December 31, 2005 and 2004. We are restating the unaudited quarterly financial information and financial statements for interim periods of 2005, and the unaudited condensed financial statements for the three months ended March 31, 2006. Details of the restatement and its underlying circumstances are discussed in the Explanatory Note in Note 2 "Restatement of Consolidated Financial Statements" of the Notes to Consolidated Financial Statements in Item 15 of this report.

As a result of the events described above, we have become subject to a number of significant risks, each of which could have an adverse effect on our business, financial condition and results of operations, including:

- we are subject to significant pending civil litigation, including shareholder class action lawsuits and derivative claims made on behalf of us, the defense of which will require us to devote significant management attention and to incur significant legal expense and which litigation, if decided against us, could require us to pay substantial judgments, settlements or other penalties;
- we are subject to a continuing formal order of investigation from the SEC and a grand jury subpoena from the U.S. Attorney for the Northern District of California which could require significant management time and attention and cause us to incur significant accounting and legal expense and which could require us to pay substantial fines or other penalties;
- we are subject to the risk of additional litigation and regulatory proceedings or actions; and
- many members of our senior management team and our Board of Directors have been and will be required to devote a significant amount of time on matters relating to the continuing formal order of investigation from the SEC and a grand jury subpoena from the U.S. Attorney for the Northern District of California, remedial efforts and related litigation.

We have identified a material weakness in our internal controls over financial reporting that could cause investors to lose confidence in the reliability of our financial statements and result in a decrease in the value of our securities.

Our management has identified a material weakness in our internal control over financial reporting as of December 31, 2006 arising from a combination of internal control deficiencies in our stock administration policies and practices, as discussed in "Management's Report on Internal Control Over Financial Reporting" in Item 9A. In addition, due to the identification of a material weakness in internal control over financial reporting, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2006 our disclosure controls and procedures were not effective.

We will continue to evaluate, upgrade and enhance our internal controls. Because of inherent limitations, our internal control over financial reporting may not prevent or detect misstatements, errors or omissions, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. We cannot be certain in future periods that other control deficiencies that may constitute one or more "significant deficiencies" (as defined by the relevant auditing standards) or material weaknesses in our internal control over financial reporting will not be identified. If we fail to maintain the adequacy of our internal controls, including any failure to implement or difficulty in implementing required new or improved controls, our business and results of operations could be harmed, the results of operations we report could be subject to adjustments, we could fail to be able to provide reasonable assurance as to our financial results or the effectiveness of our internal controls or meet our reporting obligations and there could be a material adverse effect on the price of our securities.

Through the twelve-month period ended December 31, 2006, we expended significant resources in connection with the Section 404 process. In future periods, we will likely continue to expend substantial amounts in connection with the Section 404 process and with ongoing evaluation of, and improvements and enhancements to, our internal control over financial reporting. These expenditures may make it difficult for us to control or reduce the growth of our general and administrative and other expenses, which could adversely affect our results of operations and the price of our securities.

If our cost reduction and restructuring efforts are ineffective, our revenues and profitability may be hurt.

In the first quarter of 2007, we have undertaken various cost reduction and restructuring activities that replaced our previous business unit structure with a functional organization consisting of a combined worldwide sales and services team and an integrated marketing and product development organization. The restructuring, impairment and other charges are estimated to be approximately $26.9 million in the first quarter of 2007; however, if we incur additional restructuring-related charges, our financial condition and results of operations may suffer. In addition, the cost reduction and restructuring activities may not produce the full efficiencies and benefits we expect or the efficiencies and benefits might be delayed. There can be no assurance that these efforts, as well as any potential future cost reduction and restructuring activities, will not adversely affect our business, operations or customer perceptions, or result in additional future charges. In addition, we have recently experienced changes in our management, which together with these cost reduction and restructuring activities, could also cause our remaining employees to leave or result in reduced productivity by our remaining employees, which in turn may affect our revenue and other operating results in the future.

We have faced difficulties assimilating, and may incur costs associated with, acquisitions and dispositions.

We made numerous acquisitions and dispositions in the last six years and will pursue additional acquisitions and dispositions in the future. We have experienced difficulty in, and in the future may face difficulties, integrating the personnel, products, technologies or operations of companies or businesses we acquire or divest. Assimilating acquired businesses and dispositions involve a number of other risks, including, but not limited to:

- the potential disruption of our ongoing business;

- the potential impairment of relationships with our employees, customers and strategic partners;
- the need to manage more geographically-dispersed operations, such as our offices in the states of Georgia, Kansas, Illinois, Massachusetts, New York, Rhode Island, Texas, Virginia, and Washington, and globally in Australia, Europe, India, Japan, South Africa and South America;
- greater than expected costs and/or lower than expected revenues and the assumption of unknown liabilities;
- the diversion of management's attention from our other businesses in identifying, completing and integrating acquisitions;
- the inability to retain the key employees of the acquired businesses;
- adverse effects on the existing customer relationships of acquired companies;
- the inability to incorporate acquired technologies successfully into our operations infrastructure;
- the difficulty of assimilating the operations and personnel of the acquired businesses;
- the potential incompatibility of business cultures;
- additional regulatory requirements;
- any perceived adverse changes in business focus;
- entering into markets and acquiring technologies in areas in which we have little experience;
- the need to incur debt, which may reduce our cash available for operations and other uses, or issue equity securities, which may dilute the ownership interests of our existing stockholders; and
- the inability to maintain uniform standards, controls, procedures and policies.

If we are unable to successfully address any of these risks for future acquisitions and dispositions, our business could be harmed.

Additionally, there is risk that we may incur additional expenses associated with an impairment of a portion of goodwill and other intangible assets due to changes in market conditions for acquisitions and dispositions. Under generally accepted accounting principles, we are required to evaluate goodwill for impairment on an annual basis and to evaluate other intangible assets as events or circumstances indicate that such assets may be impaired. These evaluations could result in further impairments of goodwill or other intangible assets.

We may not realize the benefits we are seeking from our investments in the Jamba joint ventures as a result of lower than predicted operating results, larger funding requirements or lower cash distributions or otherwise.

We have a 49% equity interest in two joint ventures related to our former Jamba business. We will incur our proportionate share of the income or losses of these joint ventures in our consolidated statements of income. We do not have control over the budget, day-to-day management or many of the other operating expenditures of the joint ventures, and therefore, we cannot predict with certainty the extent of the impact on our financial statements of these joint ventures for any particular period. Accordingly, our share of the income or losses of these joint ventures could materially affect our results of operations in future periods.

The joint venture agreements contain provisions requiring minimum cash distributions to the members. However, these provisions are subject to conditions and limitations, and therefore, we cannot assure you that we will ever receive cash distributions from these joint ventures. If the joint ventures require capital to fund their operations, we could be required to make capital contributions or loans to the joint ventures. The business operated by the U.S. joint venture is a newer business and therefore it may be more likely to require additional funding, although we cannot assure that the Netherlands joint venture will not require additional funding as well.

If the Netherlands joint venture makes cash distributions to its members, to the extent we seek to use the cash in the U.S., we would be required to pay taxes on those funds if they are brought to the U.S., and therefore we would not receive the full benefit of any cash distribution. Additionally, we could be required to pay additional amounts to the joint ventures if it is later determined that we breached any of the representations of warranties in the formation agreement for the joint ventures.

The value of our investment in these joint ventures is subject to general economic, technological and market trends, as well as to the operating and financial decisions of the management team of the joint venture, all of which are outside of our control. In addition, these joint ventures may not gain the expected number of customers and/or generate the expected level of revenues, and consequently, we may never receive any cash distributions from these joint ventures, and in fact, they may require additional funding, any of which could diminish the value of or dilute our investment. Our investments in these joint ventures may not provide the economic returns we are seeking and may not increase in value above the minimum amounts that we can require Fox or News Corporation to buy our shares from us. We cannot assure you that the commercial agreements, including the Gateway Services Agreement, will provide us any benefit. It is also possible that Fox and News Corporation could purchase our shares from us in the future, prior to the businesses of the joint ventures reaching their full potential. Therefore, we cannot provide you with any assurance as to whether we will achieve a favorable return on our investment.

We also entered into various other commercial relationships with the joint ventures; however, we cannot assure you we will derive significant revenues from these other relationships.

The expansion of our international operations subjects our business to additional economic risks that could have an adverse impact on our revenues and business.

We intend to expand our international operations and international sales and marketing activities. For example, we expect to expand our operations and marketing activities throughout Asia, Europe, Latin America and South America. We have approximately 1,870 employees outside the United States. Expansion in these international markets has required and will continue to require significant management attention and resources. We may also need to tailor some of our other services for a particular market and to enter into international distribution and operating relationships. We have limited experience in localizing our services and in developing international distribution or operating relationships. We may not succeed in expanding our services into international markets. Failure to do so could harm our business. Moreover, local laws and customs in many countries differ significantly from those in the United States. In many foreign countries, particularly in those with developing economies, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or United States regulations applicable to us. There can be no assurance that all of our employees, contractors and agents will not take actions in violations of them. Violations of laws or key control policies by our employees, contractors or agents could result in financial reporting problems, fines, penalties, or prohibition on the importation or exportation of our products and could have a material adverse effect on our business. In addition, there are risks inherent in doing business on an international basis, including, among others:

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate;
- differing and uncertain regulatory requirements;
- legal uncertainty regarding liability and compliance with foreign laws;
- export and import restrictions on cryptographic technology and products incorporating that technology;
- tariffs and other trade barriers and restrictions;
- difficulties in staffing and managing foreign operations;
- longer sales and payment cycles;

- problems in collecting accounts receivable;
- currency fluctuations, as our international revenues from Europe, South Africa, Japan, South America and Australia are not denominated in U.S. Dollars;
- potential problems associated with adapting our services to technical conditions existing in different countries;
- the necessity of developing foreign language portals and products for our services;
- difficulty of authenticating customer information for digital certificates and other purposes;
- political instability;
- failure of foreign laws to protect our U.S. proprietary rights adequately;
- more stringent privacy policies in foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;
- seasonal reductions in business activity; and
- potentially adverse tax consequences.

Our failure to manage past and future growth in our business could harm our business.

Between December 31, 1995 and December 31, 2006, we grew from 26 to 5,331 employees. This was achieved through internal growth, as well as acquisitions. During this time period, we opened new sales offices and significantly expanded our U.S. and non-U.S. operations. To successfully manage past growth and any future growth, we will need to continue to implement additional management information systems, continue the development of our operating, administrative, financial and accounting systems and controls and maintain close coordination among our executive, engineering, accounting, finance, marketing, sales and operations organizations. Any failure to manage growth effectively could harm our business.

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

Competition in Security Services. Our security services are targeted at the rapidly evolving market for Internet security services, including network security, authentication and validation, which enable secure electronic commerce and communications over wireline and wireless IP networks. The market for security services is intensely competitive, subject to rapid change and significantly affected by new product and service introductions and other market activities of industry participants.

Principal competitors generally fall within one of the following categories: (1) companies such as RSA Security, Inc. and Entrust Technologies, which offer software applications and related digital certificate products that customers operate themselves; (2) companies such as Digital Signature Trust Company (a subsidiary of Identrus) that primarily offer digital certificate and certification authority related services; (3) companies focused on providing a bundled offering of products and services such as CyberTrust; and (4) companies offering competing SSL certificate and other security services, including GoDaddy and other domain name registrars. We also experience competition from a number of smaller companies, and we believe that our primary long-term competitors may not yet have entered the market. Furthermore, Netscape and Microsoft have introduced software products that enable the issuance and management of digital certificates, and we believe that other companies could introduce similar products.

In addition, browser companies that embed our interface technologies or otherwise feature them as a provider of digital certificate products and services in their Web browsers or on their Web sites could also promote our competitors or charge us substantial fees for promotions in the future.

Competition in Managed Security Services. Consulting companies or professional services groups of other companies with Internet expertise are current or potential competitors to our managed security services. These companies include large systems integrators and consulting firms, such as Accenture, IBM Global Services, Getronics and Lucent NetCare. We also compete with security product companies that offer managed security services in addition to other security services, such as Symantec and ISS, as well as a number of providers such as CyberTrust and BT Counterpane that offer managed security services. Telecommunications providers, such as Verizon Business, a provider of managed security services, are also potential competitors. In addition, we compete with some companies that have developed products that automate the management of IP addresses and name maps throughout enterprise-wide intranets, and with companies with internally developed systems integration efforts.

Competition in Communications Services. The market for communications services is extremely competitive and subject to significant pricing pressure. Competition in this area arises from two primary sources. Incumbent carriers provide competing in-house services in their respective regions. In addition, we face direct competition from national, unregulated companies, including Syniverse Technologies, Telcordia, NeuStar and other carriers such as Southern New England Telephone Diversified Group, a unit of AT&T. Furthermore, customers are increasingly likely to deploy internally developed communications technologies and services which may reduce the demand for technologies and services from third-party providers, such as VeriSign, and further increase competitive pricing pressures.

Competition in Commerce Services. Our wireless billing and payment services are also subject to competition from providers such as Comverse, Amdocs, Convergys Corporation and Boston Communications Group. We are also aware of major Internet service providers, software developers and smaller entrepreneurial companies that are or may in the future be focusing significant resources on developing and marketing products and services that may compete directly with ours. Furthermore, customers are increasingly likely to deploy internally developed communications technologies and services which may reduce the demand for technologies and services from third-party providers such as VeriSign and further increase competitive pricing pressures.

Competition in Content Services. The market for content services is extremely competitive. Competitors include developers of content and entertainment products and services in a variety of domestic and international markets, such as Infospace, Itouch, Arvato mobile, Monstermob, and Motricity This business also faces competition from mobile network operators such as Cingular, Verizon Wireless, Sprint Nextel Corporation, T-Mobile, Vodafone, O_2, Orange, E-Plus and Telefónica, as well as Internet portal operators such as Yahoo!, AOL, T-Online and Google. Additional competitors are handset manufacturers such as Nokia and software providers such as Microsoft and Apple. As the market for wireless data, including information and entertainment data, matures, new categories of competitors, such as mobile phone companies, broadcasters, music publishers, other content providers or others have begun to develop competing products or services.

Competition in Naming Services. We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to establish a Web presence, including registries offering services related to the *.mobi*, *.biz*, *.name*, *.pro*, *.aero*, *.museum* and *.coop* gTLDs and registries offering services related to ccTLDs. There are currently 16 gTLD registries and over 240 ccTLD registries.

We also face competition from service providers that offer outsourced domain name registration, resolutions and other DNS services to organizations that require a reliable and scalable infrastructure. Among the competitors are UltraDNS, NeuLevel, Affilias, Register.com and Tucows.com.

Competition in Intelligent Supply Chain Services. There are a number of companies that provide intelligent supply chain services. For point-of-sale data, we face competition from IRI and AC Nielsen, as well as smaller software companies. For consulting services, we face competition from traditional consulting firms.

Competition in Real-Time Publisher Services. We face competition from various smaller companies providing similar services.

Competition in Digital Brand Management Services. We face competition from companies providing services similar to some of our Digital Brand Management Services. In the monitoring services, registration and domain name asset management area of our business, our competition comes primarily from ICANN accredited registrars and various smaller companies providing similar services.

Several of our current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than we do and therefore may be able to respond more quickly than we can to new or changing opportunities, technologies, standards and customer requirements. Many of these competitors also have broader and more established distribution channels that may be used to deliver competing products or services directly to customers through bundling or other means. If such competitors were to bundle competing products or services for their customers, the demand for our products and services might be substantially reduced and the ability to distribute our products successfully and the utilization of our services would be substantially diminished. New technologies and the expansion of existing technologies may increase the competitive pressure.

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

Our communications services business depends in part on the acceptance of our SS7 network and the telecommunications industry's continuing use of SS7 technology.

Our future growth in our communications services business depends, in part, on the commercial success and reliability of our SS7 network. Our SS7 network is a vital component of our intelligent network services and has been a significant source of revenues for our Communications Services Group. Our communications services business will suffer if our target customers do not use our SS7 network. Our future financial performance will also depend on the successful development, introduction and customer acceptance of new and enhanced SS7-based services. We are not certain that our target customers will choose our particular SS7 network solution or continue to use our SS7 network. In the future, we may not be successful in marketing our SS7 network or any new or enhanced services.

The inability of our customers to successfully implement our signaling and network services with their existing systems could adversely affect our business.

Significant technical challenges exist in our signaling and network services business because many of our customers:

- purchase and implement SS7 network services in phases;
- deploy SS7 connectivity across a variety of telecommunication switches and routes; and
- integrate our SS7 network with a number of legacy systems, third-party software applications and engineering tools.

Customer implementation currently requires participation by our order management and our engineering and operations groups, each of which has limited resources. Some customers may also require us to develop

costly customized features or capabilities, which increases our costs and consumes a disproportionate share of our limited customer service and support resources. Also, we typically charge one-time fees for initially connecting a customer to our SS7 network and a monthly recurring flat rate fee after the connection is established. If new or existing customers have difficulty deploying our products or require significant amounts of our engineering service support, we may experience reduced operating margins. Our customers' ability to deploy our network services to their own customers and integrate them successfully within their systems depends on our customers' capabilities and the complexity involved. Difficulty in deploying those services could reduce our operating margins due to increased customer support and could cause potential delays in recognizing revenues until the services are implemented.

Our failure to achieve or sustain market acceptance of our communications services at desired pricing levels and industry consolidation could adversely impact our revenues and cash flow.

The telecommunications industry is characterized by significant price competition. Competition and industry consolidation in our communications services could result in significant pricing pressure and an erosion of our market share. Pricing pressure from competition could cause large reductions in the selling price of our services. For example, our competitors may provide customers with reduced communications costs for Internet access or private network services, reducing the overall cost of services and significantly increasing pricing pressures on us. We would need to offset the effects of any price reductions by increasing the number of our customers, generating higher revenues from enhanced services or reducing our costs, and we may not be able to do so successfully. We believe that the business of providing network connectivity and related network services will see increased consolidation in the future. Consolidation could decrease selling prices and increase competition in these industries, which could erode our market share, revenues and operating margins in our Communications Services Group. Consolidation in the telecommunications industry has led to the merging of many companies, including AT&T Wireless, MCI, Nextel and Price Communications, customers of our Communications Services Group. Our business could be harmed if these mergers result in the loss of customers by our Communications Services Group. Furthermore, customers may choose to deploy internally developed communications technologies and services thereby reducing the demand for technologies and services we offer which could harm our business.

Our content services business depends on agreements with many different third parties, including wireless carriers and content providers. If these agreements are terminated or not renewed, or are amended to require us to change the way our content services are offered to customers, our business could be harmed.

Our content services business depends on our ability to enter into and maintain agreements with many different third parties including wireless carriers and other mobile phone service providers, upon which this business is highly dependent for billing its customers.

These agreements are typically for a short term, or are otherwise terminable upon short notice, and in the case of agreements with carriers, other mobile phone service providers and content developers, are non-exclusive. If these third parties reduce their commitment to us, terminate their agreements with us or enter into similar agreements with our competitors, our content services business could be materially harmed.

Our business depends on the continued growth of the Internet and adoption and continued use of IP networks.

Our future success depends, in part, on continued growth in the use of the Internet and IP networks. If the use of, and interest in, the Internet and IP networks does not grow, our business would be harmed. To date, many businesses and consumers have been deterred from utilizing the Internet and IP networks for a number of reasons, including, but not limited to:

- potentially inadequate development of network infrastructure;
- security concerns, particularly for online commerce, including the potential for merchant or user impersonation and fraud or theft of stored data and information communicated over IP networks;

- privacy concerns, including the potential for third parties to obtain personally identifiable information about users or to disclose or sell data without notice to or the consent of such users;
- other security concerns such as attacks on popular Web sites by “hackers”;
- inconsistent quality of service;
- inability to integrate business applications on IP networks;
- the need to operate with multiple and frequently incompatible products;
- limited bandwidth access; and
- government regulation.

The widespread acceptance of the Internet and IP networks will require a broad acceptance of new methods of conducting business and exchanging information. Organizations that already have invested substantial resources in other methods of conducting business may be reluctant to adopt new methods. Also, individuals with established patterns of purchasing goods and services and effecting payments may be reluctant to change.

A number of states, as well as the U.S. Congress, have been considering various initiatives that could permit sales and use taxes on Internet sales. If any of these initiatives are adopted, it could substantially impair the growth of electronic commerce and therefore hinder the growth in the use of the Internet and IP networks, which could harm our business.

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

We target our security services at the market for trusted and secure electronic commerce and communications over IP and other networks. Our Information Services business unit is developing managed services designed to work with the EPCglobal Network and radio frequency identification (“RFID”), technology, point-of-sale data services and real-time publisher services. These are rapidly evolving markets that may not continue to grow. Even if these markets grow, our services may not be widely accepted. Accordingly, the demand for our services is very uncertain. The factors that may affect market acceptance of our services include the following:

- market acceptance of products and services based upon technologies other than those we use;
- public perception of the security of our technologies and of IP and other networks;
- the introduction and consumer acceptance of new generations of mobile handsets;
- demand for supply chain information services, including acceptance of RFID technology, the EPCglobal Network and point-of-sale data services;
- the ability of the Internet infrastructure to accommodate increased levels of usage; and
- government regulations affecting electronic commerce and communications over IP networks.

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

Governmental regulation and the application of existing laws may slow business growth, increase our costs of doing business and create potential liability.

The growth and development of the Internet has led to new laws and regulations, as well as the application of existing laws to the Internet and wireless communications. Application of these laws can be unclear. The costs of complying or failure to comply with these laws and regulations could limit our ability to operate in our

markets, expose us to compliance costs and substantial liability and result in costly and time-consuming litigation.

Foreign, federal or state laws could have an adverse impact on our business. For example, recent laws include those designed to restrict the on-line distribution of certain materials deemed harmful to children and impose additional restrictions or obligations for on-line services when dealing with minors. Such legislation may impose significant additional costs on our business or subject us to additional liabilities.

Due to the nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to regulate Internet transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws, such laws may be modified and new laws may be enacted in the future. Any such developments could increase the costs of regulatory compliance for us, force us to change our business practices or otherwise materially harm our business.

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

The emerging nature of the Internet, other communication networks, content, digital certificate, and domain name registration markets, and their rapid evolution, require us continually to improve the performance, features and reliability of our services, particularly in response to competitive offerings. In particular, the market for entertainment and information is characterized by changing technology, developing industry standards, changing customer preferences and trends (which also vary from country to country), and the constant introduction of new products and services. In order to remain competitive, we must continually improve our access technology and software, support the latest transmission technologies, and adapt our products and services to changing market conditions and customer preferences. When entertainment products are placed on the market, it is difficult to predict whether they will become popular.

The communications network services industry is also characterized by rapid technological change and frequent new product and service announcements. Significant technological changes could make our technologies obsolete and other changes in our markets could result in some of our other products and services losing market share. Accordingly, we must continually improve the responsiveness, reliability and features of our services and develop new features, services and applications to meet changing customer needs in our target markets. For example, we sell our SS7 network services primarily to traditional telecommunications companies that rely on traditional voice networks. Many emerging companies are providing convergent Internet protocol-based network services. Our future success could also depend upon our ability to provide products and services to these Internet protocol-based telephony providers, particularly if IP-based telephony becomes widely accepted. We cannot assure that we will be able to adapt to these challenges or respond successfully or in a cost-effective way to adequately meet them. Our failure to do so would adversely affect our ability to compete and retain customers or market share.

New products and services developed or introduced by us may not result in any significant revenues.

We must commit significant resources to develop new products and services before knowing whether our investments will result in products and services the market will accept. The success of new products and services depends on several factors, including proper new definition and timely completion, introduction and market acceptance. For example, our selection in January 2004 by EPCglobal, a not-for-profit standards organization, to operate the Object Naming Service as the root directory for the EPCglobal Network, may not increase our revenues in the foreseeable future. There can be no assurance that we will successfully identify new product and service opportunities, develop and bring new products and services to market in a timely manner, or achieve market acceptance of our products and services, or that products, services and technologies developed by others will not render our products, services or technologies obsolete or noncompetitive. Our inability to successfully market new products and services may harm our business.

Issues arising from our agreements with ICANN and the Department of Commerce could harm our registry business.

The U.S. Department of Commerce ("DOC") has adopted a plan for the phased transition of the DOC's responsibilities for the domain name system to the Internet Corporation for Assigned Names and Numbers ("ICANN"). As part of this transition, as the exclusive registry of domain names within the *.com* and *.net* generic top-level domains ("gTLDs"), we have entered into agreements with ICANN and with the DOC as described elsewhere in this report.

We face risks from the transition of the DOC's responsibilities for the domain name system to ICANN, including the following:

- ICANN could adopt or promote policies, procedures or programs that are unfavorable to us as the registry operator of the *.com* and *.net* gTLDs or that are inconsistent with our current or future plans;
- the DOC or ICANN could terminate our agreements to be the registry for the *.com* or *.net* gTLDs under the circumstances described elsewhere in this report;
- if the *.com* and *.net* Registry Agreements are terminated, it could have a material adverse impact on our business;
- the DOC's or ICANN's interpretation of provisions of our agreements with either of them could differ from ours;
- the DOC could revoke its recognition of ICANN, as a result of which the DOC could take the place of ICANN for purposes of our agreements with ICANN, and could take actions that are harmful to us;
- the U.S. Government could refuse to transfer certain responsibilities for domain name system administration to ICANN due to security, stability or other reasons, resulting in fragmentation or other instability in domain name system administration; and
- our registry business could face legal or other challenges resulting from our activities or the activities of registrars.

Challenges to ongoing privatization of Internet administration could harm our domain name registry business.

Risks we face from challenges by third parties, including governmental authorities in the United States and other countries, to our role in the ongoing privatization of the Internet include:

- legal, regulatory or other challenges could be brought, including challenges to the agreements governing our relationship with the DOC or ICANN, or to the legal authority underlying the roles and actions of the DOC, ICANN or us;
- the U.S. Congress could take action that is unfavorable to us;
- ICANN could fail to maintain its role, potentially resulting in instability in domain name system administration; and
- some governments and governmental authorities outside the U.S. have in the past disagreed with, and may in the future disagree with, the actions, policies or programs of ICANN, the U.S. Government and us relating to the domain name system. These foreign governments or governmental authorities may take actions or adopt policies or programs that are harmful to our business.

As a result of these and other risks, it may be difficult for us to introduce new services in our domain name registry business and we could also be subject to additional restrictions on how this business is conducted.

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

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

- power loss, transmission cable cuts and other telecommunications failures;
- damage or interruption caused by fire, earthquake, and other natural disasters;
- computer viruses or software defects; and
- physical or electronic break-ins, sabotage, intentional acts of vandalism, terrorist attacks and other events beyond our control.

Most of our systems are located at, and most of our customer information is stored in, our facilities in Mountain View, California and Kawasaki, Japan, both of which are susceptible to earthquakes; Providence, Rhode Island; Dulles, Virginia; Lacey, Washington; Overland Park, Kansas, Melbourne, Australia and Berlin, Hamburg and Verl, Germany. Any damage or failure that causes interruptions in any of these facilities or our other computer and communications systems could materially harm our business. Although we carry insurance for property damage and business interruption, we do not carry insurance or financial reserves for interruptions or potential losses arising from earthquakes or terrorism.

In addition, our ability to issue digital certificates, our domain name registry services and other of our services depend on the efficient operation of the Internet connections from customers to our secure data centers and from our customers to the shared registration system. These connections depend upon the efficient operation of Internet service providers and Internet backbone service providers, all of which have had periodic operational problems or experienced outages in the past.

A failure in the operation of our domain name zone servers, the domain name root servers, or other events could result in the deletion of one or more domain names from the Internet for a period of time. A failure in the operation of our shared registration system could result in the inability of one or more other registrars to register and maintain domain names for a period of time. A failure in the operation or update of the master database that we maintain could result in the deletion of one or more top-level domains from the Internet and the discontinuation of second-level domain names in those top-level domains for a period of time. Any of these problems or outages could decrease customer satisfaction, which could harm our business.

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

We retain certain confidential customer information in our secure data centers and various registration systems. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. Our domain name registry operations also depend on our ability to maintain our computer and telecommunications equipment in effective working order and to reasonably protect our systems against interruption, and potentially depend on protection by other registrars in the shared registration system. The root zone servers and top-level domain name zone servers that we operate are critical hardware to our registry services operations. Therefore, we may have to expend significant time and money to maintain or increase the security of our facilities and infrastructure.

Despite our security measures, our infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or similar disruptive problems. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our secure data centers and domain name registration systems may jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability and customers could be reluctant to use our

services. Such an occurrence could also result in adverse publicity and therefore adversely affect the market's perception of the security of electronic commerce and communications over IP networks as well as of the security or reliability of our services.

The reliance of our network connectivity and interoperability services and content services on third-party communications infrastructure, hardware and software exposes us to a variety of risks we cannot control.

The success of our network connectivity and interoperability services and content services depends on our network infrastructure, including the capacity leased from telecommunications suppliers. In particular, we rely on AT&T, MCI, Sprint and other telecommunications providers for leased long-haul and local loop transmission capacity. These companies provide the dedicated links that connect our network components to each other and to our customers. Our business also depends upon the capacity, reliability and security of the infrastructure owned by third parties that is used to connect telephone calls. Specifically, we currently lease capacity from regional providers on four of the fourteen mated pairs of SS7 signal transfer points that comprise our network.

We have no control over the operation, quality or maintenance of a significant portion of that infrastructure or whether or not those third parties will upgrade or improve their equipment. We depend on these companies to maintain the operational integrity of our connections. If one or more of these companies is unable or unwilling to supply or expand its levels of service to us in the future, our operations could be severely interrupted. In addition, rapid changes in the telecommunications industry have led to the merging of many companies. These mergers may cause the availability, pricing and quality of the services we use to vary and could cause the length of time it takes to deliver the services that we use to increase significantly.

Our signaling and SS7 services rely on links, equipment and software provided to us from our vendors, the most important of which are gateway equipment and software from Tekelec and Agilent Technologies, Inc. We cannot assure you that we will be able to continue to purchase equipment from these vendors on acceptable terms, if at all. If we are unable to maintain current purchasing terms or ensure product availability with these vendors, we may lose customers and experience an increase in costs in seeking alternative suppliers of products and services.

Capacity limits on our technology and network hardware and software may be difficult to project and we may not be able to expand and upgrade our systems to meet increased use.

If traffic from our telecommunication and content customers through our network increases, we will need to expand and upgrade our technology and network hardware and software. We may not be able to expand and upgrade, in a timely manner, our systems and network hardware and software capabilities to accommodate increased traffic on our network. If we do not appropriately expand and upgrade our systems and network hardware and software, we may lose customers and revenues.

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

We currently administer and operate only two of the thirteen root zone servers. The others are administered and operated by independent operators on a volunteer basis. Because of the importance to the functioning of the Internet of these root zone servers, our registry services business could be harmed if these volunteer operators fail to maintain these servers properly or abandon these servers, which would place additional capacity demands on the two root zone servers we operate.

Further, our registry services business could be harmed if any of these volunteer operators fail to include or provide accessibility to the data that it maintains in the root zone servers that it controls. In the event and to the extent that ICANN is authorized to set policy with regard to an authoritative root server system, as provided in our registry agreement with ICANN, it is required to ensure that the authoritative root will point to the top-level domain zone servers designated by us. If ICANN does not do this, our business could be harmed.

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

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

Services offered by our Internet Services Group rely on public key cryptography technology that may compromise our system's security.

Services offered by our Internet Services Group depend on public key cryptography technology. With public key cryptography technology, a user is given a public key and a private key, both of which are required to perform encryption and decryption operations. The security afforded by this technology depends on the integrity of a user's private key and that it is not lost, stolen or otherwise compromised. The integrity of private keys also depends in part on the application of specific mathematical principles known as "factoring." This integrity is predicated on the assumption that the factoring of large numbers into their prime number components is difficult. Should an easy factoring method be developed, the security of 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 our existing PKI services obsolete or unmarketable. If improved techniques for attacking cryptographic systems were ever developed, we would likely have to reissue digital certificates to some or all of our customers, which could damage our reputation and brand or otherwise harm our business. In the past there have been public announcements of the successful attack upon cryptographic keys of certain kinds and lengths and of the potential misappropriation of private keys and other activation data. This type of publicity could also hurt the public perception as to the safety of the public key cryptography technology included in our digital certificates. This negative public perception could harm our business.

Some of our security services have lengthy sales and implementation cycles.

We market many of our security services directly to large companies and government agencies and we market our communications services to large telecommunication carriers. The sale and implementation of our services to these entities typically involves a lengthy education process and a significant technical evaluation and commitment of capital and other resources. This process is also subject to the risk of delays associated with customers' internal budgeting and other procedures for approving large capital expenditures, deploying new technologies within their networks and testing and accepting new technologies that affect key operations. As a result, the sales and implementation cycles associated with certain of our services can be lengthy, potentially lasting from three to nine months. Our quarterly and annual operating results could be materially harmed if orders forecasted for a specific customer for a particular quarter are not realized.

Failure of VeriSign Affiliates to follow our security and trust practices or to maintain the privacy or security of confidential customer information could have an adverse impact on our revenues and business.

We have licensed to VeriSign Affiliates our Processing Center platform, which is designed to replicate our own secure data centers and allows the VeriSign Affiliate to offer back-end processing of PKI services for enterprises. The VeriSign Processing Center platform provides a VeriSign Affiliate with the knowledge and

technology to offer PKI services similar to those offered by us. It is critical to our business strategy that the facilities and infrastructure used in issuing and marketing digital certificates remain secure and we are perceived by the marketplace to be secure. Although we provide the VeriSign Affiliate with training in security and trust practices, network management and customer service and support, these practices are performed by the affiliate and are outside of our control. Any failure of a VeriSign Affiliate to maintain the privacy or security of confidential customer information could result in negative publicity and therefore adversely affect the market's perception of the security of our services as well as the security of electronic commerce and communication over IP networks generally.

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

Our success depends on our internally developed technologies, patents and other intellectual property. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our trade secrets or other forms of our intellectual property without authorization. Furthermore, the laws of foreign countries may not protect our proprietary rights in those countries to the same extent U.S. law protects these rights in the United States. In addition, it is possible that others may independently develop substantially equivalent intellectual property. If we do not effectively protect our intellectual property, our business could suffer. In the future, we may have to resort to litigation to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This type of litigation, regardless of its outcome, could result in substantial costs and diversion of management and technical resources.

We also license third-party technology that is used in our products and services to perform key functions. These third-party technology licenses may not continue to be available to us on commercially reasonable terms or at all. Our business could suffer if we lost the rights to use these technologies. A third-party could claim that the licensed software infringes a patent or other proprietary right. Litigation between the licensor and a third-party or between us and a third-party could lead to royalty obligations for which we are not indemnified or for which indemnification is insufficient, or we may not be able to obtain any additional license on commercially reasonable terms or at all. The loss of, or our inability to obtain or maintain, any of these technology licenses could delay the introduction of our Internet infrastructure services until equivalent technology, if available, is identified, licensed and integrated. This could harm our business.

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

Claims relating to infringement of intellectual property of others or other similar claims have been made against us in the past and could be made against us in the future. In addition, we use news content as part of our real-time publisher service. It is possible that we could become subject to additional claims for infringement of the intellectual property of third parties. Any claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel, cause delays or require us to develop non-infringing technology or enter into royalty or licensing agreements. Royalty or licensing agreements, if required, may not be available on acceptable terms or at all. If a successful claim of infringement were made against us, we could be required to pay damages or have portions of our business enjoined. If we could not develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, our business could be harmed.

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

We must establish and maintain strategic and other relationships.

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

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

Furthermore, our ability to achieve future growth will also depend on our ability to continue to establish direct seller channels and to develop multiple distribution channels. Failure of one or more of our strategic relationships to result in the development and maintenance of a market for our services could harm our business. If we are unable to maintain our relationships or to enter into additional relationships, this could harm our business.

We depend on key personnel to manage our business effectively and may not be successful in attracting and retaining such personnel.

We depend on the performance of our senior management team and other key employees. Our success also depends on our ability to attract, integrate, train, retain and motivate these individuals and additional highly skilled technical and sales and marketing personnel, both in the U.S. and abroad. In addition, our stringent hiring practices for some of our key personnel, which consist of background checks into prospective employees' criminal and financial histories, further limit the number of qualified persons for these positions.

We have no employment agreements with any of our key executives that prevent them from leaving VeriSign at any time. In addition, we do not maintain key person life insurance for any of our officers or key employees. The loss of the services of any of our senior management team or other key employees or failure to attract, integrate, train, retain and motivate additional key employees could harm our business.

Compliance with rules and regulations concerning corporate governance is costly and could harm our business.

The Sarbanes-Oxley Act mandates, among other things, that companies adopt new corporate governance measures and imposes comprehensive reporting and disclosure requirements, sets stricter independence and financial expertise standards for audit committee members and imposes increased civil and criminal penalties for companies, their chief executive officers and chief financial officers and directors for securities law violations. For example, Section 404 of the Sarbanes-Oxley Act requires companies to do a comprehensive and costly evaluation of their internal controls. In addition, the NASDAQ Stock Market has adopted additional comprehensive rules and regulations relating to corporate governance. These laws, rules and regulations have increased the scope, complexity and cost of our corporate governance, reporting and disclosure practices, and our compliance efforts have required significant management attention. It has become more difficult and more expensive for us to obtain director and officer liability insurance, and we have been required to accept reduced coverage and incur substantially higher costs to obtain the reduced level of coverage. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers, which could harm our business.

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

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

- our stockholders may take action only at a meeting and not by written consent;
- our board must be given advance notice regarding stockholder-sponsored proposals for consideration at annual meetings and for stockholder nominations for the election of directors;
- we currently have a classified Board of Directors, with the board being currently divided into three classes that serve staggered three-year terms, although we intend to declassify our board commencing in connection with our 2007 Annual Meeting of Stockholders;
- vacancies on our board may be filled until the next annual meeting of stockholders only by majority vote of the directors then in office; and
- special meetings of our stockholders may be called only by the chairman of the board, the president or the board, and not by our stockholders.

VeriSign has also adopted a stockholder rights plan that may discourage, delay or prevent a change of control and make any future unsolicited acquisition attempt more difficult. Under the rights plan:

- The rights will become exercisable only upon the occurrence of certain events specified in the plan, including the acquisition of 20% of VeriSign's outstanding common stock by a person or group.
- Each right entitles the holder, other than an "acquiring person," to acquire shares of VeriSign's common stock at a 50% discount to the then-prevailing market price.
- VeriSign's Board of Directors may redeem outstanding rights at any time prior to a person becoming an "acquiring person," at a price of $0.001 per right. Prior to such time, the terms of the rights may be amended by VeriSign's Board of Directors without the approval of the holders of the rights.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

VeriSign's corporate headquarters are located in Mountain View, California. We have administrative, sales, marketing, research and development and operations facilities located in the United States, Canada, Latin America, Europe, Asia, Australia and Africa. We own approximately 512,000 square feet of space, which includes our headquarters complex in Mountain View, California and facilities in Savannah, Georgia, Lacey, Washington and New Castle, Delaware. As of December 31, 2006, we leased approximately 1.1 million square feet of space, primarily in the United States and to a lesser extent, Europe and the Asia Pacific. Our facilities are under lease agreements that expire at various dates through 2014. We believe that our existing facilities are well maintained and in good operating condition, and are sufficient for our needs for the foreseeable future.

Major Locations	Approximate Square Footage	Use
United States:		
455-685 East Middlefield Road Mountain View, California (owned)	290,000	Corporate Headquarters; Internet Services Group; and Communications Services Group
320 Interlocken Parkway Broomfield, Colorado	25,000	Communications Services Group
21345-21355 Ridgetop Circle Dulles, Virginia	175,000	Internet Services Group; and Corporate Services
222 W Oglethorpe Ave Savannah, Georgia (owned)	50,000	Communications Services Group
4501 Intelco Loop S.E. Lacey, Washington (owned)	67,000	Communications Services Group
21 Boulden Circle New Castle, Delaware (owned)	105,000	Communication Services Group
7400 West 129th Street Overland Park, Kansas	39,000	Communications Services Group
90 Royal Little Drive Providence, Rhode Island	23,000	Internet Services Group
110 Cooper Street Santa Cruz, California	65,000	Communications Services Group
Europe:		
Blandonnet International Business Center 8, Chemin De Blandonnet CH-1217 Vernier Geneva, Switzerland	17,000	Corporate European Headquarters; and Internet Services Group
Jamba GmbH Dom Aquarree Building, Karl Liebknecht strasse 5, 10178 Berlin, Germany	70,000	Communications Services Group
Japan:		
Nittobo Buildings 13F, 8-1 Yaesu, 2-chome Chuo-ku, Tokyo, 104-0028 Japan	15,200	VeriSign Japan K.K. Corporate Headquarters

ITEM 3. LEGAL PROCEEDINGS

Note: The following description of pending legal proceedings is intended to be current as of June 30, 2007.

On September 7, 2001, NetMoneyIN, an Arizona corporation, filed a complaint alleging patent infringement against VeriSign and several other previously-named defendants in the United States District Court for the District of Arizona asserting infringement of U.S. patent Nos. 5,822,737 and 5,963,917. NetMoneyIN amended its complaint on October 15, 2002, alleging infringement by VeriSign and several other defendants of a third U.S. patent (No. 6,381,584) in addition to the two patents previously asserted. On August 27, 2003, NetMoneyIN filed a third amended complaint alleging direct infringement of the same three patents by VeriSign and several other previously-named defendants. NetMoneyIN dropped its claim of active inducement of infringement by VeriSign. Some of the other current defendants include IBM, BA Merchant Services, Wells Fargo Bank, Cardservice International, InfoSpace, E-Commerce Exchange and Paymentech. VeriSign filed an answer denying any infringement and asserting that the three asserted patents are invalid and later filed an amended answer asserting, in addition, that the asserted patents are unenforceable due to inequitable conduct before the U.S. Patent and Trademark Office. The complaint alleged that VeriSign's Payflow payment products and services directly infringe certain claims of NetMoneyIN's three patents and requested the Court to enter judgment in favor of NetMoneyIN, a permanent injunction against the defendants' alleged infringing activities, an order requiring defendants to provide an accounting for NetMoneyIN's damages, to pay NetMoneyIN such damages and three times that amount for any willful infringers, and an order awarding NetMoneyIN attorney fees and costs. NetMoneyIN has withdrawn its allegations of infringement of the '584 patent and the Court has dismissed with prejudice all claims of infringement of the '584 patent. In its ruling on the claim construction issues, the Court found four of the five claims asserted against VeriSign, claims 1, 13 and 14 of the '737 patent and claim 1 of the '917 patent, invalid. NetMoneyIN may file an appeal after a final judgment seeking to overturn this ruling. Thus, only claim 23 of the '737 patent remains in the case. The Court granted the defendants' motion to strike certain of the Plaintiff's assertions of infringement, including all charges of infringement under the so-called "doctrine of equivalents." The Court recently granted the defendants' motion for summary judgment of no inducement and no contributory infringement. Fact and expert witness discovery are completed. On September 29, 2006, VeriSign filed a Motion for Summary Judgment on Non-Infringement. On October 20, 2006, VeriSign filed a Motion for Summary Judgment on Invalidity. On November 1, 2006, NetMoneyIN filed a Motion for Summary Judgment on Infringement. On July 9, 2007, the Court is scheduled to hear oral argument on the pending motions for summary judgment. While we cannot predict the outcome of this lawsuit, VeriSign believes that the allegations are without merit.

Beginning in May of 2002, several class action complaints were filed against VeriSign and certain of its current and former officers and directors in the United States District Court for the Northern District of California. These actions were consolidated under the heading In re VeriSign, Inc. Securities Litigation, Case No. C-02-2270 JW (HRL), on July 26, 2002. The consolidated action seeks unspecified damages for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, on behalf of a class of persons who purchased VeriSign stock from January 25, 2001 through April 25, 2002. An amended consolidated complaint was filed on November 8, 2002. On April 14, 2003, the court granted in part and denied in part the defendants' motion to dismiss the amended and consolidated complaint. On May 5, 2004, plaintiffs filed a second amended complaint that was substantially identical to the amended consolidated complaint except that it purported to add a claim under Sections 11 and 15 of the Securities Act of 1933 on behalf of a subclass of persons who acquired shares of VeriSign pursuant to the registration statement and prospectus filed October 10, 2001 and amended October 26, 2001 for the acquisition of Illuminet Holdings, Inc. by VeriSign. Plaintiffs' second amended class action complaint was dismissed by the court on November 2, 2005 for failure to adequately plead loss causation. Plaintiffs were given leave to file an amended complaint. Plaintiffs filed a third amended class action Complaint on December 22, 2005. Defendants filed a motion to dismiss the third amended complaint. On April 6, 2006, that motion was granted in part and denied in part. Plaintiffs filed a fourth amended complaint on May 12, 2006. Plaintiffs' request for reconsideration of the April 6, 2006 order was granted on June 5, 2006. Plaintiffs filed a fifth amended complaint on June 30, 2006. VeriSign moved to dismiss the fifth amended complaint. Parallel derivative actions have also

been filed against certain of VeriSign's current and former officers and directors in state courts in California and Delaware. VeriSign is named as a nominal defendant in these actions. Several of these derivative actions were filed in Santa Clara County Superior Court of California and these actions have since been consolidated under the heading In re VeriSign, Inc. Derivative Litigation, Case No. CV 807719.

The consolidated derivative action seeks unspecified damages for alleged breaches of fiduciary duty and violations of the California Corporations Code. Defendants' demurrer to these claims was granted with leave to amend on February 4, 2003. Plaintiffs have indicated their intention to file an amended complaint. Another derivative action was filed in the Court of Chancery New Castle County, Delaware, Case No. 19700-NC, alleging similar breaches of fiduciary duty. Defendants' motion to dismiss these claims was granted by the Court of Chancery with prejudice on September 30, 2003.

On April 24, 2007, the District Court entered Final Judgment and Order dismissing the Securities Litigation with prejudice based on final approval of the parties settlement of the Securities Litigation and the Derivative Litigation. On May 15, 2007, the State Court entered a final Stipulation and Proposed of Dismissal with Prejudice of the Derivative Litigation. Under the terms of the settlement, liability insurers for the Company and its directors and officers paid $80 million in settlement of the lawsuits, within applicable insurance limits. The time for appeal in both matters has now passed.

On August 27, 2004, VeriSign filed a lawsuit against ICANN in the Superior Court of the State of California Los Angeles County. The lawsuit alleges that ICANN breached its *.com* Registry Agreement with VeriSign, including, without limitation, by overstepping its contractual authority and improperly attempting to regulate our business. The complaint seeks, among other things, specific performance of the *.com* Registry Agreement, an injunction prohibiting ICANN from improperly regulating VeriSign, and monetary damages. On November 12, 2004, ICANN filed an answer denying VeriSign's claims and a cross-complaint against VeriSign for declaratory relief and breach of the .com Registry Agreement, alleging that VeriSign's introduction of new services breached the .com Agreement. ICANN seeks a declaration from the court that it has acted in compliance with the parties' contractual obligations with regard to the .com registry; that VeriSign has breached the parties' agreement through VeriSign's actions with respect to, among other things, SiteFinder; and that ICANN has the right to terminate the *.com* registry agreement if VeriSign offers "Registry Services" without ICANN's approval, including among others SiteFinder. On December 28, 2004, VeriSign filed an answer denying the claims in ICANN's cross-complaint and a cross-complaint against ICANN for breach of contract, violation of the unfair competition laws, and declaratory relief, alleging, among other things, that ICANN's accreditation of "thread" registrars is improper and causes direct injury to VeriSign. On February 14, 2005, ICANN filed an answer to VeriSign's cross-complaint denying VeriSign's allegations.

On or about November 12, 2004, ICANN filed a Request for Arbitration before the International Chamber of Commerce International Court of Arbitration (the "ICC") alleging that VeriSign violated its 2001 *.net* Registry Agreement with ICANN when, among other things, VeriSign operated the SiteFinder service without ICANN approval. ICANN seeks a declaration from the ICC that it has acted in compliance with the parties' contractual obligations with regard to the .net registry; that VeriSign has breached the parties' agreement through VeriSign's actions with respect to, among other things, SiteFinder; and that ICANN has the right to terminate the .net registry agreement if VeriSign offers "Registry Services" without ICANN's approval, including among others SiteFinder. ICANN also seeks a declaration that, in evaluating VeriSign's bid to become the "successor" registry operator for the .net top level domain after the term of the 2001 agreement expires on or about June 30, 2005, ICANN is entitled to consider VeriSign's alleged breaches of the existing agreement. VeriSign cannot predict the outcome of this action or the affect this lawsuit will have on our relationship with ICANN.

On January 18, 2005, VeriSign filed a request for arbitration before the ICC against ICANN regarding the process by which ICANN solicited and reviewed bids from companies, including VeriSign, to become the "successor" registry operator for the .net top level domain after the 2001 Registry Agreement expired on or about June 30, 2005. VeriSign alleges that the "request for proposal" ("RFP") process constitutes a breach of the 2001

.net registry agreement because, among other things, the RFP process fails to constitute an open and transparent process by which ICANN can reasonably select the best qualified successor to operate the .net registry and does not constitute a valid "consensus policy" as defined in the 2001 .net agreement. ICANN has not yet responded to our arbitration request. On June 8, 2005, ICANN announced that it had selected VeriSign as the "successor" registry operator for the .net top level domain, and ICANN and VeriSign have entered into a contract to confirm that selection. VeriSign anticipates that its selection as the .net registry operator will resolve its request for arbitration.

In October 2005, the Company and ICANN announced a proposed settlement of the various claims between them. The settlement was conditioned upon, among other things, approval of the agreement by the United States Department of Commerce. On November 29, 2006, the United States Department of Commerce approved the new .com Registry Agreement. With that approval, the settlement is finalized and implemented. Accordingly, pending litigation with ICANN was dismissed.

On February 14, 2005, Southeast Texas Medical Associates, LLP filed a putative class action lawsuit in the Superior Court of California, alleging violations of the unfair competition laws, breach of express warranty and unjust enrichment relating to our Secure Site Pro SSL certificates. The complaint is brought on behalf of a class of persons who purchased the Secure Site Pro certificate from February 2001 to present. On April 17, 2006, the class was certified and class notice was issued on May 21, 2007. VeriSign disputes these claims. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit.

On March 8, 2005, plaintiff Charles Ford filed a putative class action lawsuit in the Superior Court of California, County of San Diego, alleging fraud, negligent misrepresentation, false advertising, and violations of the California Consumers Legal Remedies Act and unfair competition laws relating to marketing and advertising of mobile phone "ringtones" and other content by VeriSign's subsidiaries, Jamster International Sarl and Jamba! GmbH. The complaint is brought on behalf of classes of persons who responded to advertising by sending a text message on their mobile phones or registered over the Internet to purchase ringtone or other content. On April 18, 2005, VeriSign removed the action to the federal district court for the Southern District of California. VeriSign disputes the claims in this action. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit.

On April 11, 2005, Prism Technologies, LLC filed a complaint against VeriSign in the U.S. District Court for the District of Delaware alleging that VeriSign's "Go Secure suite of application and related hardware and software products and its Unified Authentication solution and related hardware and software products, including the VeriSign Identity Protection ("VIP") product" infringe U.S. Patent No. 6,516,416, entitled "Subscription Access System for Use With an Untrusted Network." Prism Technologies seeks judgment in favor of Prism Technologies, a permanent injunction from infringement, damages in an amount not less than a reasonable royalty, attorneys' fees and costs. Prism Technologies has also named RSA Security, Inc., Netegrity, Inc. Computer Associates International, Inc and Johnson & Johnson as co -defendants. VeriSign responded on June 6, 2005 by filing a counterclaim for declaratory relief and an answer denying any infringement and asserting that the patent is invalid. On November 9, 2006, the Court held a Markman claim construction hearing. On February 9, 2007, Plaintiff withdrew its claim against Go Secure, leaving claims against Unified Authentication and VIP. On April 2, 2007, the Court issued a ruling from the Markman claim construction hearing. On April 13, 2007, the Court granted Defendants' Motion for Leave to File Amended Answers and Counterclaims to add an inequitable conduct defense. On April 23, 2007, on the basis of the Markman claim construction ruling, the Court entered a stipulated Final Judgment of Non-Infringement, dismissing all claims and counterclaims in the case. On April 27, 2007, Plaintiff filed a Notice of Appeal to the Federal Circuit Court of Appeals. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On June 2, 2005, the Company received an access letter from the U.S. Federal Trade Commission for information to determine whether VeriSign, using the trade name Jamster, was engaging in unfair or deceptive acts or practices in violation of Section 5 of the Federal Trade Commission Act in its advertising, offering and

billing for content services and products. The Company also received civil investigative demands from the Illinois State Attorney General (dated June 30, 2005) and from the Florida State Attorney General (dated October 6, 2005). Each of these letters requested information related to the marketing of Jamster ringtone and other downloadable content services.

In August 2005 and October 2005, respectively, VeriSign received two additional similar putative class action lawsuits, one in state court in Arkansas (short title, Page v. VeriSign), alleging claims for fraud, unjust enrichment, and violation of the Arkansas Deceptive Trade Practices Act, and one in federal district court for the Southern District of California (short title, Herrington v. VeriSign), alleging claims for fraud, negligence and negligent misrepresentation, unjust enrichment, quantum meruit, breach of contract, breach of warranty, false advertising, and unfair competition. These lawsuits relate to the marketing and advertising of mobile phone "ringtones" and other mobile phone content by VeriSign and its subsidiary Jamster International Sarl. VeriSign disputes the claims in these actions. On April 14, 2006 the Judicial Panel on Multidistrict Litigation coordinated and consolidated pretrial proceedings in the Ford, Page, and Herrington actions (short title, In Re Jamster Marketing Litigation). On June 16, 2006, the Judicial Panel on Multidistrict Litigation conditionally transferred one additional similar putative class action lawsuit, alleging violations of the Illinois Consumer Fraud Act and Illinois Automatic Contract Renewal Act (short title, Harmon v. VeriSign), from the federal district court for the Northern District of Illinois to the federal district court for the Southern District of California, where it will be coordinated with the Ford matter for pretrial proceedings. Similarly, on September 14, 2006, the Judicial Panel on Multidistrict Litigation conditionally transferred another similar putative class action lawsuit, alleging violations of Florida's Deceptive and Unfair Trade Practices Act (short title, Edwards v. VeriSign), from the federal district court for the Southern District of Florida to the federal district court for the Southern District of California, where it will likely be coordinated with the Ford matter for pretrial proceedings. While we cannot predict the outcome of these matters, VeriSign believes the allegations are without merit.

On February 24, 2006, GEMA, the German music authors collecting society, submitted an application to the Schiedsstelle, an arbitration board responsible for copyright matters at the German Patent and Copyright Office, requesting arbitration of GEMA's claim for alleged underpaid royalties in connection with Jamba GmbH's sale of ringtones as downloadable content for mobile phones. Jamba is a wholly owned subsidiary of VeriSign, Inc. Jamba pays royalties to GEMA on a "per download" basis for ringtones. GEMA claims that Jamba should also pay royalties for all GEMA-represented ringtones made available to Jamba customers, regardless of whether or not the content represented by GEMA has been downloaded by a Jamba customer. On April 11, 2006, the Schiedsstelle notified Jamba! that it will conduct an arbitration of GEMA's claim. Jamba submitted a response to GEMA's application on May 22, 2006. GEMA submitted an answer to Jamba's response on August 6, 2006. Jamba submitted a reply to GEMA's answer on or about October 23, 2006. Arbitration has not yet been scheduled. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit.

On June 26, 2006, VeriSign received a grand jury subpoena from the U.S. Attorney for the Northern District of California requesting documents relating to VeriSign's stock option grants and practices. VeriSign also received an informal inquiry from the Securities and Exchange Commission ("SEC") requesting documents related to VeriSign's stock option grants and practices. On February 9, 2007, VeriSign received a formal order of investigation from the SEC. VeriSign is cooperating fully with the U.S. Attorney's investigation and the SEC investigation.

On July 6, 2006, a stockholder derivative complaint (Parnes v. Bidzos, et al., and VeriSign) was filed against the Company, as a nominal defendant, and certain of its current and former directors and executive officers related to certain historical stock option grants. The complaint seeks unspecified damages on behalf of VeriSign, constructive trust and other equitable relief. Two other derivative actions were filed, one in federal court (Port Authority v. Bidzos, et al., and VeriSign), and one in state court (Port Authority v. Bidzos, et al., and VeriSign) on August 14, 2006. VeriSign is named as a nominal defendant in these actions. The federal actions have been consolidated and plaintiffs filed a consolidated complaint on November 20, 2006. Motions to dismiss

the consolidated federal court complaint were heard on May 23, 2007. Motions to stay the state court action are pending. On May 15, 2007, a putative class action (Mykityshyn v. Bidzos, et al., and VeriSign) was filed in state court naming the Company and certain current and former officers and directors, alleging false representations and disclosure failures regarding certain historical stock option grants. The plaintiff purports to represent all individuals who owned VeriSign common stock between April 3, 2002 and August 9, 2006. The complaint seeks rescission of amendments to the 1998 and 2006 Option Plans and the cancellation of shares added to the 1998 Option Plan. The complaint also seeks to enjoin defendants from granting any stock options and from allowing the exercise of any currently outstanding options granted under the 1998 and 2006 Option Plans. The complaint seeks an unspecified amount of compensatory damages, costs and attorneys fees. The matter was removed to federal court on June 25, 2007. VeriSign and the individual defendants dispute all of these claims.

On November 7, 2006, a judgment was entered against VeriSign by an Italian trial court in the matter of Penco v. VeriSign, Inc., for Euro 5.8 million plus fees arising from a lawsuit brought by a former consultant who claimed to be owed commissions. VeriSign was granted a stay on execution of the judgment. VeriSign has appealed the lower court's ruling on the merits and the hearing on the appeal is likely to be scheduled in May 2008. VeriSign believes the claims are without merit.

On November 30, 2006, Freedom Wireless, Inc. filed a complaint against VeriSign and other defendants alleging that VeriSign infringes certain patents by making, using, selling or supplying products, methods or services relating to supplying prepaid wireless telephone services to telecommunications companies. VeriSign filed an answer to the complaint on January 25, 2007. The lawsuit is pending in the United States District Court for the Eastern District of Texas. No scheduling conference has been set. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On January 31, 2007, VeriSign and News Corporation finalized a joint venture giving News Corporation a controlling interest in VeriSign's wholly owned Jamba subsidiary. Accordingly, effective January 31, 2007, VeriSign transferred to the joint venture direction and control of all litigation relating to Jamba! GmbH and Jamster International Sarl. Litigation and other legal matters covered by that transfer include, but are not limited to, In Re Jamster Marketing Litigation (Ford, Page, Herrington, Harmon and Edwards), the Federal Trade Commission access letter, the Illinois Attorney General Civil Investigative Demand, the Florida Attorney General Subpoena Duces Tecum, and the GEMA application for arbitration.

On May 31, 2007, plaintiffs Karen Herbert, et al., on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show "Deal or No Deal" to incur premium text message charges in order to participate in an interactive television promotion called "Lucky Case Game." The lawsuit is pending in the United States District Court for the Central District of California, Western Division. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On June 5, 2007, plaintiffs Cheryl Bentley, et al., on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show "The Apprentice" to incur premium text message charges in order to participate in an interactive television promotion called "Get Rich With Trump." The lawsuit is pending in the United States District Court for the Central District of California, Western Division. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On June 7, 2007, plaintiffs Michael and Michele Hardin, on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc. and other defendants alleging that defendants collectively operate various "gambling games" in violation of Georgia state law. Plaintiffs allege that interactive television

promotions contained in various broadcasts, including NBC's "Deal or No Deal," wrongly permit participants to incur premium text message charges in order to participate in the promotions to win a prize. The lawsuit is pending in the United States District Court for the Northern District of Georgia, Gainesville Division. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

VeriSign is involved in various other investigations, claims and lawsuits arising in the normal conduct of its business, none of which, in our opinion will harm its business. VeriSign cannot assure that it will prevail in any litigation. Regardless of the outcome, any litigation may require VeriSign to incur significant litigation expense and may result in significant diversion of management attention.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended December 31, 2006.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

VeriSign's common stock is traded on the NASDAQ Global Select Market under the symbol "VRSN." The following table sets forth, for the periods indicated, the high and low sales prices per share for our common stock as reported by the NASDAQ Global Select Market:

	Price Range	
	High	Low
Year ended December 31, 2007:		
Second Quarter	$32.12	$24.83
First Quarter	26.78	22.92
Year ended December 31, 2006:		
Fourth Quarter	$26.77	$19.90
Third Quarter	23.27	15.95
Second Quarter	25.45	20.91
First Quarter	25.00	20.75
Year ended December 31, 2005:		
Fourth Quarter	$24.48	$19.01
Third Quarter	30.99	20.29
Second Quarter	33.36	24.65
First Quarter	33.67	24.48

On June 29, 2007, there were 845 holders of record of our common stock; although we believe there are approximately 150,000 beneficial owners since many brokers and other institutions hold our stock on behalf of stockholders. On June 29, 2007, the reported last sale price of our common stock was $31.73 per share as reported by the NASDAQ Global Select Market.

The market price of our common stock has been and is likely to continue to be highly volatile and significantly affected by factors such as:

- general market and economic conditions and market conditions affecting technology and Internet stocks generally;
- announcements of technological innovations, acquisitions or investments by us or our competitors;
- developments in Internet governance; and
- industry conditions and trends.

The market price of our common stock also has been and is likely to continue to be significantly affected by expectations of analysts and investors. Reports and statements of analysts do not necessarily reflect our views. To the extent we have met or exceeded analyst or investor expectations in the past does not necessarily mean that we will be able to do so in the future. In the past, securities class action lawsuits have often followed periods of volatility in the market price of a particular company's securities. This type of litigation could result in substantial costs and a diversion of our management's attention and resources.

We have never declared or paid any cash dividends on our common stock or other securities and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain our earnings, if any, for future growth. Information regarding our equity compensation plans may be found in Part III, Items 11 and 12, of this report. Further information regarding our equity compensation plans may be found in Note 11 "Stockholders' Equity" in Item 15 of our Consolidated Financial Statements of this report.

Share Repurchases

To facilitate the stock repurchase program, designed to return value to the stockholders and minimize dilution from stock issuances, we repurchase shares in the open market and from time to time enter into structured stock repurchase agreements with third parties.

In 2001, the Board of Directors of VeriSign authorized the repurchase of up to $350 million of our common stock in open market, negotiated or block transactions. This stock repurchase program was completed in the third quarter of 2005. In 2005, the Board of Directors authorized a new stock repurchase program to repurchase up to $500 million of our common stock in open market, negotiated or block transactions. This stock repurchase was completed in the second quarter of 2006. On May 16, 2006, the Board of Directors authorized the repurchase of up to $1 billion stock of our common stock on the open market, or in negotiated or block trades. The 2006 stock program has no determined end date. As of December 31, 2006, we have approximately $984.7 million available under the 2006 stock repurchase program.

The following table sets forth the total amount of shares repurchased and net purchase price for the years presented:

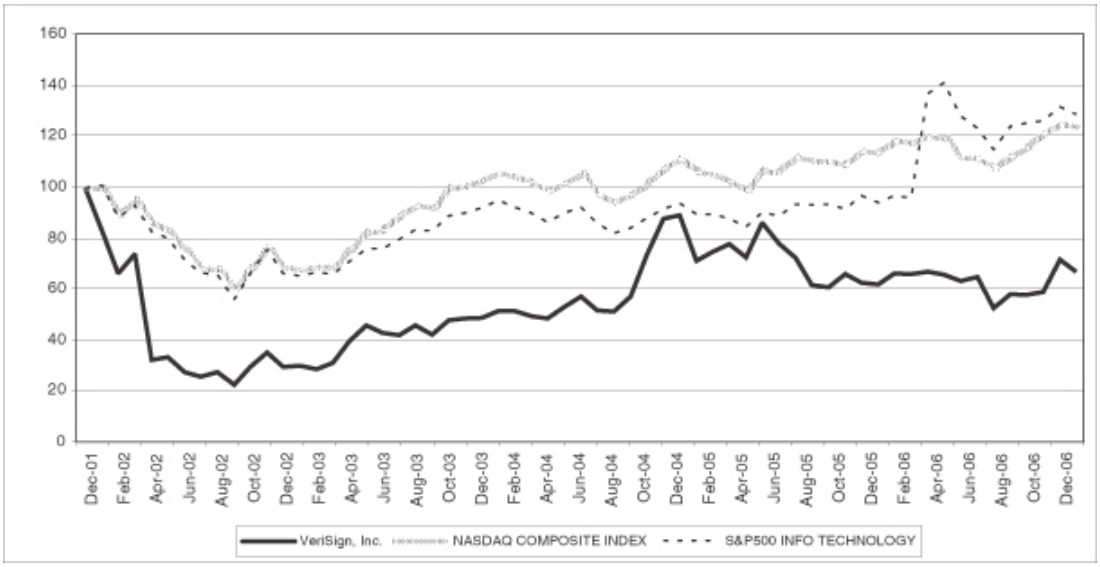
	December 31, 2006	December 31, 2005	December 31, 2004
		(In thousands)	
Shares repurchased	6,490	22,817	4,474
Aggregate purchase price	$ 135,000	$ 548,630	$ 113,257

From the inception of the stock purchase program in 2001 to December 31, 2006, a total of 35.3 million shares have been repurchased for an aggregate purchase price of approximately $865.3 million.

Performance Graph

The information contained in the Performance Graph shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act.

The following graph compares the cumulative total stockholder return on our common stock, the NASDAQ Composite Index, and the S&P 500 Information Technology Index. The graph assumes that $100 was invested in our common stock, the NASDAQ Composite Index and the S&P 500 Information Technology Index on December 31, 2001, and calculates the return quarterly through December 31, 2006. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/30/2005	12/29/2006
VeriSign, Inc.	$ 100	$ 21	$ 43	$ 88	$ 58	$ 63
NASDAQ Composite Index	$ 100	$ 68	$ 103	$ 112	$ 113	$ 124
S&P 500 Information Technology Index	$ 100	$ 62	$ 91	$ 93	$ 94	$ 133

ITEM 6. SELECTED FINANCIAL DATA

The consolidated balance sheet as of December 31, 2005 and the consolidated statements of income for the years ended December 31, 2005 and 2004 have been restated as set forth below. The data for the consolidated balance sheets as of December 31, 2004, 2003 and 2002 and the consolidated statements of operations for the fiscal years ended December 31, 2003 and 2002 have been restated, but such restated data has not been audited and is derived from the books and records of the Company. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K to fully understand factors that may affect the comparability of the information presented below. The information presented in the following tables has been adjusted to reflect the restatement of the Company's financial results, which is more fully described in Note 2, "Restatement of Consolidated Financial Statements" in Notes to Consolidated Financial Statements of this Form 10-K.

We have not amended our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods affected by this restatement. The financial information that has been previously filed or otherwise reported for these periods is superseded by the information in this Annual Report on Form 10-K, and the financial statements and related financial information contained in such previously filed reports should no longer be relied upon.

We have completed a number of acquisitions over the last three fiscal years, each of which was accounted for as a purchase transaction, which may affect year-over-year comparisons of our selected financial data. See a description of such acquisitions fully described in Note 3, "Business Combinations" of our Notes to Consolidated Financial Statements. Accordingly, the results of the acquired companies' operations are included in our consolidated financial statements from their respective dates of acquisition. We sold certain assets related to our payment gateway business in November 2005. We accounted for this business as discontinued operations and accordingly, we have reclassified the selected financial data for all periods to reflect this business as discontinued operations. We completed the sale of our Network Solutions domain name registrar business in November 2003.

Selected Consolidated Statements of Operations Data: (in millions, except per share data)

	Year Ended December 31,				
	2006 (1)	2005 (2) (4) As Restated	2004 (4) As Restated	2003 (3) (5) As Restated	2002 (3) (5) As Restated
Continuing Operations:					
Revenues	$1,575	$ 1,613	$ 1,121	$ 1,017	$ 1,195
Net income (loss)	378	162	135	(294)	(4,999)
Net income (loss) from continuing operations per share:					
Basic	$ 1.55	$ 0.63	$ 0.54	$ (1.23)	$ (21.13)
Diluted	$ 1.53	$ 0.62	$ 0.53	$ (1.23)	$ (21.13)
Discontinued Operations:					
Revenues	—	51	48	38	27
Net income (loss)	1	267	18	7	(16)
Net income (loss) from discontinued operations per share:					
Basic	$ —	$ 1.04	$ 0.07	$ 0.03	$ (0.07)
Diluted	$ —	$ 1.01	$ 0.07	$ 0.03	$ (0.07)
Consolidated Total:					
Net income (loss)	379	429	153	(287)	(5,015)
Net income (loss) per share:					
Basic	$ 1.55	$ 1.67	$ 0.61	$ (1.20)	$ (21.20)
Diluted	$ 1.53	$ 1.63	$ 0.60	$ (1.20)	$ (21.20)

(1) Net income includes $349.8 million in income tax benefits that resulted from the release of our valuation allowance of $236.4 million from our deferred tax assets and recognizing a non-recurring benefit to tax expense of $113.4 million due to a favorable ruling received in the second quarter of 2006 relating to a capital loss generated in 2003.
(2) Net income for 2005 includes gain on sale of discontinued operations of $250.6 million, net of tax.
(3) In accordance with Statement of Financial Accounting Standards ("SFAS") SFAS No 142, "*Goodwill and Other Intangible Assets*," ("SFAS 142") the consolidated statements of operations includes the impairment of goodwill and the amortization and impairment of other intangible assets totaling $335.2 million and $4.9 billion in 2003 and 2002, respectively.
(4) The information presented has been adjusted to reflect restatement of our financials which is more fully described in Note 2, "Restatement of Consolidated Financial Statements," in Notes to Consolidated Financial Statements of this Form 10-K.
(5) The Selected Financial Data for 2003 and 2002 has been restated to reflect adjustments related to stock- based compensation and other financial adjustments. See the tables below for additional information related to the restatement of fiscal years December 31, 2003 and 2002.

Consolidated Balance Sheet Data: (in millions)

	December 31,				
	2006	2005 As Restated (1)	2004 As Restated (2)	2003 As Restated (2)	2002 As Restated (2)
Total assets	$3,982	$ 3,181	$ 2,599	$ 2,102	$ 2,392
Long-term liabilities (3)	6	16	26	39	33
Stockholders' equity	2,385	2,023	1,691	1,377	1,575

(1) The information presented has been adjusted to reflect restatement of our financials which is more fully described in Note 2, "Restatement of Consolidated Financial Statements," in Notes to Consolidated Financial Statements of this Form 10-K.
(2) The Selected Financial Data for 2004, 2003 and 2002 has been restated to reflect adjustments related to stock-based compensation expense and the associated tax impact. See table below for additional information related to the restatement of fiscal years ended 2004, 2003 and 2002.
(3) Other long-term liabilities include other long-term liabilities and long-term accrued restructuring costs.

The impact of the restatement and a comparison to the amounts originally reported for the consolidated statements of operations and the consolidated balance sheet are detailed in the tables below (in millions, except per share amounts):

Selected Consolidated Statements of Income Data: (in millions, except per share data)

	Years Ended December 31,					
	2005			2004		
	Previously Reported	Adjustments	As Restated (1)	Previously Reported	Adjustments	As Restated (1)
Continuing Operations:						
Revenues	$ 1,610	$ 3	$ 1,613	$ 1,118	$ 3	$ 1,121
Net income	139	23	162	173	(38)	135
Net income from continuing operations per share:						
Basic	$ 0.54	$ 0.09	$ 0.63	$ 0.69	$ (0.15)	$ 0.54
Diluted	$ 0.53	$ 0.09	$ 0.62	$ 0.67	$ (0.14)	$ 0.53
Discontinued Operations:						
Revenues	51	—	51	48	—	48
Net income	267	—	267	13	5	18
Income from discontinued operations per share:						
Basic	$ 1.04	$ —	$ 1.04	$ 0.05	$ 0.02	$ 0.07
Diluted	$ 1.01	$ —	$ 1.01	$ 0.05	$ 0.02	$ 0.07
Consolidated Total:						
Net income	406	23	429	186	(33)	153
Net income per share:						
Basic	$ 1.58	$ 0.09	$ 1.67	$ 0.74	$ (0.13)	$ 0.61
Diluted	$ 1.54	$ 0.09	$ 1.63	$ 0.72	$ (0.12)	$ 0.60

(1) The information presented has been adjusted to reflect restatement of our financials which is more fully described in Note 2, “Restatement of Consolidated Financial Statements,” in Notes to Consolidated Financial Statements of this Form 10-K.

The following table presents the impact of the financial statement adjustments on the Company's previously reported consolidated statements of operations for year ended December 31, 2003:

	Previously Reported (1)	Adjustments	As Restated
	(In thousands, except share data)		
Revenues	$1,017,345	$ —	$1,017,345
Costs and expenses:			
Cost of revenues	439,152	2,575	441,727
Sales and marketing	187,334	5,029	192,363
Research and development	49,408	3,075	52,483
General and administrative	173,094	13,262	186,356
Restructuring and other charges	74,633	3,773	78,406
Impairment of goodwill	81,885	—	81,885
Impairment of other intangible assets	71,534	—	71,534
Amortization of other intangible assets	181,736	—	181,736
Total costs and expenses	1,258,776	27,714	1,286,490
Operating loss from continuing operations	(241,431)	(27,714)	(269,145)
Other expense:			
Minority interest	(474)	—	(474)
Other expense, net	(7,803)	1,636	(6,167)
Total other expense, net	(8,277)	1,636	(6,641)
Loss from continuing operations before income taxes	(249,708)	(26,078)	(275,786)
Income tax expense	18,199	—	18,199
Net loss from continuing operations	(267,907)	(26,078)	(293,985)
Discontinued operations:			
Net income from discontinued operations, net of tax	8,028	(821)	7,207
Net loss	$ (259,879)	(26,899)	$ (286,778)
Basic net loss per share from:			
Continuing operations	$ (1.12)	$ (0.11)	$ (1.23)
Discontinued operations	0.04	(0.01)	0.03
Net loss	$ (1.08)	$ (0.12)	$ (1.20)
Diluted net loss per share from:			
Continuing operations	$ (1.12)	$ (0.11)	$ (1.23)
Discontinued operations	0.04	(0.01)	0.03
Net loss	$ (1.08)	$ (0.12)	$ (1.20)
Shares used in per share computation:			
Basic	239,780	(58)	239,722
Diluted	239,780	(58)	239,722

(1) Previously reported numbers have been adjusted to show the sale of our payments gateway business in November 2005.

The following table presents the impact of the financial statement adjustments on the Company's previously reported consolidated statements of operations for year ended December 31, 2002:

	Previously Reported (1)	Adjustments	As Restated
	(In thousands, except share data)		
Revenues	$ 1,194,351	$ —	$ 1,194,351
Costs and expenses:			
Cost of revenues	563,904	8,473	572,377
Sales and marketing	241,954	19,388	261,342
Research and development	43,364	6,323	49,687
General and administrative	170,985	18,082	189,067
Restructuring and other charges	88,574	—	88,574
Impairment of goodwill	4,364,613	—	4,364,613
Impairment of other intangible assets	223,844	—	223,844
Amortization of other intangible assets	283,861	—	283,861
Total costs and expenses	5,981,099	52,266	6,033,365
Operating loss from continuing operations	(4,786,748)	(52,266)	(4,839,014)
Other expense:			
Minority interest	(415)	—	(415)
Other expense, net	(149,038)	(304)	(149,342)
Total other expense, net	(149,453)	(304)	(149,757)
Loss from continuing operations before income taxes	(4,936,201)	(52,570)	(4,988,771)
Income tax expense	10,375	—	10,375
Net loss from continuing operations	(4,946,576)	(52,570)	(4,999,146)
Discontinued operations:			
Net loss from discontinued operations, net of tax	(14,721)	(1,550)	(16,271)
Net loss	$ (4,961,297)	$ (54,120)	$ (5,015,417)
Basic net loss per share from:			
Continuing operations	$ (20.91)	$ (0.22)	$ (21.13)
Discontinued operations	(0.06)	(0.01)	(0.07)
Net loss	$ (20.97)	$ (0.23)	$ (21.20)
Diluted net loss per share from:			
Continuing operations	$ (20.91)	$ (0.22)	$ (21.13)
Discontinued operations	(0.06)	(0.01)	(0.07)
Net loss	$ (20.97)	$ (0.23)	$ (21.20)
Shares used in per share computation:			
Basic	236,552	(24)	236,528
Diluted	236,552	(24)	236,528

(1) Previously reported numbers have been adjusted to show the sale of our payments gateway business in November 2005.

Consolidated Balance Sheet Data: (in millions)

	December 31, 2005			December 31, 2004		
	Previously Reported	Adjustments	As Restated	Previously Reported	Adjustments	As Restated
Total assets	$ 3,173	$ 8	$ 3,181	$ 2,593	$ 6	$ 2,599
Other long-term liabilities	16	—	16	26	—	26
Stockholders' equity	2,032	(8)	2,024	1,692	(1)	1,691

	December 31, 2003			December 31, 2002		
	Previously Reported	Adjustments	As Restated	Previously Reported	Adjustments	As Restated
Total assets	$ 2,101	$ 1	$ 2,102	$ 2,391	$ 1	$ 2,392
Other long-term liabilities	39	—	39	33	—	33
Stockholders' equity	1,384	(7)	1,377	1,579	(4)	1,575

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Except for historical information, this Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 1A "Risk Factors." You should carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q or Current Reports on Form 8-K that we file in 2007. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

In this Form 10-K, we are restating our consolidated balance sheet as of December 31, 2005, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for the years ended December 31, 2005 and 2004. We are also restating the unaudited quarterly financial information and financial statements for interim periods of 2005, and the unaudited condensed financial statements for the three months ended March 31, 2006.

The decision to restate was based on the results of an independent review into our stock option accounting that was conducted under the direction of an ad hoc group of our independent directors who had not served on our Compensation Committee before 2005 ("Ad Hoc Group"). As part of the restatement, we have also made adjustments to our consolidated financial statements for the years ended December 31, 2005, 2004, 2003 and 2002 to correct errors identified for these fiscal years, which were not material to our financial statements in the aggregate or for any prior fiscal year.

Previously filed annual reports on Form 10-K and quarterly reports on Form 10-Q affected by the restatements have not been amended and should not be relied upon.

We first learned of the potential issues associated with our past stock option grants from a May 16, 2006 article published by the Center for Financial Research and Analysis ("CFRA") in which we were referenced as one of 15 public companies with one or two stock grants between 1997 and 2002 that the CFRA suggested were timed at, or close to, 40-day lows in the applicable company's stock price or preceding a material change in our stock price. Promptly after learning of the CFRA article, and prior to receiving the grand jury subpoena or the informal SEC request described below, the Ad Hoc Group, with the assistance of independent outside counsel, Cleary Gottlieb Steen & Hamilton LLP ("Cleary Gottlieb"), began reviewing the facts and circumstances of the timing of our historical stock option grants for the period January 1998 to May 2006 ("relevant period"). We believe that the analysis was properly limited to the relevant period. In addition to Cleary Gottlieb, the Ad Hoc Group was assisted in its Review by independent forensic accountants (collectively the "Review Team").

On June 27, 2006, we announced that we had received a grand jury subpoena from the U.S. Attorney for the Northern District of California requesting documents relating to our stock option grants and practices dating back to January 1, 1995, and had received an informal request for information from the Securities and Exchange Commission ("SEC") related to our stock option grants and practices. On February 9, 2007, we subsequently received a formal order of investigation from the SEC. We are fully cooperating with the U.S. Attorney's investigation and the SEC investigation.

On November 21, 2006, we announced that the Ad Hoc Group had determined the need to restate our historical financial statements to record additional non-cash, stock-based compensation expense related to past stock option grants.

On March 30, 2007, we requested guidance from the Office of the Chief Accountant of the SEC (the "OCA") concerning certain accounting issues relating to the restatement of our historical financials and the Review. On June 25, 2007, we concluded our discussions with the OCA regarding these accounting issues.

On May 29, 2007, we announced that Stratton Sclavos, our then-current Chairman and Chief Executive Officer, had resigned from his position with VeriSign. Following Mr. Sclavos' resignation, the Board elected director William A. Roper, Jr. as our President and CEO and Edward Mueller as our Chairman of the Board of Directors.

On July 10, 2007, Dana L. Evan, our then-current Executive Vice President of Finance and Administration and Chief Financial Officer, resigned from her position with VeriSign.

On July 5, 2007 and July 12, 2007, the Board of Directors appointed Albert E. Clement Chief Accounting Officer and Executive Vice President, Finance and Chief Financial Officer, respectively of the Company.

The Review Team tested grants made on 239 dates, incurred 21,800 person-hours, searched more than 11 million pages of physical and electronic documents and conducted 75 interviews of 33 current and former directors, officers, employees, and advisors. We announced on January 31, 2007 that the Ad Hoc Group's Review was substantially completed and that, based on a review of the totality of evidence and the applicable law, the Review did not find intentional wrongdoing by any current member of the senior management team or the former CEO. The Ad Hoc Group's Review concluded that we failed to implement appropriate processes and controls for granting, accounting for, and reporting stock option grants and that corporate records in certain circumstances were incomplete or inaccurate.

The Review Team examined all grants to Section 16 officers and directors during the relevant period, as well as 7 annual performance grants to rank and file employees and 179 acquisition, new hire and promotion, and other grants to rank and file employees on 239 dates from January 1998 through January 2006.

The Review Team identified 8,164 stock option grants made on 41 dates during the relevant period for which measurement dates were incorrectly determined. The measurement dates required revision because the stated date either preceded or was subsequent to the proper measurement date and the stock price on the stated date was generally lower than the price on the proper measurement date. In several instances, the Review Team also determined that the stock price assigned on the initial grant dates was subsequently modified, without being given the required accounting and disclosure treatment.

Consistent with the accounting literature and recent guidance from the SEC, as part of the restatement, the grants during the relevant period were organized into categories based on grant type and process by which the grant was finalized. The evidence related to each category of grant was analyzed including, but not limited to, electronic and physical documents, document metadata, and witness interviews. Based on the relevant facts and circumstances, and consistent with the accounting literature and recent guidance from the SEC, the controlling accounting standards were applied to determine, for every grant within each category, the proper measurement date. If the measurement date was not the originally assigned grant date, accounting adjustments were made as required, resulting in stock-based compensation expense and related income tax effects.

Measurement Date Hierarchy

We have adopted the following framework for determining the measurement dates of our stock option grants and have applied this framework to each grant based on the facts, circumstances and availability of documentation.

- We reviewed the date of the minutes of the Board of Directors or Compensation Committee meetings for grants made at such meetings when the number of options and exercise price for each recipient had been clearly approved. Where the Review Team determined that the meeting date was not the measurement date, the Review Team determined the actual date of approval of the grant via other documentary evidence and interviews.
- When a grant was approved by unanimous written consent ("UWC"), the measurement date was the date of the Compensation Committee's approval of the UWC as established by available evidence, such as receipt of signature pages of the UWC, contemporaneous telephone and/or e-mail communications.
- If a grant was approved by the CEO under authority delegated by the Compensation Committee, the measurement date was the date on which the CEO communicated approval to the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.
- If a grant was approved by the CEO based on the mistaken belief that he had delegated authority to do so (de facto or "substantive" authority), the measurement date was the date on which the CEO communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.
- In the event the date on which the CEO communicated approval was not evident from the approval forms, the measurement date was the date on which other available evidence, such as the surrounding e-mail communications, established the date the CEO approved the grant.
- In the event the date of CEO approval could not be established by reviewing other available evidence, such as e-mails, the measurement date was the date on which the number of options and exercise price were entered into our option tracking database (Equity Edge).
- Except for grants to Section 16 officers which require Compensation Committee approval, for new hire grants and promotion grants, prior to March 13, 1998, the measurement date was the date the Compensation Committee approved the grant (as described above). For new hire grants and promotion grants after March 13, 1998 and prior to September 2000 and after September 30, 2002, the measurement date was the 15th day or the last day of the month (or the prior business day if that day was not a business day) following the actual and documented start date or promotion date of the respective employee receiving the grant. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval. For new hire grants and promotion grants in the period September 1, 2000 through September 30, 2002, the measurement date was the date on which the CEO communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price. If that date could not be determined, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge.

After determining the measurement date through the steps in the above Measurement Date Hierarchy, we then determined if there were any changes to the individual recipients, exercise prices or amount of shares granted after such measurement date. If there were no changes following such measurement date, then that date would be used. If we identified changes following such measurement date, then we would evaluate whether the changes should delay the measurement date for the entire list of grants on that date, result in a repricing, or result in separate accounting for specific grants.

Director Grants

Required Granting Actions: Grants to directors under the 1998 Director Plan (the "Director Plan") were automatic and non-discretionary; the Director Plan did not require the CEO, the Board or the Compensation Committee to review or approve director grants. Each new director received an initial grant of a specified number of options on the date of his or her appointment and annually on the anniversary of the initial grant to be priced on the appointment or anniversary date, respectively. Directors serving before the Director Plan was adopted received an annual grant on the anniversary of their previous grant.

Method for Determining Proper Measurement Dates: For the initial grant, the measurement date was the date the director was appointed to the Board, as reflected in Board minutes. In the absence of Board minutes, the date specified in the proxy statement or, if not clear, the date of the first Board meeting attended by the new director. For anniversary grants, annually on the date of the initial grant (or the next business day if such date was not a business day).

Executive Grants

Required Granting Actions: The Compensation Committee is required to approve all grants to executive officers. For grants to the former CEO, the Review Team concluded that, in all but three cases (including the February 2002 grant described below), the Compensation Committee or the Board of Directors approved the grant on the stated grant date, resulting in a correct measurement date.

Method for Determining Proper Measurement Dates: For grants other than the February/May 2002 grant described below, including the other two grants to the former CEO referred to above, please refer to the Measurement Date Hierarchy above.

Acquisition Grants

Required Granting Actions: CEO authorization required. The Board of Directors implicitly delegated to the CEO authority to approve grants to employees from acquisitions when the Board approved an acquisition.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Annual Refresh Grants

Required Granting Actions: The Compensation Committee was required to approve all annual refresh grants through and including the 2004 annual refresh grant. In 2005, the Compensation Committee delegated to the CEO the authority to approve rank and file annual refresh grants.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Extended Grants

Required Granting Actions: The Compensation Committee or the Board of Directors is required to approve all extensions of grants.

Method for Determining Proper Measurement Dates: Extended grants are a modification of a previous award. Available documentation was used to establish the modification date and to measure the additional compensation charge.

Retention and Off-Cycle Grants

Required Granting Actions: The Compensation Committee is required to approve all retention and off-cycle grants.

Method for Determining Proper Measurement Dates: Refer to the Documentation Hierarchy above. For the February/May 2002 retention grant described below, the former CEO approved the grants to rank and file employees.

New Hire and Promotion Grants

Required Granting Actions: New hire grants and promotion grants made after March 13, 1998 and prior to September 2000 and those made after September 30, 2002 were automatic and did not require the CEO, the Board or the Compensation Committee review or approval. Prior to March 13, 1998, the Compensation Committee was required to approve all new hire and promotion grants. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

The 8,164 grants previously identified as having incorrectly determined measurement dates were classified into the following six categories: (1) 27 grants on 11 dates to persons elected or appointed as members of the Board of Directors ("Director Grants"); (2) 33 grants to executive officers ("Executive Grants"); (3) 2,908 grants to employees issued after an acquisition, newly hired employees and promoted employees under the new hire and promotion grants program described below ("New Hire and Promotion Grants Program"), and other grants to a large number of non-executives; (4) 4,226 grants made in broad-based awards to large numbers of employees, usually on an annual basis ("Annual Refresh Grants"); (5) 964 off-cycle performance grants; and (6) 6 grants whereby the expiration dates were extended ("Extended Grants"). All references to the number of option shares, option exercise prices, and share prices have been adjusted for all subsequent stock splits.

As discussed below, it was determined that the originally assigned grant dates for 8,164 grants were not ascribed the proper measurement dates for accounting purposes. Accordingly, after accounting for forfeitures, stock-based compensation expense of $171.4 million on a pre-tax basis was recognized over the respective awards' vesting terms for the periods from 1998 to 2006. As noted below, we also considered alternative measurement dates for eight grant dates which, if applied, would have resulted in additional stock-based compensation expense of approximately $25.7 million. The adjustments made to reflect the proper measurement dates for accounting purposes and the financial statement impact of the alternative measurement dates considered by us, were determined by category as follows:

Director Grants: 64 director grants were made on 36 dates during the relevant period. Of the 64 grants, there were 27 grants to directors for which it was determined that the originally determined grant dates preceded or succeeded the measurement dates, 11 grants were in excess of plan parameters, and some of the dates were selected in hindsight based on an advantageous share price. Of the 27 grants with measurement date issues, 26 of the grants involved periods of 5 days or less and resulted in a stock-based compensation expense of less than $100,000 in the aggregate. Revisions to measurement dates for director grants were made where the wrong date was selected based on the requirements of the Director Plan and where incorrect start dates were used for the date the director joined the Board of Directors. The excess grants have been historically honored by us. As a result, $0.3 million of stock-based compensation expense was recognized.

Executive Officer Grants: It was determined that for 33 of the grants to executive officers, the originally determined grant dates preceded the measurement dates or the grant dates and exercise prices were subsequently changed. Some of these dates were selected in hindsight based on an advantageous share price. As the stock prices on the originally determined grant dates were lower than the stock prices on the proper measurement date, $28.1 million of stock-based compensation expense was recognized. The revised measurement dates for various executive officer grants were based on Compensation Committee meeting dates, signed UWCs, delayed CEO approval, and for one date the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. We also considered an alternative measurement date for one grant date which would have increased the compensation expense by approximately $130,000 for that grant. The authority for 21 grants, which have been historically honored by us, is based on the CEO's presumed authority.

New Hire and Promotion Grants Program: We concluded that the new hire and promotion grants made pursuant to the New Hire and Promotion Grants Program within the pre-established guidelines did not require an adjustment, with the exception of the grants made from September 1, 2000 to September 30, 2002. For the 1,728 grants made during that time period, management concluded that the measurement dates occurred only on the dates of the CEO approval. Due to practical difficulties in ascertaining the actual dates of the CEO approval for many new hire and promotion grants in that time period, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. The incremental stock-based compensation expense associated with the New Hire and Promotion Grants during the relevant period was $11.9 million.

Acquisition Grants: After the consummation of certain acquisitions, we granted stock options to employees of the acquired entities. It was determined that the measurement dates for 1,180 option grants required revision because the stated grant dates preceded the proper measurement dates and the approval authority was based on CEO approval. Some of these dates were chosen in hindsight based on an advantageous share price. Of the 1,180 grants, 1,048 grants were extinguished as part of our exchange program which commenced in November 2002. Due to issues associated with the measurement dates for the acquisition grants, $36.2 million of additional stock-based compensation expense was recognized during the relevant period. We also considered an alternative measurement date for three different acquisition grant dates which, if they had been used, would have increased the compensation expense by approximately $675,000.

Annual Refresh Grants: During the relevant period, 3,782 broad-based grants were made to employees under an annual program (the “Refresh Grants”) for which the originally assigned grant dates were not the proper measurement dates. Some of these dates were chosen in hindsight based on an advantageous share price, and the authority for some of the Refresh Grants was the CEO’s presumed authority. For one of the annual Refresh Grants which occurred in August 2000, there was conflicting documentation and inconclusive evidence with respect to the measurement date. It was determined that the most appropriate measurement date, due to the lack of affirmative evidence otherwise, was the date on which the number of options and exercise price were entered into Equity Edge, and based on that date, $19.2 million of stock-based compensation expense was recognized in the period 2000 to 2002. These grants were extinguished in December 2002 as part of our exchange program which commenced in November 2002. We did not approve or process any stock option grants to existing employees during the period of the tender offer or agree or imply that we would compensate employees for any increases in the market price during the tender period. The Review also determined that the annual refresh grants for the years 1999, 2001, 2004, and a portion of the 2003 grant had a measurement date that was later than the date that was originally used. In these cases, where the measurement dates were revised, the authority for the grants varied and included new dates based on UWCs by the Compensation Committee or approvals by the CEO. Where approval was not determinable based on the above, we utilized the date on which the number of options and exercise price were entered into Equity Edge. Due to the errors in measurement dates associated with the annual refresh grants, stock-based compensation expense of $55.1 million was recognized. We also considered alternative measurement dates for two refresh grants which did not create additional compensation charge where one alternative measurement date had a lower price than the original grant date and the options for the second alternative measurement date were cancelled prior to the one-year cliff vesting date.

Off-Cycle Performance Grants: There were 964 performance grants made to employees on March 15, 2001 and October 1, 2003. These dates were chosen in hindsight based on an advantageous share price, and the authority for these grants was the CEO’s de facto authority. The revised measurement dates were based on the dates of the UWC for the March 15, 2001 grant and e-mail correspondence for the October 1, 2003 grant. Due to the errors in measurement dates associated with the off-cycle performance grants, stock-based compensation expense of $5.6 million was recognized. We also considered an alternative measurement date for the October 1, 2003 grant which, if it had been used, would have decreased the compensation expense by approximately $100,000 for that grant.

Extended Grants: During the relevant period, there were 6 stock option extensions (including one to the former CEO described below) whereby an option was extended beyond its expiration or termination date and for

which a compensation charge had not been recorded. As a result, $2.1 million of stock-based compensation expense was recognized.

The former CEO received certain options from Network Solutions, Inc. ("NSI") in his capacity as a NSI director prior to our acquisition of NSI. Upon receiving legal advice, management extended the term of those options beyond their original expiration date. The former CEO exercised those options on May 24, 2002. The Ad Hoc Group reviewed the extension of these options and determined that the legal advice was incorrect and that the options should not have been extended. Upon learning of this determination in January 2007, the former CEO voluntarily paid us $174,425, reflecting the after-tax net profit he received from the exercise of those options.

2002 Retention Grants: Between February and May 2002, the Compensation Committee considered special option grants as a retention incentive for executive officers and other executives and key employees, since in many cases the exercise prices of options previously granted to these individuals were significantly above the then-current market price for shares of our common stock. These retention grants are summarized as follows:

Grants to Executive Officers and Other Executives: We determined that 68 grants of options for a total of 4,631,000 shares to executive officers and other executives were finalized on April 10, 2002 rather than the stated grant date of February 21, 2002. The Review Team was unable, after review of detailed documentation, including multiple draft versions of the February 12, 2002 Compensation Committee minutes, approval forms (which were undated) and email correspondence, to affirmatively determine when the grants to executive officers and other executives were approved. In accordance with our measurement date hierarchy for grants described above, we determined that April 10, 2002 was the correct measurement date because that was the date that other grants, including certain executive grants, were entered into Equity Edge. The grant price as of the measurement date was $23.74, the closing market price of our stock on April 10, 2002. Because the stated exercise price of the grants was set based on the closing market price on February 21, 2002 of $22.71 and preceded the measurement date, an incremental $1.3 million of stock-based compensation expense was recognized.

We also determined that the Compensation Committee repriced 1,870,000 of these options on May 24, 2002, with an exercise price of $10.08, the closing market price of our stock on May 24, 2002. We determined that these grants were a reprice based on a UWC of the Compensation Committee. The accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and we did not properly disclose the circumstances of these grants. In accordance with FIN 44 and after applying variable accounting, we recognized incremental stock-based compensation expense of approximately $15.8 million, net of reversals, for the periods between 2002 and 2006. Had we considered an alternative measurement date between the periods from February 13, 2002 through April 25, 2002, compensation expense would have increased by up to $25.0 million for these grants.

Grants to Employees: Broad-based employee grants were also considered during the February to May 2002 period. The Review Team determined that the CEO, under his presumed authority, approved 305 broad-based employee grants on or about March 20, 2002 with a grant price of $26.42, the closing market price of our stock on that date. These awards were communicated shortly thereafter to the employees. We determined that March 20, 2002 was a definitive measurement date for the awards to the employees.

The grants to employees previously approved by the CEO on March 20, 2002 were submitted for approval to the Compensation Committee as evidenced in a UWC dated May 24, 2002. The Compensation Committee approved the 305 employee grants with an exercise price of $10.08, the market value of our common stock on May 24, 2002. Therefore the employee awards were re-priced on that date. Although the awards had been communicated to the employees and disclosed in our Form 10-Q for the first quarter of 2002, the accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and we did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately $6.6 million, net of reversals of additional stock-based compensation expense, has been recorded for the periods between 2002 and 2006.

Retention Grants to our former CEO: In the February 12, 2002 Compensation Committee meeting, the Committee considered the number and vesting period of a proposed option award to the CEO. The Review Team found multiple draft versions of the minutes for the February 12, 2002 meeting of the Compensation Committee and concluded that the signed minutes were inaccurate. Attendees at the meeting have different recollections of the business conducted. One draft, unapproved version of those minutes, stated the number of options to be awarded to the CEO was 1,200,000, while the signed version of the minutes approved by the members of the Compensation Committee in late May 2002 stated that the number of options to be awarded was 600,000. Both versions of the minutes stated that the grant date and the exercise price was February 21, 2002 and $22.71. The minutes of a Board meeting held on February 12, 2002, after the Compensation Committee meeting, also indicate that the CEO was awarded 1,200,000 options at the February 12, 2002 Compensation Committee meeting.

We have determined that the measurement date for the 1,200,000 options to the CEO was February 12, 2002 with a grant price of $26.31, the closing market price of our stock on that date, and that the options were repriced on February 21, 2002 with a grant price of $22.71, the closing market price of our stock on that date. Subsequently, 600,000 options of the 1,200,000 options were repriced on May 24, 2002 with a grant price of $10.08, the closing market price of our stock on that date. The accounting impact of the repricings was not recorded at the time of the Compensation Committee approval and we did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately $7.5 million, net of reversals, of additional stock-based compensation expense has been recorded for the periods between 2002 and 2006.

Actions Taken by the Board with respect to Grants: As part of the Review, the Board of Directors confirmed all option grants (including those to our former CEO and CFO) that the Review Team concluded had authority issues as legally binding and enforceable obligations of the Company as of the date of such grant. In addition, the Board of Directors decided to modify the following grants to the former CEO and CFO in 2007 and no reversal of compensation expense was recorded for these negative modifications in the financial statements.

Former CEO: An option grant to the former CEO of 100,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CEO: The February 2002 option grant to the former CEO of 600,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $26.31.

Former CFO: An option grant to the CFO of 25,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CFO: An option grant to the CFO of 125,000 shares originally dated August 1, 2000 at an exercise price of $151.25 was modified to a new exercise price of $165.22.

Former CFO: An option grant to the CFO of 40,000 shares originally dated March 15, 2001 at an exercise price of $34.44 was modified to a new exercise price of $42.26. The CFO's 409A tax election described below modified 1,667 of these options and the Board of Directors determined to modify the remaining 38,333 options.

Former CFO: A grant to the CFO of 90,000 shares originally dated September 6, 2001 at an exercise price of $34.16 was modified to a new exercise price of $38.30. The CFO's 409A tax election described below modified 11,250 of these options and the Board of Directors determined to modify the remaining 78,750 options.

Former CFO: The February 2002 option grant to the CFO of 100,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $23.74.

Other: The Company and the Review Team also determined that the former CEO received an option grant in October 1998 for 100,000 shares (95,928 non-qualified stock options ("NQSOs") and 4,072 incentive stock

options ("ISOs")), which split to options for 200,000 shares in May 1999 and then split again to options for 400,000 shares in November 1999 when we announced a stock split during those respective periods. The account statements and monthly reporting statements for November 1 and December 1, 2000 showed that the former CEO held options for 400,000 shares at the split-adjusted price of $7.67. However, the Ad Hoc Group determined that sometime between December 1, 2000 and January 1, 2001, we erroneously changed the former CEO's options to reflect the pre-split amount of 100,000 shares instead of 400,000 shares, but at the post-split price of $7.67. The error was never subsequently corrected. Therefore, the former CEO did not receive the benefit of the additional 300,000 options arising from the two stock splits, which expired in 2005. Based on a determination by the Board of Directors after the Ad Hoc Group's Review in May 2007, we have agreed to pay the former CEO $5,459,430, reflecting the gain he would have realized from the exercise of these options prior to their expiration, based on the weighted-average price of stock options exercised by the former CEO in August 2005.

The other principal factual findings of the Review included the following:

- The human resources, accounting, and legal departments failed to implement appropriate processes and controls. During 2000 through 2003, the option grant process was characterized by a high degree of informality and relatively little oversight.
- The Review found no evidence that accounting personnel were aware of the deficient practices used in selecting grant dates.
- The Review found instances of incomplete and inaccurate corporate records, including two sets of Committee minutes that were inaccurate.
- The Review found no evidence of fictitious individuals being granted options.
- Options found to be misdated, have a date chosen in hindsight based on an advantageous share price, repriced, or unauthorized with a stated exercise price lower than the share price at the actual approval date will result in adverse tax consequences to the recipients and us.
- In light of the Review's other findings, our disclosures related to option grants were inaccurate in some respects.

The principal recommendations of the Ad Hoc Group's Review included the following:

- The Board or the Compensation Committee should approve all grants that the Review found to be unauthorized, with the exception of certain grants made to our former CEO and CFO. The Board or the Compensation Committee should consider whether to cancel or request forfeiture of any options granted to the former CEO and CFO that were determined to be unauthorized, misdated, have a date chosen in hindsight based on an advantageous share price, or repriced, and then should consider the appropriate equity compensation for these officers for the periods covered by the Review.
- We should develop and implement detailed written grant policies.
- We should designate individuals in the legal and accounting departments to oversee the documentation of and accounting for option grants.
- We should develop and implement improved training and controls relating to option granting practices to ensure that all personnel involved in the granting and administration of stock options understand the relevant option plans and accounting, tax, and disclosure requirements.
- We should award regular grants (new hire, promotion, and annual performance) at predetermined dates and with all approvals documented and finalized on those dates.

The Board has adopted all of the Review's findings and recommendations. Under the direction of the Audit Committee and the Compensation Committee, and with the assistance of PricewaterhouseCoopers LLP, we have implemented or are in the process of implementing the recommendations.

Based on the results of the Review, we have recorded additional non-cash stock-based compensation expense (benefit) net of related income tax effects related to past stock option grants of $1.5 million for the first quarter ended March 31, 2006, ($21.6) million and $36.9 million in fiscal years 2005 and 2004, respectively. These adjustments were recorded based on the evidence and findings from the Ad Hoc Group's review, including analysis of the measurement dates for the 8,164 stock option grants made on 41 dates during the relevant period that the Review determined were incorrect.

The incremental impact from recognizing stock-based compensation expense resulting from the Ad Hoc Group's Review of past stock option grants is as follows (dollars in thousands):

Fiscal Year	As Restated	As Previously Reported	Pre-Tax Expense (Income) Adjustments	After Tax (Income) Expense Adjustments
1998	$ 1,288	$ 1,280	$ 8	$ 8
1999	7,057	104	6,953	6,953
2000	24,814	1,722	23,092	23,092
2001	42,500	7,803	34,697	34,697
2002	70,066	18,956	51,110	51,110
2003	35,010	7,389	27,621	27,621
Total 1998–2003 impact	180,735	37,254	143,481	143,481
2004	46,835	3,136	43,699	36,873
2005(2)	(10,588)(2)	6,312	(17,670)	(21,560)
2006(1)	66,285	64,438	1,847(1)	1,532(1)
Total	$ 283,267	$ 111,140	$ 171,357	$ 160,326

(1) Pre-tax expense adjustments are through March 31, 2006 and represents amounts being reported pursuant to FAS 123R whereas amounts for all other years represent amounts being reported pursuant to APB 25.
(2) Includes $0.8 million of other stock-based compensation adjustments that were unrelated to past stock option grants.

Additionally, the pro forma expense under SFAS No. 123 in Note 1 in the Notes to Consolidated Financial Statements of this Form 10-K has been restated to reflect the impact of these adjustments for the years ended December 31, 2005 and December 31, 2004.

As noted above we considered alternative measurement dates for eight grants which, if applied, would have resulted in additional stock-based compensation of approximately $25.7 million. With the exception of these eight grants, there was no uncertainty on the measurement date for option grants. The table below shows what the incremental impact to stock-based compensation expense would have been by category of grant had these alternative measurement dates been applied (in thousands):

Category	Pre-Tax Expense (Income)
Director Grants	$ —
Executive Grants	100
Acquisition Grants	675
Annual Refresh Grants	—
Extended Grants	—
Retention and Off-Cycle Grants	(100)
New Hire and Promotion Grants	—
2002 Retention Grants	25,000
Total	$25,675

Tax Implications

We evaluated the impact of the restatements on our global tax provision and have determined that a portion of the tax benefit relating to stock-based compensation expense formerly associated with stock option deductions is attributable to continuing operations. We identified deferred tax assets totaling $16.3 million at December 31, 2005 which reflect the benefit of tax deductions from future employee stock option exercises. We have not realized this or any other deferred tax asset relating to taxing jurisdictions within the United States as of December 31, 2005.

We also believe that we should not have taken a tax deduction under Internal Revenue Code (IRC) Section 162(m) in prior years for stock option related amounts pertaining to certain executives. Section 162(m) limits the deductibility of compensation above certain thresholds. As a result, our tax net operating losses associated with the stock option intra-period allocation have decreased by $12.6 million. We continue to apply a valuation allowance to our tax net operating losses relating to stock options exercised prior to the adoption of SFAS No.123R, "*Share-Based Payment*." Pursuant to Footnote 82 of SFAS No. 123R, we recognize financial statement benefit of these tax net operating losses when such losses reduce cash taxes paid.

Section 409A of the Internal Revenue Code ("Section 409A") imposes significant penalties on individual income taxpayers who were granted stock options that were unvested as of December 31, 2004 and that have an exercise price of less than the fair market value of the stock on the date of grant ("Affected Options"). These tax consequences include income tax at vesting, an additional 20% tax and interest charges. In addition, the issuer of Affected Options must comply with certain reporting and withholding obligations under Section 409A.

These adverse tax consequences may be avoided for unexercised Affected Options if the exercise price of the Affected Option is adjusted to reflect the fair market value at the time the option was granted (as such measurement date is determined for financial reporting purposes). Under Treasury regulations, Affected Options held by executive officers or directors were to be amended on or before December 31, 2006 to avoid the adverse tax consequences of Section 409A; holders of Affected Options who are not our executive officers or directors have until December 31, 2007 to amend their Affected Options to avoid the adverse tax consequences of Section 409A. Four of our current and former executive officers and a current director holding Affected Options elected to increase the exercise price of their Affected Options to the market price on December 31, 2006. Effective December 31, 2006, the exercise prices of Affected Options held by D. James Bidzos, a current board member, Dana Evan, former Chief Financial Officer, Robert Korzeniewski, Executive Vice President of Corporate Development, Judy Lin, former Executive Vice President of Security Services and Mark McLaughlin, Executive Vice President of Products, Marketing and Customer Support, were adjusted so that these options will not be subject to Section 409A. We are currently considering actions to avoid or alleviate certain of the adverse tax consequences associated with Affected Options for employees who are not executive officers of the Company and whether to offer compensation to the executive officers and director who elected to increase the exercise price of their Affected Options as of December 31, 2006. Should we decide to take actions to avoid or alleviate these adverse tax consequences associated with current and former employees outstanding Affected Options, we estimate the related compensatory payments would be approximately $11.6 million. In June 2007, we made payments of approximately $0.9 million on behalf of current and former employees who exercised Affected Options in 2006 under the IRS and California Franchise Tax Board 409A Compliance Resolution Programs. We estimate the cost to participate in these Compliance Resolution Programs, including a gross-up payment to the affected employees, will be approximately $1.9 million.

Other Matters

As part of the restatement, we made other adjustments to previously stated financial statements back to 2002. These adjustments include corrections to revenue, expenses, other income and related income tax adjustments. The adjustments mentioned below are in addition to the recognition of additional stock compensation expense resulting from the stock option investigation.

In 2002, we recorded a $2.7 million charge to stock compensation expense that was previously recorded in the first quarter of 2003.

As part of our stock option investigation, we were required to record additional payroll tax expense for the periods affected by the restatement. Although the statute for such taxes is closed through 2003, we recorded the additional payroll tax as if the statute were open, and then reversed the accrual for payroll tax when the statute closed. We recorded additional immaterial expenses in 2002 and 2003 and reduced payroll tax expense by $4.0 million and $0.8 million in 2004 and 2005, respectively.

As part of the 2003 restructuring activities, we had one significant leased property for which real estate taxes and utilities costs were not properly accounted for at the time of the restructuring. The adjustment resulted in an increase in accrued restructuring costs of $3.8 million in 2003. Approximately $1.5 million of this adjustment was later released in 2004 as part of the building was subleased to a third party and $2.3 million was released in 2005 when the remainder of the space was assumed by another tenant directly with the landlord.

During 2004, we adjusted the interest amortization on the note receivable from Network Solutions. This item was the result of adjusting the interest rate on the loan to a market rate. It was determined that this adjustment would have increased other income in the fourth quarter of 2003 by $1.9 million. We originally booked the additional $1.9 million gain in 2004, which has since been reversed.

As a part of our internal control processes during 2006, we detected an error related to the accounting for software maintenance amortization for various software license arrangements acquired from vendors. As a result of this error, we increased software maintenance expenses by $203,000 in 2004, $2.5 million in 2005 and $1.2 million in the first quarter of 2006.

During 2006, we detected two errors related to the accounting at our Jamba subsidiary in Berlin, Germany. The first error relates to the accounting for insurance revenues recorded after Jamba was acquired. We did not properly account for insurance renewal premiums on contracts that were renewed after the acquisition. The second error relates to the timing of certain revenues, which were booked in incorrect periods. The combined impact of these errors increased revenues $2.3 million in 2004, $3.1 million in 2005 and $284,000 in the first quarter of 2006.

In the first quarter of 2006, we reversed $1.1 million of revenue to account for billed services that were not delivered under contractual terms.

The following table presents the impact of the other adjustments that are not related to the stock option investigation on consolidated selected financial data for the periods presented:

	Twelve Months Ended				Three Months Ended
	December 31, 2002	December 31, 2003	December 31, 2004	December 31, 2005	March 31, 2006
	(in thousands, except per share data)				
Increase (decrease) in revenues	$ —	$ —	$ 2,289	$ 3,080	$ (786)
Increase (decrease) in costs	2,706	914	(4,526)	213	936
(Decrease) increase in other income, net	(304)	1,636	(1,175)	(295)	79
Tax (benefit) expense	—	—	2,172	1,615	110
Change in net (loss) income	$ (3,010)	$ 722	$ 3,468	$ 957	$ (1,753)
Change in net (loss) income per share, basic and diluted	$ (0.01)	$ —	$ 0.01	$ —	$ (0.01)

Business Overview

In January 2007, we announced a new functional business structure that reorganizes the Internet Services Group (the "ISG") and the Communications Services Group (the "CSG") to deliver an integrated portfolio of products and services through a unified sales and services team across multiple industries. Our two main functional units will be Sales and Consulting Services and Products and Marketing. The Sales and Consulting Services group will combine our multiple sales and consulting functions into one organization, focused on global accounts, strategic partnerships and worldwide channel relationships. The group will be aligned by vertical industry to focus on specialized customer needs and solutions delivery, and will also include our in-market consulting services, Business Development and Global Channels teams. The Products and Marketing group is responsible for the development, marketing, delivery and support of all of our products and solutions to businesses of all sizes. The group includes all facets of product management, product development, marketing and customer support, as well as a new innovation team chartered with looking at longer-term product line synergies and emerging market trends.

We operate intelligent infrastructure services that enable and protect billions of interactions every day across the world's voice and data networks. In 2006, our business consists of two reportable segments: the ISG and the CSG.

The ISG consists of the Security Services business and Information Services business. The Security Services business provides products and services that protect online and network interactions, enabling companies to manage reputational, operational and compliance risk, including the following types of services: SSL certificate services; managed security services; iDefense security intelligence services; authentication services, including managed PKI services, unified authentication services and VeriSign Identity Protection services; and global security consulting service. The Information Services business operates the authoritative directory of all *.com*, *.net*, *.cc*, *and .tv* domain names, and provides other services, including intelligent supply chain services, real-time publisher services, and digital brand management services.

The CSG provides managed solutions to fixed line, broadband, mobile operators and enterprise customers through our integrated communications, content and commerce platforms. Our communications service offerings include connectivity and interoperability services and intelligent database services; commerce services, such as billing and operational support system services, mobile commerce, self-care and analytics services; and content services, such as digital content and messaging services.

Acquisitions

On November 30, 2006, we completed our acquisition of inCode Telecom Group, Inc. ("inCode"), a privately held consulting firm for the wireless industry. We paid approximately $41.8 million for all of the outstanding capital stock, vested stock options and assumed unvested stock options of inCode. Immediately upon closing, we paid $21.7 million of inCode's outstanding principal debt and assumed liabilities.

On September 1, 2006, we completed our acquisition of GeoTrust, Inc. ("GeoTrust"), a Needham, Massachusetts-based privately held provider of digital certificates and identity verification solutions. We paid approximately $127.4 million for all of the outstanding capital stock of GeoTrust.

On May 1, 2006, we completed our acquisition of m-Qube, Inc. ("m-Qube"), a Watertown, Massachusetts-based privately held mobile channel enabler that helps companies develop, deliver and bill for mobile content, applications and messaging services. We paid approximately $269.2 million for all of the outstanding capital stock and vested options of m-Qube.

On March 14, 2006, we completed our acquisition of Kontiki, Inc. ("Kontiki"), a Sunnyvale, California-based provider of broadband content services. We paid approximately $59.6 million for all of the outstanding capital stock and vested options of Kontiki.

On February 28, 2006, we completed our acquisition of 3united Mobile Solutions ag ("3united"), a Vienna, Austria-based provider of wireless application services. We paid approximately $71.2 million for approximately 99.8% of the outstanding capital stock of 3united.

On January 24, 2006, we completed our acquisition of CallVision, Inc. ("CallVision"), a Seattle, Washington-based privately held provider of online analysis applications for mobile communications customers. We paid approximately $38.7 million for all of the outstanding capital stock and vested options of CallVision.

In October 2005, we completed our acquisition of Retail Solutions International, Inc. ("RSI"), a Lincoln, Rhode Island-based privately held provider of operational point-of-sale data to the retail industry. We paid approximately $25.2 million for all of the outstanding capital stock, vested stock options and assumed unvested stock options of RSI.

In October 2005, we completed our acquisition of Moreover Technologies, Inc., ("Moreover") a privately held wholesale aggregator of real-time internet content. We paid approximately $29.7 million for all the outstanding capital stock, vested stock options and transaction related expenses of Moreover.

In October 2005, VeriSign Japan, our majority-owned consolidated subsidiary, completed its acquisition of siteRock K.K., a Tokyo-based privately held remote network monitoring and outage managing and handling firm. VeriSign Japan paid approximately $53.3 million in cash for siteRock K.K.

In July 2005, we completed our acquisition of iDefense, Inc., ("iDefense") a Reston, Virginia-based privately held provider of detailed intelligence on network-based threats, vulnerabilities and malicious code. We paid approximately $37.8 million in cash for all the outstanding capital stock, vested stock options and certain transaction-related expenses and assumed unvested stock options of iDefense.

In April 2005, we completed our acquisition of LightSurf Technologies, Inc., ("LightSurf") a Santa Cruz, California-based privately held provider of multimedia messaging and interoperability solutions for the wireless market. We paid approximately $275.4 million in common stock for all of the outstanding capital stock, warrants, vested stock options and certain transaction-related expenses and assumed unvested stock options of LightSurf.

In June 2004, we completed our acquisition of Jamba, a privately held provider of content services. We paid approximately $266.2 million for all the outstanding shares of capital stock of Jamba, of which approximately $178.0 million was in cash and the remainder in VeriSign common stock. Also, in June 2004, we acquired the remaining 49% minority interest in VeriSign Australia for approximately $4.6 million in VeriSign common stock. VeriSign Australia is now a wholly-owned subsidiary.

In February 2004, we completed our acquisition of Guardent, Inc., a privately held provider of managed security services. We paid approximately $141.2 million for all the outstanding shares of capital stock of Guardent, of which approximately $65 million was in cash and the remainder in VeriSign common stock.

In addition to the above, we also completed several other acquisitions during 2006, 2005 and 2004 that were not material on an individual basis or in the aggregate.

We accounted for all of our significant acquisitions in 2006, 2005 and 2004 as business combinations using the purchase method of accounting in accordance with SFAS No. 141 "*Business Combinations*". Accordingly, the acquired companies' revenues, costs and expenses have been included in our results of operations beginning with their dates of acquisition.

See Note 3 "Business Combinations" of our Notes to Consolidated Financial Statements for further information regarding our business acquisitions over the last three years.

Dispositions

Payment Gateway Business Sale

On November 18, 2005, we completed the sale of certain assets related to our payment gateway business to PayPal, Inc. and PayPal International Limited for $370 million in cash. This transaction was accounted for as a discontinued operation in accordance with SFAS No. 144 ("SFAS 144"), *"Accounting for the Impairment or Disposal of Long Lived Assets"* (SFAS 144) and, accordingly, we have reclassified the consolidated financial statements for all periods to reflect this transaction.

Domain Name Registrar Business

On January 9, 2006, Network Solutions repaid in full all amounts outstanding under the Secured Senior Promissory Note dated November 25, 2003. In addition, Network Solutions redeemed our 15% equity interest in Network Solutions. We received approximately $47.8 million in total cash, which included the $26.5 million repayment of the note receivable and related interest and recognized a gain on investment of $21.3 million. As a result of the redemption of the membership interests, we no longer own equity interests in any Internet domain name registrars.

VeriSign Japan K.K.

On November 22, 2004, we sold 18,000 ordinary shares of our Tokyo-based, majority-owned consolidated subsidiary, VeriSign Japan K.K. ("VeriSign Japan"), representing approximately 7% of our ownership interest, for approximately $78 million. After giving effect to the sale, we continue to own a majority stake in VeriSign Japan equal to approximately 54% of VeriSign Japan's total shares outstanding.

Subsequent Events

In January 2007, we initiated a restructuring plan to execute a company-wide reorganization replacing the previous business unit structure with a new combined worldwide sales and services team, and an integrated development and products organization. The restructuring plan included workforce reductions, abandonment of excess facilities, disposals of property and equipment, and other charges. In the first quarter of 2007, we recorded approximately $26.9 million in restructuring charges.

As of the date of the filing of this report, we are not in compliance with certain covenants under our Credit Agreement related to the $500 million senior unsecured revolving credit facility (the "Facility"), as described in Note 10 "Credit Facility" in the Notes to the Consolidated Financial Statements, that require us to deliver specified financial statements, compliance certificates and certain other documents to our Lenders. The required Lenders under the Facility have waived our compliance with these requirements through July 13, 2007. On February 28, 2007, we repaid $199 million in loans representing the entire outstanding balance under our $500 million senior unsecured revolving credit facility.

On January 31, 2007, the Company and Fox Entertainment ("Fox"), a subsidiary of News Corporation, and various subsidiaries of our Company and Fox, finalized two joint venture agreements to provide mobile entertainment to consumers on a global basis. Under the terms of the agreements Fox (through a subsidiary) will own a 51% interest in the joint ventures, and we (through a subsidiary) will own a 49% interest in the joint ventures. One of the joint ventures, Netherlands Mobile Holdings, C.V., is based in the Netherlands, and the other is based in the United States. We contributed our Jamba "business to consumer" business to the Netherlands joint venture and Fox contributed its Fox Mobile Entertainment assets to the U.S.-based joint venture. Fox paid us approximately $192.4 million in cash for its contribution of the Jamba business and we paid Fox approximately $4.9 million in cash for its contribution of Fox Mobile Entertainment assets

In the first quarter of 2007, we decided to sell our wholly-owned Jamba Services GmbH subsidiary. In accordance with SFAS 144, the associated assets and liabilities of Jamba Services GmbH will be classified as held for sale and its operations will be reported as discontinued operations in the first quarter of 2007.

On May 27, 2007, Stratton D. Sclavos, our former President, Chief Executive Officer, Chairman of the Board of Directors and member of our Board of Directors, resigned from his positions. Effective May 27, 2007, our Board of Directors appointed William A. Roper, Jr., to replace Mr. Sclavos as President and Chief Executive Officer, and elected Edward A. Mueller as Chairman of the Board of Directors.

On July 5, 2007 and July 12, 2007, the Board of Directors appointed Albert E. Clement as Chief Accounting Officer and Executive Vice President, Finance and Chief Financial Officer, respectively of the Company.

On July 10, 2007, Dana Evan, our then-current Executive Vice President, Finance and Administration and Chief Financial Officer resigned from her position with VeriSign.

Critical Accounting Policies and Significant Management Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, allowance for doubtful accounts, long-lived assets, restructuring and stock-based compensation. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in preparing our consolidated financial statements:

Revenue recognition

We recognize revenue in accordance with current generally accepted accounting principles. Revenue recognition requirements are complex rules which require us to make judgments and estimates. In applying our revenue recognition policy we must determine which portions of our revenue are recognized currently and which portions must be deferred. In order to determine current and deferred revenue, we make judgments and estimates with regard to the products and services to be provided. Our assumptions and judgments regarding products and services could differ from actual events.

Revenues from consulting services are recognized either on a time-and-materials basis as the services are performed, or for fixed price consulting as services are performed, completed and accepted. In some cases fixed price consulting is measured using the proportional performance method of accounting. Proportional performance is based upon the ratio of hours incurred to total hours estimated to be incurred for the project. We have a history of accurately estimating project status and the hours required to complete projects. If different conditions were to prevail such that accurate estimates could not be made, then the use of the completed contract method would be required and all revenue and costs would be deferred until the project was completed. Revenues from time-and-materials are recognized as services are performed.

Allowance for doubtful accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We regularly review the adequacy of our accounts receivable allowance

after considering the size of the accounts receivable balance, each customer's expected ability to pay and our collection history with each customer. We review significant invoices that are past due to determine if an allowance is appropriate based on the risk category using the factors described above. In addition, we maintain a general reserve for certain invoices by applying a percentage based on the age category. We require all acquired companies to adopt our credit policies. The allowance for doubtful accounts represents our best estimate, but changes in circumstances relating to accounts receivable may result in a requirement for additional allowances in the future. As of December 31, 2006, the allowance for doubtful accounts represented approximately 2.4% of total accounts receivable, or approximately $8.1 million. A change of 1% in our estimate would amount to approximately $3.4 million.

The following table shows a comparison of our bad debt expense for 2006, 2005 and 2004:

	2006	Change	2005	Change	2004
			(Dollars in thousands)		
Bad debt (recovery) expense	$(1,165)	(212)%	$1,041	121%	$472

Valuation of long-lived assets including goodwill and other intangibles

Our long-lived assets consist primarily of goodwill, other intangible assets and property and equipment. We review, at least annually, goodwill resulting from purchase business combinations for impairment in accordance with SFAS No. 142, "*Goodwill and Other Intangible Assets.*"

We review long-lived assets, including certain identifiable intangibles, for impairment whenever events or changes in circumstances indicate that we will not be able to recover the asset's carrying amount in accordance with SFAS 144. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business or asset, a significant decrease in the benefits realized from the acquired business, difficulty and delays in integrating the business or a significant change in the operations of the acquired business or use of an asset.

Recoverability of long-lived assets other than goodwill is measured by comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value.

Goodwill and other intangible assets, net of accumulated amortization, totaled approximately $1.8 billion at December 31, 2006, which was comprised of $1.5 billion of goodwill and $0.3 billion of other intangible assets. Other intangible assets include customer relationships, technology in place, carrier relationships, non-compete agreements, trade names, and other. Factors we consider important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of our use of our acquired assets or the strategy for our overall business or significant negative economic trends. If this evaluation indicates that the value of an intangible asset may be impaired, an assessment of the recoverability of the net carrying value of the asset over its remaining useful life is made. If this assessment indicates that an intangible asset is not recoverable, based on the estimated undiscounted future cash flows or other comparable market valuations, of the entity or technology acquired over the remaining amortization period, the net carrying value of the related intangible asset will be reduced to fair value and the remaining amortization period may be adjusted. Any such impairment charge could be significant and could have a material adverse effect on our reported financial statements. It is our policy to engage third- party valuation consultants to assist us in the measurement of the fair value of our long-lived intangible assets including goodwill.

Restructuring, impairment and other charges (reversals), net

In November 2003, we initiated a restructuring plan related to the sale of our Network Solutions business and the realignment of other business units. In April 2002, we initiated plans to restructure our operations to fully

rationalize, integrate and align our resources. Both plans resulted in reductions in workforce, abandonment of excess facilities, disposal of property and equipment and other charges. We expect these restructuring plans to be completed in 2008 upon the expiration of our lease obligations for abandoned facilities. Restructuring charges take into account the fair value of lease obligations of the abandoned space, including the potential for sublease income. Estimating the amount of sublease income requires management to make estimates for the space that will be rented, the rate per square foot that might be received and the vacancy period of each property. These estimates could differ materially from actual amounts due to changes in the real estate markets in which the properties are located, such as the supply of office space and prevailing lease rates. Changing market conditions by location and considerable work with third-party leasing companies require us to periodically review each lease and change our estimates on a prospective basis, as necessary. During 2006, we recorded net restructuring reversals of approximately $6.4 million primarily related to excess facilities as a result of reductions in lease obligations. Such estimates will likely be revised in the future.

Stock-based compensation

Effective January 1, 2006, we adopted the provisions of, and accounted for stock-based compensation in accordance with Financial Accounting Standards Board's ("FASB") SFAS 123R. We elected the modified prospective application method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. For stock-based awards granted on or after January 1, 2006, we will amortize stock-based compensation expense on a straight-line basis over the requisite service period, which is the vesting period. Estimated compensation for grants that were outstanding as of the effective date will be recognized over the remaining service period using the compensation costs estimated for the SFAS 123 pro forma disclosures.

We currently use the Black-Scholes option pricing model to determine the fair value of stock options and employee stock purchase plan shares. The determination of the fair value of stock-based awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends.

We estimate the expected term of options granted based on observed and expected time to post-vesting exercise and/or cancellations. Expected volatility is based on the combination of historical volatility of our common stock over the period commensurate with the expected life of the options and the mean historical implied volatility from traded options. We base the risk-free interest rate that we use in the option pricing model on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options. We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in the option pricing model. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. All stock-based awards are amortized on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

If factors change and we employ different assumptions for estimating stock-based compensation expense in future periods or if we decide to use a different valuation model, the future periods may differ significantly from what we have recorded in the current period and could materially affect our operating income, net income and net income per share.

See Note 13 "Stock-Based Compensation" of our Notes to Consolidated Financial Statements for further information regarding the SFAS 123R disclosures.

Results of Operations

The following table sets forth the selected information on our results of operations as a percentage of revenues for the periods presented:

	Years Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
Revenues	100%	100%	100%
Cost and expenses:			
Cost of revenues	37	32	39
Sales and marketing	24	30	22
Research and development	8	6	6
General and administration	16	11	17
Restructuring, impairment and other charges (reversals), net	—	1	2
Amortization of other intangibles assets	8	6	7
Acquired in-process research and development	1	1	—
Total costs and expenses	94	87	93
Operating income from continuing operations	6	13	7
Minority interest	—	—	—
Other income, net	3	3	7
Total other income, net	3	3	7
Income from continuing operation before income taxes	9	16	14
Income tax (benefit) expense	(15)	6	2
Net income from continuing operations	24	10	12
Discontinued operations			
Net income from discontinued operations, net of tax	—	1	2
Gain on sale of discontinued operations, net of tax	—	16	—
Net income from discontinued operations	—	17	2
Net income	24%	27%	14%

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

Revenues

In 2006, 2005 and 2004, we had two reportable segments: the Internet Services Group and the Communications Services Group. A comparison of revenues from continuing operations for the years ended December 31, 2006, 2005 and 2004 is presented below:

	December 31, 2006	% Change	December 31, 2005 As Restated (1)	% Change	December 31, 2004 As Restated (1)
			(Dollars in thousands)		
Internet Services Group	$ 758,763	20%	$ 633,784	23%	$ 515,999
Communications Services Group	816,486	(17)%	978,790	62%	604,596
Total revenues	$1,575,249	(2)%	$ 1,612,574	44%	$ 1,120,595

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

Internet Services Group (ISG)

2006 compared to 2005: Revenues from our ISG increased by approximately $125.0 million. Our Information Services Group revenue increased $83.7 million due to a 30% increase in the number of active domain names ending in *.com* and *.net* under management. Our Security Services Group revenue increased $41.2 million primarily due to a $26.0 million increase in Website digital certificate revenue that was the result of a 65% increase in the installed base of digital certificates, a $17.7 million increase in our managed security services and security consulting revenues partially offset by a $3.7 million decrease in enterprise security services revenue. The 65% increase in the install base of Website digital certificates was primarily due to the 259,000 additional certificates acquired as a result of the acquisition of GeoTrust in September of 2006.

2005 compared to 2004: Revenues from our ISG increased by approximately by $117.8 million. Our Information Services revenue increased $62.3 million due a 30% increase in active domains ending in *.com* and *.net* under management. Our Security Services group increased $55.7 million, primarily due to a $29.2 million increase in Website digital certificate revenues, and a $32.8 million increase in managed security services and security consulting revenue, partially offset by a $5.8 million decrease in enterprise security services.

The following table compares active domain names ending in *.com* and *.net* managed by our Information Services business and the approximate installed base of Website digital certificates in our commerce site services business as of the end of each year presented:

	December 31, 2006	% Change	December 31, 2005	% Change	December 31, 2004
Active domain names ending in *.com* and *.net*	65.0 million	30%	50.0 million	30%	38.4 million
Installed base of Web site digital certificates	807,000	65%	489,000	7%	455,000

Excluding the GeoTrust transaction, the installed base of digital certificates would have increased 12% year-over-year.

Communications Services Group (CSG)

2006 compared to 2005: Revenues from our CSG decreased approximately $162.3 million, partially offset by a $57.8 million increase in revenue as a result of new acquisitions in 2006. Our Content Services revenue, which includes our digital content, messaging and mobile delivery services, decreased $159.4 million primarily due to a $231.7 million decrease from Jamba, partially offset by $26.0 million increase in messaging services and $46.2 million of revenue as a result of 2006 acquisitions. The decline in our content services business was primarily attributable to increased pricing pressure and a decline in the number of subscribers. Our Communication and Commerce Services revenue, which includes network connectivity services, intelligent databases and directory services, billing and payment services and clearing and settlement services decreased by $7.8 million compared to 2005. The decrease was primarily due to a $13.4 million decrease in clearing and settlement services and a $6.7 million decrease in connectivity and database services. These declines were primarily due to industry consolidation and pricing pressures. These declines were partially offset by $6.4 million increase in billing and payment services, which was primarily due to the result of an increase in the number of subscribers.

2005 compared to 2004: Revenues from our CSG increased approximately $374.2 million primarily due to a $373.3 million increase in content services revenues during the year. This increase was due primarily to recognizing a full year of Jamba revenue in 2005 as compared to seven months of revenue in 2004 coupled with significant growth in our content services business during 2005. The content services business grew in the second, third and fourth quarters of 2005 compared to the same periods in 2004; however, revenues decreased sequentially in the third and fourth quarters of 2005 due to increased pricing pressures and a decline in the number of subscribers. Network services and connectivity revenues increased approximately $7.0 million and clearing, roaming, settlement and intelligent network services revenues also increased by approximately

$10.9 million primarily due an increase in the number of records and transactions cleared. These increases were offset by a decline in billing and payment services of approximately $24.7 million primarily due to a decline in the subscriber base and pricing reductions for these services during the year. Intelligent database services revenues were unchanged from 2004 as increases in queries were off-set by price declines in our calling name (CNAM) service.

The following table compares the approximate number of annual database queries as of the end of each year presented:

	December 31, 2006	% Change	December 31, 2005	% Change	December 31, 2004
Annual database queries	64.4 billion	12%	57.6 billion	21%	47.8 billion

Revenues from the Jamba business unit generated approximately $299 million in CSG revenue in 2006. We will record Jamba revenues through January 2007, and starting in February 2007, we will account for Jamba as an investment accounted for under the equity method. We will record 49% of the Jamba joint venture net income as “other income” in the statement of income.

Revenues by Geographic Region

Our revenues are broken out into three geographic regions consisting of the Americas, EMEA and APAC. The following table shows a comparison of our continuing revenues by geographic region for each year presented:

	2006	2005 As Restated (1) (In thousands)	2004 As Restated (1)
Americas:			
United States	$ 1,104,594	$ 1,012,448	$ 796,124
Other (2)	40,119	25,214	19,734
Total Americas	1,144,713	1,037,662	815,858
EMEA (3)	312,886	476,305	239,598
APAC (4)	117,650	98,607	65,139
Total revenues	$ 1,575,249	$ 1,612,574	$ 1,120,595

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.
(2) Canada, Latin America and South America
(3) Europe, the Middle East and Africa (“EMEA”)
(4) Australia, Japan and Asia Pacific (“APAC”)

2006 compared to 2005: Revenues increased approximately $107.1 million in the Americas region primarily as a result of the increase in domain names ending in *.com* and *.net* under management coupled with an increase in the installed base of website digital certificates. Revenues in our EMEA region decreased approximately $163.4 million primarily due to a decrease in revenue from Jamba business unit in the region. The increase in APAC revenues of approximately $19.0 million was attributed to increased enterprise security revenues in both Japan and Australia and increased managed security services revenue in Japan.

2005 compared to 2004: Revenues increased approximately $221.8 million in the Americas region primarily as a result of the increase in domain names ending in *.com* and *.net* under management coupled with an increase in the installed base of website digital certificates. Revenues in our EMEA region increased approximately $236.7 million primarily due to recognizing a full year of revenue from our Jamba business unit in

the region coupled with strong growth in Jamba in the first half of 2005. The increase in APAC revenues of approximately $33.5 million was attributed to increased enterprise security revenues in both Japan and Australia and increased managed security services revenue in Japan.

Cost of Revenues

Cost of revenues consists primarily of content licensing costs, carrier costs for our SS7 and IP-based networks, costs related to providing digital certificate enrollment and issuance services, billing services, operational costs for the domain name registration business, customer support and training, consulting and development services, operational costs related to the management and monitoring of our clients' network security infrastructures, and costs of facilities and computer equipment used in these activities.

A comparison of cost of revenues and employee headcount for the years ended December 31, 2006, 2005 and 2004 is presented below:

	2006	% Change	2005 As Restated (1) (Dollars in thousands)	% Change	2004 As Restated (1)
Cost of revenues	$580,739	13%	$ 512,543	17%	$ 437,872
Percentage of revenues	37%		32%		39%
Employee headcount	2,342	30%	1,807	24%	1,452

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

2006 compared to 2005: Cost of revenues increased approximately $68.2 million primarily due to the business acquisitions completed during 2006 and a full year of expenses for the business acquisitions completed in 2005. Salary and employee benefit costs increased approximately $38.2 million primarily due to a 30% increase in headcount primarily related to completed business acquisitions in 2006 and increases in salary and bonus payments to employees. Stock compensation expense increased $13.8 million primarily as a result of the adoption of SFAS 123R in 2006. Contract and professional services increased approximately $13.9 million in 2006, primarily due to increased third-party customer care services and an increase in the use of contractors to support new product initiatives and as a result of the acquisitions completed in 2006.

2005 compared to 2004: Cost of revenues increased approximately $74.7 million primarily due to the business acquisitions completed in 2005 and an increase in costs in our content services business that was primarily due to the Jamba acquisition in 2004. Salary and employee benefit costs increased approximately $33.8 million primarily due to a 24% increase in headcount, primarily due to completed business acquisitions in 2005 and increases in commissions and bonuses. Expenses related to contract and professional services increased approximately $18.0 million in 2005, primarily due to increased costs for third-party customer care services, consulting for billing services and service development costs for prepaid services. Retailer commissions related to content services increased approximately $7.4 million over 2004. Other increases in cost of revenues were related to cost of maintenance of equipment and software. These increases were partially offset by a $1.4 million decrease in stock compensation expense that resulted from variable-plan accounting for certain stock option grants.

Sales and Marketing

Sales and marketing expenses consist primarily of costs related to sales, marketing, and policy activities. These expenses include salaries, sales commissions, sales operations and other personnel-related expenses, travel and related expenses, trade shows, costs of lead generation, costs of computer and communications equipment and support services, facilities costs, consulting fees and costs of marketing programs, such as Internet, television, radio, print, and direct mail advertising costs.

A comparison of sales and marketing expenses and employee headcount for the years ended December 31, 2006, 2005 and 2004 is presented below:

	2006	% Change	2005 As Restated (1)	% Change	2004 As Restated (1)
			(Dollars in thousands)		
Sales and marketing	$377,550	(21)%	$ 479,599	94%	$ 246,659
Percentage of revenues	24%		30%		22%
Employee headcount	989	30%	763	16%	656

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

2006 compared to 2005: Sales and marketing expenses decreased approximately $102.0 million primarily due to a decrease of approximately $144.9 million in advertising and marketing expense. The reason for the decline in advertising and marketing was primarily due to the result of significant marketing cutbacks for our content services business. Salary and employee benefits increased approximately $13.6 million due to a 30% increase in headcount primarily related to the business acquisitions completed in 2006, and an increase in bonus and commission payments. Stock compensation expense increased $15.0 million as a result of the adoption of SFAS 123R. Travel expense increased approximately $5.5 million due to an increase in headcount and costs related to our business acquisitions. Contract and professional services increased approximately $4.1 million as a result of policy efforts directly related to the renewal of the ICANN agreement.

2005 compared to 2004: Sales and marketing expenses increased approximately $232.9 million primarily due to an increase of approximately $201.0 million relating to advertising and marketing expenses. The increase in advertising and marketing was primarily due to the result of a significant increase in expenses that resulted from the Jamba acquisition. Salary and employee benefits increased approximately $31.2 million primarily due to a 16% increase in headcount primarily due to business acquisitions in 2005 and recognizing a full year of expenses from 2004 acquisitions. Corporate brand advertising, including the re-launch of our brand, and corporate marketing, increased $4.4 million. These increases were partially offset by a $7.1 million decrease in stock compensation expense that resulted from variable-plan accounting for certain stock option grants.

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 and the costs of facilities, computer and communications equipment and support services used in service and technology development.

We believe that rapid development of new and enhanced services and technologies are necessary to maintain our leadership position in the marketplace. Accordingly, we intend to continue to recruit experienced research and development personnel and to make other investments in research and development.

A comparison of research and development expenses and employee headcount for the years ended December 31, 2006, 2005 and 2004 is presented below:

	2006	% Change	2005 As Restated (1)	% Change	2004 As Restated (1)
			(Dollars in thousands)		
Research and development	$129,343	35%	$ 95,594	50%	$ 63,689
Percentage of revenues	8%		6%		6%
Employee headcount	1,022	28%	801	96%	408

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

2006 compared to 2005: Research and development expenses increased approximately $33.7 million primarily due to additional expenses associated with the business acquisitions completed during 2006 and a full year of expenses for the completed business acquisitions in fiscal 2005. Salary and employee benefit costs increased $17.6 million due to a 28% increase in headcount. Occupancy-related costs increased due to an increase in infrastructure and assets placed in service in 2006. Stock compensation expense increased $9.1 million as a result of the adoption of SFAS 123R. Other increases were primarily related to costs associated with the depreciation and maintenance of equipment and software.

2005 compared to 2004: Research and development expenses increased approximately $31.9 million primarily due to additional expenses relating from the business acquisitions completed in 2005. Salary and employee benefit costs increased $25.5 million primarily due to a 96% increase in headcount. These increases were partially offset by a $3.5 million decrease in stock compensation expense that resulted from variable-plan accounting for certain stock option grants. Occupancy-related costs increased due to additional infrastructure and assets placed in service in 2005 and additional expenses that resulted from our business acquisitions.

General and Administrative

General and administrative expenses consist primarily of salaries and other personnel-related expenses for our executive, administrative, legal, finance, information technology and human resources personnel, facilities, computer and communications equipment, management information systems, support services, professional services fees, certain tax and license fees and bad debt expense.

A comparison of general and administrative expenses and employee headcount for the years ended December 31, 2006, 2005 and 2004 is presented below:

	2006	% Change	2005 As Restated (1)	% Change	2004 As Restated (1)
			(Dollars in thousands)		
General and administrative	$256,801	43%	$ 180,108	(7)%	$ 193,927
Percentage of revenues	16%		11%		17%
Employee headcount	978	39%	705	24%	567

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

2006 compared to 2005: General and administrative expenses increased approximately $76.7 million primarily due to an increase of approximately $20.3 million in salary and employee benefit costs resulting from a 39% increase in headcount and salary increases across all business units. Stock compensation expense increased $38.6 million as a result of the adoption of SFAS 123R. Expenses related to contract and professional services increased approximately $13.4 million primarily due to the legal and consulting services relating to the stock option investigation.

2005 compared to 2004: General and administrative expenses decreased approximately $13.8 million primarily due to a $45.6 million decrease in stock compensation expense that resulted from variable-plan accounting for certain stock option grants. Salary and employee benefit costs increased approximately $17.0 million primarily due a 24% increase in headcount. Equipment and software related expenses increased approximately $7.4 million, primarily due to an increase in hardware maintenance costs, software licenses and depreciation expense. Legal costs increased approximately $3.1 million primarily due to litigation settlements during the year. Expenses related to contract and professional services increased approximately $3.1 million primarily due to services related to audit, tax and Sarbanes-Oxley compliance.

Restructuring Impairments and Other Charges, (Reversals), net

Below is a comparison of the restructuring, impairment and other charges (reversals), net for the years ended December 31, 2006, 2005 and 2004:

	2006	2005 As Restated (1)	2004 As Restated (1)
		(In thousands)	
2002 and 2003 Restructuring Plan (reversals) charges	$(6,421)	$ (2,928)	$ 3,285
Impairments and other charges	1,950	21,631	20,072
Total restructuring, impairment and other charges (reversals), net	$(4,471)	$ 18,703	$ 23,357

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

The changes in restructuring, impairment and other charges (reversals), net are primarily due to the timing of our restructuring initiatives.

2002 and 2003 Restructuring Plan. In 2006, we recorded net reversal of restructuring charges of approximately $6.4 million primarily due to a $7.5 million reversal from an early termination of a lease for a facility we had previously estimated would remain vacant for the remainder of the lease term. During 2005, we recorded a net reversal of restructuring charges of $2.9 million to our excess facilities primarily in connection with a decision to utilize and build a facility that we had treated as abandoned under its 2003 restructuring plan and for which we had previously recorded a restructuring charge. As part of the restatement, we recorded a $2.3 million reversal to correct a charge that was incorrectly expensed in 2005 and should have been expensed in 2003. In 2004, we recorded $3.3 million of restructuring charges primarily related to non-cancelable leases, workforce reduction charges and exit costs.

Impairment and other charges. In 2006, we recorded an impairment of approximately $2.0 million of other intangible assets specifically related to abandoned technology acquired for a specific customer. During 2005, we abandoned the development efforts related to an internally developed software project and recorded an impairment of approximately $21.6 million. During 2004, we recorded approximately $20.1 million primarily relating to an impairment of obsolete telecommunications computer software and other equipment.

See Note 1 'Description of Business and Summary of Significant Accounting Policies" and Note 6 "Restructuring, Impairment and Other Charges (Reversals), net" in our Notes to Consolidated Financial Statements for further information.

Amortization of Other Intangible Assets

Below is a comparison of our amortization of other intangible assets for the years ended December 31, 2006, 2005, and 2004:

	2006	2005	2004
		(In thousands)	
Amortization of other intangible assets	$122,767	$101,638	$79,440

2006 compared to 2005: Amortization of other intangible assets increased approximately $21.1 million primarily due to a full year of amortization related to intangible assets acquired in 2005 and new intangible assets acquired in 2006. Other intangible amortization expense as a result of business acquired in 2006 was approximately $29.1 million.

2005 compared to 2004: Amortization of other intangible assets increased approximately $22.2 million primarily due to a full year of amortization related to intangible assets acquired in our acquisition of Jamba in June of 2004 and amortization expense related to our acquisition of LightSurf Technologies in April of 2005. Amortization of intangible assets acquired from Jamba accounted for approximately $10.2 million of the increase. Amortization of intangible assets acquired from LightSurf accounted for approximately $8.8 million of the increase.

Our anticipated 2007 amortization expense is expected to be approximately $124.3 million, including approximately $8.0 million related to Jamba. This amount may increase if we acquire any additional companies with intangible assets, or decrease if we dispose of any current companies with net intangible assets.

See Note 8 “Goodwill and Other Intangible Assets” in our Notes to Consolidated Financial Statements for further information.

Acquired In-process Research and Development

During 2006, we wrote-off approximately $16.7 million of in-process research and development (“IPR&D”) acquired in the CallVision, Kontiki, m-Qube and GeoTrust transactions. During 2005, we wrote off $7.7 million of IPR&D acquired in the purchase of LightSurf Technologies, iDefense, Moreover and Retail Solutions International. At the date of each acquisition, the projects associated with the IPR&D efforts had not yet reached technological feasibility and the research and development in process had no alternative future uses. Accordingly, these amounts were charged to expense on the respective acquisition date of each of the acquired companies.

Minority interest

Minority interest represents the portion of net income belonging to minority shareholders of our consolidated subsidiaries.

A comparison of minority interest for the years ended December 31 2006, 2005 and 2004 is presented below:

	2006	2005	2004
	(Dollars in thousands)		
Minority interest	$2,875	$4,702	$2,618

2006 compared to 2005: Minority interest decreased primarily from decreased net income from our VeriSign Japan subsidiary primarily due to a decrease in the install base of website security certificates and a decrease in demand for managed security services in Japan.

2005 compared to 2004: Minority interest increased primarily from increased net income from our VeriSign Japan subsidiary primarily due to an increase in the install base of website security certificates and increased demand for managed security services in Japan.

Other Income (Expense), net

Other income, net consists primarily of interest earned on our cash, cash equivalents, and short-term investments, gains and losses on the sale or impairment of equity investments, and the net effect of foreign currency gains and losses.

The following table presents the components of other income, net for years ended December 31, 2006, 2005 and 2004:

	2006	2005 As Restated (1)	2004 As Restated (1)
		(Dollars in thousands)	
Interest income	$27,537	$ 30,041	$ 18,325
Interest expense	(7,838)	—	—
Net gain (loss) on sale of investments, net of impairments	21,258	11,252	(10,131)
Gain on sale of VeriSign Japan stock	—	—	74,925
Other, net	2,783	9,918	401
Total other income, net	$43,740	$ 51,211	$ 83,520

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

2006 compared to 2005: Other income decreased approximately $7.5 million primarily due to $7.8 million in interest expense related to our outstanding balance from our credit facility in 2006. We recorded a $21.7 million gain on sale of our remaining equity stake in Network Solutions. Interest income decreased $2.5 million, primarily as a result of a decrease in our short-term investment balances.

2005 compared to 2004: Other income decreased approximately $32.3 million primarily due to a gain on sale of VeriSign Japan stock of approximately $74.9 million in 2004. In 2005, we realized gains on investments, net of losses and impairments, of approximately $11.3 million. Interest income increased $11.7 million, primarily as a result of higher cash balances and slightly higher interest rates during 2005. In 2005 we recorded a gain of approximately $6.0 million related to the resolution of a dispute with a telecommunications carrier customer. As part of the restatement, we reduced our 2004 other income by $1.9 million for a gain on investment that should have been recorded in 2003.

Income Tax Expense

In the years ended December 31, 2006, 2005 and 2004, we recorded income tax benefit from continuing operations of $241.3 million, or 176.5% of pretax income, income tax expense of $101.0 million, or 38.4% of pretax income, and income tax expense of $21.2 million, or 13.5% of pretax income, respectively.

In previous fiscal years, we provided a tax valuation allowance on our federal and state deferred tax assets based on our evaluation that realizability of such assets was not “more likely than not.” We continuously evaluated additional facts representing positive and negative evidence in the determination of the realizability of the deferred tax assets. Such deferred tax assets consisted primarily of net operating loss carryforwards, temporary differences on tax-deductible goodwill and intangibles, and temporary differences on deferred revenue. In the quarter ended June 30, 2006, based on additional evidence regarding our past earnings, scheduling of deferred tax liabilities and projected future taxable income from operating activities, we determined that it is more likely than not that the deferred assets would be realized. Accordingly, we released our valuation allowance of $236.4 million from our deferred tax assets resulting in a credit to statement of income.

We continue to assess the future realization of net deferred tax assets and believe that it is more likely than not that forecasted income, tax effects of deferred tax liabilities and projected future taxable income from operating activities will be sufficient to support future realization of net deferred tax assets.

However, we continue to apply a valuation allowance on certain deferred tax assets which we do not believe are more likely than not that they would be realized. We continue to apply a valuation allowance on the deferred tax assets relating to capital loss carryforwards and to book write-downs of investments, due to the limited

carryforward period and character of such tax attributes. The amount of this deferred tax asset which continues to be subject to a valuation allowance was $44.5 million as of June 30, 2006, the date on which we released the valuation allowance on federal and state deferred tax assets, and $51.9 million as of December 31, 2006.

As of December 31, 2006, we had federal net operating loss carryforwards of approximately $433.2 million, state net operating loss carryforwards of approximately $473.6 million, including federal and state net operating losses related to the tax benefit from the exercise of employee stock awards of $460.5 million and $265.3 million respectively, when recognized, will result in a benefit to additional paid-in capital of $172.1 million. As of December 31, 2006, we also had foreign net operating loss carryforwards of approximately $32.3 million.

If we are not able to use our federal net operating loss carryforwards, they will expire in 2011 through 2026 and the state net operating loss carryforwards will expire in 2007 through 2024. Most of our foreign net operating loss carryforwards do not expire, but could be subject to future restrictions based on changes in the business or ownership of the foreign subsidiary.

As of December 31, 2006, we had federal research and experimentation tax credits available for future years of approximately $30.4 million, state research and experimentation tax credits available for future years of approximately $12.6 million. Included in these amounts are $7.9 million of federal, and $4.5 million of state research credit carryforwards generated from stock option exercises prior to the adoption of SFAS 123(R). The future utilization of these attributes will result in recognition of the asset and a benefit to additional paid-in capital. The federal research and experimentation tax credits will expire, if not utilized, in 2011 through 2026. State research and experimentation tax credits carry forward indefinitely until utilized.

The Tax Reform Act of 1986 imposes substantial restrictions on the utilization of net operating losses and tax credits in the event of a corporation’s ownership change, as defined in the Internal Revenue Code. We experienced cumulative changes in ownership of greater than 50 percent in 2003 and 2002. These changes in ownership resulted in the imposition of an annual limitation on our ability to utilize certain federal and state net operating loss carryforwards of $232.9 million and $116.5 million, respectively. Losses not utilized due to these limitations can be carried forward, but are subject to the expiration dates described in the paragraph above.

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries. The amount of such earnings included in consolidated retained earnings at December 31, 2006 was $121.7 million. These earnings have been permanently reinvested and we do not plan to initiate any action that would precipitate the payment of income taxes thereon. It is not practicable to estimate the amount of additional tax that might be payable on the foreign earnings.

In the quarter ended June 30, 2006, we were granted relief from the IRS for an uncertainty regarding a tax benefit resulting from a prior divestiture. As a result, we recorded an income tax benefit $113.4 million, increased our deferred tax asset for net operating losses from continuing operations $51.8 million, and reduced income taxes payable $61.6 million.

Our effective rate in 2006 differs from 2005 primarily because of the reduction in our valuation allowance, the aforementioned reversal of a tax uncertainty and the implementation of a new global business structure. Our new international business structure is being implemented to align our asset ownership and business operations with our newly announced functional business structure and the business needs of the our global customers. In future years, we expect to achieve a lower effective tax rate, as well as business efficiencies, as a result of this new international business structure.

On March 19, 2007, the IRS commenced an examination our federal tax returns for the year ended December 31, 2004. We currently believe this examination will not have a material impact on our financial statements; however the examination is still in progress.

Liquidity and Capital Resources

	2006	2005	2004
		(In thousands)	
Cash and cash equivalents	$501,184	$476,826	$328,842
Short-term investments	198,656	378,006	406,784
Subtotal	699,840	$854,832	$735,626
Restricted cash and investments	49,437	50,972	51,518
Total	$749,277	$905,804	$787,144
Working capital from continuing operations	$ (19,901)	$281,659	$307,526

At December 31, 2006, our principal source of liquidity was $699.8 million of cash, cash equivalents and short-term investments, consisting principally of commercial paper, medium term investment-grade corporate notes, corporate bonds and notes, U.S. government and agency securities and money market funds.

Net cash provided by operating activities

Net cash provided by operating activities was $474.8 million in 2006 primarily due to $379.0 million in net income and $55.5 million in adjustments for non-cash charges such as depreciation of property plant and equipment, amortization of other intangible assets, stock-based compensation and deferred income taxes. Additionally, cash flows from changes in operating assets and liabilities activities increased $40.3 million in 2006 primarily due to increase in deferred revenues of $103.8 million and a decrease in receivables of $32.4 million, offset by an increase of $80.5 million in prepaid and other current assets and a decrease in liabilities in payables and accrued liabilities of $15.4 million.

Net cash provided by operating activities was $481.1 million in 2005 primarily due $429.0 million in net income and $244.9 million in adjustments in non-cash charges such as depreciation of property plant and equipment, amortization of other intangible assets, stock-based compensation and deferred income taxes mostly offset by a $250.6 million gain from the sale of our payment gateway business. Additionally, cash flows from changes in operating assets and liabilities activities increased $57.8 million in 2005 primarily due to increase in deferred revenues of $74.2 million and an increase in payables and accrued liabilities of $75.5 million, partially offset by a decrease in receivables of $67.5 million and an increase of $24.4 million in prepaid and other current assets.

Net cash provided by operating activities was $365.3 million in 2004 primarily due to $152.8 million in net income and $164.0 in adjustments in non-cash charges such as depreciation of property plant and equipment, amortization of other intangible assets, stock-based compensation and deferred income taxes. Additionally, cash flows from changes in operating assets and liabilities activities increased $48.5 million in 2004 primarily due to increase in deferred revenues of $71.1 million, an increase in payables and accrued liabilities of $37.6 million and an increase in prepaid and other current assets partially offset by a decrease in receivables of $70.0 million.

Net cash used in investing activities

Net cash used in investing activities was $562.4 million in 2006, primarily as a result of $604.8 million used for our acquisitions and $181.6 million for purchases of property and equipment mostly offset by net proceeds from the net sale of investments of approximately $174.7 million and proceeds of $47.8 million from a long-term note receivable.

Net cash provided by investing activities was $143.6 million in 2005, primarily as a result of net proceeds of $367.2 million from the sale of our payment gateway business and net proceeds of $37.0 million from the net sale of investments, mostly offset by $161.3 million used for our acquisitions and $110.8 million for purchases of property and equipment.

Net cash used in investing activities was $284.9 million in 2004, primarily as a result of $253.8 million used for our acquisitions, $15.9 million used for net purchases of investments and $92.5 million for purchases of property and equipment. These were partially offset by $78.3 million in proceeds from the sale of stock in our VeriSign Japan subsidiary.

Net cash used in financing activities

Net cash provided by financing activities was $110.7 million in 2006 primarily due to $199.0 million in net proceeds received from the draw down of our credit facility and $51.5 million provided by the proceeds from issuance of common stock from option exercises and employee stock purchase plan purchases, partially offset from $135.0 million used to repurchase shares of our common stock in the open market under an existing repurchase program.

Net cash used in financing activities was $469.5 million in 2005 primarily due to $548.6 million used to repurchase shares of our common stock in the open market under an existing repurchase program, partially offset by $80.5 million provided by the proceeds from issuance of common stock from option exercises and employee stock purchase plan purchases.

Net cash used in financing activities was $54.5 million in 2004 primarily due to $113.3 million used to repurchase shares of our common stock in the open market under an existing repurchase program, partially offset by $62.4 million provided by the proceeds from issuance of common stock from option exercises and employee stock purchase plan purchases.

Net cash provided by discontinued operations

Net cash used in operating activities was $1.2 million primarily related to additional services provided after the sale our discontinued payment gateway business after the sale in late 2005. Net cash provided by operating activities from discontinued operations for 2005 and 2004 was primarily from net income related to our discontinued payment gateway business of $16.2 million and $17.5 million, respectively.

In 2006 and 2005, we did not receive or use any cash related to investing activities from discontinued operations. Net cash used in investing activities of discontinued operations was approximately $1.5 million for 2004, primarily for purchases of property and equipment.

Property and Equipment Expenditures

The following table shows our planned property and equipment expenditures for 2007 and our actual expenditures in 2006, 2005 and 2004 (in thousands):

	2007 Planned	2006 Actual	2005 Actual	2004 Actual
Property and equipment expenditures	$200,000	$ 141,700	$ 140,499	$ 91,002

Our planned property and equipment expenditures for 2007 will primarily be focused on productivity, cost improvement and market development initiatives for the Internet Services Group and the Communications Services Group. Included in our planned expenditures for 2007, is approximately $50.0 million for the construction of a new data facility in New Castle, Delaware.

Contractual Obligations

The following table summarizes our significant non-cancelable contractual obligations at December 31, 2006, and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

Contractual obligations	Payments due by period				
	Total	2007	2008–2009	2010–2011	Thereafter
			(In thousands)		
Operating lease obligations, net of sublease income	$ 107,408	$ 30,413	$ 44,475	$ 27,057	$ 5,463
Purchase obligations	99,908	73,611	25,030	1,017	250
ICANN agreement	64,000	7,000	22,000	24,000	11,000
Long-term royalty payments	4,000	2,000	2,000	—	—
Total	$ 275,316	$ 113,024	$ 93,505	$ 52,074	$ 16,713

As of December 31, 2006, we had commitments under non-cancelable operating leases for our facilities for various terms through 2014. See Note 15 “Commitments and Contingencies” of Notes to Consolidated Financial Statements.

Future operating lease payments include payments related to leases on excess facilities included in our restructuring plans. The restructuring liability is included on the balance sheet as accrued restructuring costs. Amounts related to the lease terminations due to the abandonment of excess facilities will be paid over the respective lease terms, the longest of which extends through 2008. Cash payments totaling approximately $4.7 million related to the abandonment of excess facilities will be paid over the next two years.

We enter into certain purchase obligations with various vendors. In 2006, we entered into a $38.6 million construction contract to build our new data facility in Delaware. Our remaining commitments for the facility are $33.0 million, which is expected to be completed in 2007. We also have commitments of approximately $25.5 million in 2007 with various telecommunication providers and approximately $15.1 million in 2007 with various suppliers for software and maintenance contracts.

In 2006, we entered into a contractual agreement with Internet Corporation for Assigned Names and Numbers (“ICANN”) to be the sole registry operator for domain names in the *.com* top-level domain through November 30, 2012. The new agreement introduced a fixed, registry level fee that we will have to pay to ICANN beginning in 2007. Beginning in 2009, the agreement provides for contingent payments upon meeting certain performance criteria that could amount to an additional $20.5 million through the end of the contract.

In November 1999, we entered into an agreement for the management and administration of the Tuvalu country code top-level domain, *.tv* with the Government of Tuvalu for payments of future royalties which will amount to $4.0 million through 2008.

We have pledged a portion of our short-term investments as collateral for standby letters of credit that guarantee certain of our contractual obligations, primarily relating to our real estate lease agreements. We have pledged approximately $4.4 million pursuant to such agreements classified as restricted cash and investments on the accompanying balance sheet as of December 31, 2006. In addition, we established a trust during the first quarter of 2004 in the amount of $45.0 million classified as restricted cash and investments on our balance sheet for our director and officer liability self-insurance coverage.

Short-term Loan

On June 7, 2006, we entered into a $500 million senior unsecured revolving credit facility (the “Facility”), under which we, or certain designated subsidiaries may be borrowers. As of December 31, 2006, $199.0 million was borrowed from the Facility, of which $74.0 million was used to refinance our borrowings under a credit

agreement that expired on July 10, 2006. In addition, on August 31, 2006, VeriSign drew down $125 million on the Facility, which was used for the purchase of GeoTrust on September 1, 2006. Any other borrowings under the Facility will be used for working capital, capital expenditures, permitted acquisitions and repurchases of our common stock and other lawful corporate purposes. On February 28, 2007 we repaid the outstanding balance of $199.0 million on the Facility.

See Note 10 “Credit Facility” of our Notes to Consolidated Financial Statements for further information regarding the Facility.

Stock Repurchase Program

We repurchase shares in the open market and from time to time enter into structured stock repurchase agreements with third parties.

In 2001, our Board of Directors authorized the repurchase of up to $350 million of our common stock in open market, negotiated or block transactions. This stock repurchase program was completed in the third quarter of 2005. In 2005, the Board of Directors authorized a new stock repurchase program to repurchase up to $500 million of our common stock in open market, negotiated or block transactions. This stock repurchase was completed in the second quarter of 2006. On May 16, 2006, the Board of Directors authorized a new $1 billion stock repurchase program to purchase shares of our common stock on the open market, or in negotiated or block trades. As of December 31, 2006, we have approximately $984.6 million available under the 2006 stock repurchase program.

The table sets forth the total amount of shares repurchased and net purchase price for the years presented:

	December 31, 2006	December 31, 2005	December 31, 2004
		(In thousands)	
Shares repurchased	6,490	22,817	4,474
Aggregate purchase price	$ 135,000	$ 548,630	$ 113,257

From the inception of the stock purchase program in 2001 to December 31, 2006, a total of 35.3 million shares have been repurchased for an aggregate purchase price of approximately $865.3 million.

In October 2001, we filed a shelf registration statement with the Securities and Exchange Commission to offer an indeterminate number of shares of common stock that may be issued at various times and at indeterminate prices, with a total public offering price not to exceed $750 million. To date, no shares have been issued under this registration statement.

If we liquidated certain available-for-sale investments as of December 31, 2006, we would have recognized losses of approximately $2.0 million in our consolidated statements of income. These unrecognized losses, partially offset by unrecognized gains, are recorded as a separate component of equity and are included in accumulated other comprehensive loss on our consolidated balance sheet.

We believe existing cash and short-term investments, together with funds generated from operations should be sufficient to meet our working capital and capital expenditure requirements for the next 12 months. Our philosophy regarding the maintenance of a balance sheet with a large component of cash, cash equivalents and short-term investments reflects our views on potential future capital requirements relating to expansion of our businesses, acquisitions, and share repurchases. We regularly assess our cash management approach and activities in view of our current and potential future needs.

Recently Issued Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159 (“SFAS 159”), “*The Fair Value Option for Financial Assets or Financial Liabilities*” which provides companies with an option to report selected financial assets and

liabilities at fair value. The objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS No. 157, "*Fair Value Measurements*" (SFAS 157). We are currently evaluating the effect of SFAS 159 and the impact it will have on our financial position and results of operations.

In September 2006, the FASB issued SFAS 157, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. Earlier adoption is permitted, provided we have not yet issued financial statements, including for interim periods, for that fiscal year. We are currently evaluating the effect of SFAS 157 and the impact it will have on our financial position and results of operations.

In September 2006, the Securities and Exchange Commission released Staff Accounting Bulletin ("SAB") No. 108, *"Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements"* (SAB 108), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 provides transition guidance for correcting errors and requires registrants to quantify misstatements using both the balance-sheet and income-statement approaches and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative factors. In the year of adoption only, if the effect of prior periods uncorrected misstatement is determined to be material, under SAB 108 a registrant is allowed to record the effect as a cumulative-effect adjustment to beginning-of-year retained earnings. SAB 108 does not change the requirements within SFAS No. 154, "*Accounting Changes and Error Corrections"* for the correction of an error on financial statements. Further, SAB 108 does not change the Staff's previous guidance in SAB No. 99, "*Materiality"*, on evaluating the qualitative materiality of misstatements. We were required to adopt SAB 108 in our current fiscal year. The adoption of SAB 108 did not have a material impact on our financial position and results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*. FIN 48 defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. The recently issued literature also provides guidance on the recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. We are required to adopt FIN 48 in the first quarter of 2007. The differences between the amounts recognized in the financial statements prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of accumulated deficit. We have evaluated the effect of FIN 48, and we believe that adoption of this accounting principle will result in a decrease to our accumulated deficit in the first quarter of 2007 of $38.6 million, an increase to non-current deferred tax assets of $28.7 million, and a decrease to income taxes payable of $9.9 million**.**

In June 2006, the FASB issued Emerging Issues Task Force Issue No. 06-3 ("EITF 06-3"), "*How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement"*. EITF 06-3 provides guidance on an entity's disclosure of its accounting policy regarding the gross or net presentation of certain taxes and provides that if taxes included in gross revenues are significant, a company should disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of EITF 06-3 are those that are imposed on and concurrent with a specific revenue-producing transaction. The guidance is effective for interim and annual periods beginning

after December 15, 2006. We have evaluated the effect of EITF 06-3, and we believe the impact will be immaterial on our financial position and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Equity investments

We invest in debt and equity securities of technology companies for investment purposes. In most instances, we invest in the equity and debt securities of private companies for which there is no public market, and therefore, carry a high level of risk. These companies are typically in the early stage of development and are expected to incur substantial losses in the near-term. Therefore, these companies may never become publicly traded. Even if they do, an active trading market for their securities may never develop and we may never realize any return on these investments. In 2006, 2005 and 2004, we determined the decline in value of certain public and non-public equity investments was other-than-temporary and we recognized impairments totaling $0.4 million, $0.8 million, and $12.6 million, respectively. Due to the inherent risk associated with some of our investments, we may incur future losses on the sale or impairment of our investments.

Interest rate sensitivity

The primary objective of our short-term investment management activities is to preserve principal with the additional goals of maintaining appropriate liquidity and driving after-tax returns. We manage our interest rate risk by maintaining an investment portfolio generally consisting of debt instruments of high credit quality and relatively short maturities. We invest in a variety of securities, including commercial paper, medium-term notes, corporate bonds and notes, U.S. government and agency securities and money market funds. In general, money market funds are not considered to be subject to interest rate risk because the interest paid on such funds fluctuates with the prevailing interest rate. As of December 31, 2006, 68% of our investments subject to interest rate risk mature in less than one year.

Notwithstanding our efforts to manage interest rate risks, there can be no assurance that we will be adequately protected against risks associated with interest rate fluctuations. At any time, a sharp change in interest rates could have a significant impact on the fair value of our investment portfolio. The following table presents the hypothetical changes in fair value of our fixed income securities in our short-term investment portfolio as of December 31, 2006, arising from potential changes in interest rates. The modeling technique estimates the change in fair value from immediate hypothetical parallel shifts in the yield curve of plus or minus 25 basis points (“BPS”), 50 BPS, 100 BPS, and 150 BPS.

Uniform decrease in rates							Uniform increase in rates	
(150) BPS	(100) BPS	(50) BPS	(25) BPS	0 BPS	25 BPS	50 BPS	100 BPS	150 BPS
			(In thousands)					
$2,404	$ 1,603	$ 801	$ 401	$—	$(401)	$(801)	$ (1,603)	$ (2,404)

The following table presents the amounts of our cash equivalents and short-term investments that are subject to interest rate risk by range of expected maturity and weighted-average interest rates as of December 31, 2006. This table does not include money market funds because those funds are not considered to be subject to interest rate risk.

	Maturing in				
	Six Months or Less	Six Months to One Year	More than One Year	Total	Estimated Fair Value
			(Dollars in thousands)		
Included in cash and cash equivalents	$ 13,176	$ —	$ —	$ 13,176	$ 13,176
Weighted-average interest rate	5.01%	—	—		
Included in short-term investments	$105,840	$ 60,460	$ 34,147	$200,447	$198,656
Weighted-average interest rate	4.29%	3.74%	4.29%		
Included in restricted cash and investments	$ —	$ —	$ 49,437	$ 49,437	$ 49,437
Weighted-average interest rate	—	—	4.06%		

Foreign exchange risk management

We conduct business throughout the world and transact in multiple foreign currencies. As we continue to expand our international operations we are increasingly exposed to currency exchange rate risks. In the fourth quarter of 2003, we initiated a foreign currency risk management program designed to mitigate foreign exchange risks associated with the monetary assets and liabilities of our operations that are denominated in non-functional currencies. The primary objective of this program is to minimize the gains and losses resulting from fluctuations in exchange rates. We do not enter into foreign currency transactions for trading or speculative purposes, nor do we hedge foreign currency exposures in a manner that entirely offsets the effects of changes in exchange rates. The program may entail the use of forward or option contracts and in each case these contracts are limited to a duration of less than 12 months.

At December 31, 2006, we held forward contracts in notional amounts totaling approximately $182.4 million to mitigate the impact of exchange rate fluctuations associated with certain foreign currencies. All forward contracts are recorded at fair market value. We attempt to limit our exposure to credit risk by executing foreign exchange contracts with high-quality financial institutions.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements

VeriSign's financial statements required by this item are set forth as a separate section of this Form 10-K. See Item 15 (a)1 for a listing of financial statements provided in the section titled "Financial Statements."

Supplemental Data (Unaudited)

The following tables set forth unaudited supplementary quarterly financial data for the two year period ended December 31, 2006. In management's opinion, the unaudited data has been prepared on the same basis as the audited information and includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the data for the periods presented.

The following tables for selected quarterly unaudited supplementary quarterly financial information have been restated for all quarters of fiscal 2005 and the first quarter of fiscal 2006 from previously reported information filed on Form 10-Q and Form 10-K. All previously reported quarters of fiscal 2005 have been adjusted to show the discontinued operations from the sale of our payments gateway service in November 2005. Previously filed annual reports on Form 10-K and quarterly reports on Form 10-Q affected by the restatements have not been amended and should not be relied upon.

	2006				
	First Quarter (2) As Restated	Second Quarter (3)	Third Quarter	Fourth Quarter	Year Ended December 31
	(In thousands, except per share data)				
Continuing operations:					
Revenues	$372,818	$390,690	$399,513	$412,228	$1,575,249
Costs and expenses	360,948	359,435	374,019	385,027	1,479,429
Operating income	11,870	31,255	25,494	27,201	95,820
Net income (loss)	15,677	376,696	15,107	(29,510)	377,970
Net income (loss) per share: (1)					
Basic	$ 0.06	$ 1.54	$ 0.06	$ (0.12)	$ 1.55
Diluted	$ 0.06	$ 1.52	$ 0.06	$ (0.12)	$ 1.53
Discontinued operations:					
Revenues	$ (49)	80	$ (120)	$ —	$ (89)
Costs and expenses	(858)	(11)	(287)	22	(1,134)
Operating income	809	91	167	(22)	1,045
Net income (loss)	809	91	167	(22)	1,045
Net income per share: (1)					
Basic	$ 0.01	$ —	$ —	$ —	$ —
Diluted	$ 0.01	$ —	$ —	$ —	$ —
Total:					
Net income (loss)	$ 16,486	$376,787	$ 15,274	$ (29,532)	$ 379,015
Net income (loss) per share: (1)					
Basic	$ 0.07	$ 1.54	$ 0.06	$ (0.12)	$ 1.55
Diluted	$ 0.07	$ 1.52	$ 0.06	$ (0.12)	$ 1.53

	2005				
	First Quarter As Restated	Second Quarter As Restated	Third Quarter As Restated	Fourth Quarter (4) As Restated	Year Ended December 31 As Restated
	(In thousands, except per share data)				
Continuing operations:					
Revenues	$ 388,112	$ 434,221	$ 401,113	$ 389,128	$ 1,612,574
Costs and expenses	321,021	376,751	333,155	364,928	1,395,855
Operating income	67,091	57,470	67,958	24,200	216,719
Net income	53,870	35,930	51,915	20,500	162,215
Net income per share: (1)					
Basic	$ 0.21	$ 0.13	$ 0.20	$ 0.08	$ 0.63
Diluted	$ 0.21	$ 0.13	$ 0.20	$ 0.08	$ 0.62
Discontinued operations:					
Revenues	$ 13,724	$ 14,422	$ 15,061	$ 8,465	$ 51,672
Costs and expenses	7,593	7,974	7,680	4,207	27,454
Operating income	6,131	6,448	7,381	4,258	24,218
Net income	4,099	4,310	4,934	253,420	266,763
Net income per share: (1)					
Basic	$ 0.02	$ 0.02	$ 0.02	$ 1.01	$ 1.04
Diluted	$ 0.01	$ 0.02	$ 0.01	$ 0.99	$ 1.01
Total:					
Net income	$ 57,969	$ 40,240	56,849	$ 273,920	$ 428,978
Net income per share: (1)					
Basic	$ 0.23	$ 0.15	$ 0.22	$ 1.09	$ 1.67
Diluted	$ 0.22	$ 0.15	$ 0.21	$ 1.07	$ 1.63

(1) Net income (loss) per share is computed independently for each of the quarters represented in accordance with Statement of Financial Accounting Standards No. 128, "*Earnings per Share*". Therefore, the sum of the quarterly net income (loss) per share may not equal the total computed for the fiscal year or any cumulative interim period.
(2) Net income for the first quarter ended March 31, 2006 includes a $21.7 million gain on from sale of our remaining equity stake in Network Solutions that was previously written off.
(3) Net income for the second quarter ended June 30, 2006, includes the release of our valuation allowance of $236.4 million from our deferred tax assets resulting in a non-recurring benefit to tax expense and a $113.3 million tax benefit that was the result of a favorable ruling from the Internal Revenue Service relating to an uncertain tax position on a capital loss generated in 2003.
(4) Net income for 2005 includes gain on sale of discontinued operations of $250.6 million, and other charges of approximately $21.6 million related to the abandonment of the development efforts related to an internally developed software project.

Our quarterly revenues and operating results are difficult to forecast. Therefore, we believe that period-to-period comparisons of our operating results will not necessarily be meaningful, and should not be relied upon as an indication of future performance. Also, operating results may fall below our expectations and the expectations of securities analysts or investors in one or more future quarters. If this were to occur, the market price of our common stock would likely decline. For more information regarding the quarterly fluctuation of our revenues and operating results, see Item 1A "Risk Factors—Our operating results may fluctuate and our future revenues and profitability are uncertain."

The following table presents the impact of the financial statement adjustments on our previously reported condensed consolidated statements of income for the three month period ended March 31, 2005:

	Three Months Ended March 31, 2005		
	Previously Reported	Adjustments	As Restated (1)
	(In thousands, except per share data)		
Revenues	$387,267	$ 845(A)	$ 388,112
Costs and expenses:			
Cost of revenues	122,388	(22)	122,366
Sales and marketing	126,181	(678)	125,503
Research and development	20,199	(457)	19,742
General and administrative	42,099	(7,304)	34,795
Restructuring and other reversals	(1,875)	(2,350)	(4,225)
Amortization of other intangible assets	22,840	—	22,840
Total costs and expenses	331,832	(10,811)(B)	321,021
Operating income from continuing operations	55,435	11,656	67,091
Non-operating income (expense):			
Minority interest	(1,128)	—	(1,128)
Other income, net	15,277	(174)(C)	15,103
Total other income, net	14,149	(174)	13,975
Income from continuing operations before income taxes	69,584	11,482	81,066
Income tax expense	24,424	2,772	27,196
Net income from continuing operations	45,160	8,710	53,870
Net income from discontinued operations, net of tax	4,015	84(D)	4,099
Net income	$ 49,175	$ 8,794	$ 57,969
Basic net income per share from:			
Continuing operations	$ 0.18	$ 0.03	$ 0.21
Discontinued operations	0.01	0.01	0.02
Net income	$ 0.19	$ 0.04	$ 0.23
Diluted net income per share from:			
Continuing operations	$ 0.18	$ 0.03	$ 0.21
Discontinued operations	0.01	—	0.01
Net income	$ 0.19	$ 0.03	$ 0.22
Shares used in per share computation:			
Basic	253,989	80	254,069
Diluted	262,434	(1,195)	261,239

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

(A) Recognition of previously unrecognized revenue relating to our Jamba business in EMEA.
(B) Reversed approximately $8.6 million in stock compensation expense as a result of the restatement. A reversal of $2.3 million to restructuring expense was recorded in 2005 to correct a charge that should have been recorded in 2003. The charge was properly recorded in 2003.
(C) Primarily due to a foreign exchange loss that resulted from revenue adjustments to our Jamba business in EMEA.
(D) Stock-based compensation expense as a result of the restatement allocated to discontinued operations and change in the effective tax rate.

The following table presents the impact of the financial statement adjustments on our previously reported condensed consolidated statements of income for the three month period ended June 30, 2005:

	Three Months Ended June, 2005		
	Previously Reported	Adjustments	As Restated (1)
	(In thousands, except per share data)		
Revenues	$430,408	$ 3,813(A)	$ 434,221
Costs and expenses:			
Cost of revenues	134,232	198	134,430
Sales and marketing	137,203	(39)	137,164
Research and development	24,832	402	25,234
General and administrative	49,675	1,260	50,935
Restructuring and other reversals	(133)	—	(133)
Amortization of other intangible assets	24,821	—	24,821
Acquired in-process research and development	4,300	—	4,300
Total costs and expenses	374,930	1,821(B)	376,751
Operating income from continuing operations	55,478	1,992	57,470
Non-operating income (expense):			
Minority interest	(1,048)	—	(1,048)
Other income, net	14,084	(292)(C)	13,792
Total other income, net	13,036	(292)	12,744
Income from continuing operations before income taxes	68,514	1,700	70,214
Income tax expense	31,568	2,716	34,284
Net income from continuing operations	36,946	(1,016)	35,930
Net income from discontinued operations, net of tax	4,349	(39)(D)	4,310
Net income	$ 41,295	$ (1,055)	$ 40,240
Basic net income per share from:			
Continuing operations	$ 0.14	$ (0.01)	$ 0.13
Discontinued operations	0.02	—	0.02
Net income	$ 0.16	$ (0.01)	$ 0.15
Diluted net income per share from:			
Continuing operations	$ 0.14	$ (0.01)	$ 0.13
Discontinued operations	0.01	0.01	0.02
Net income	$ 0.15	$ —	$ 0.15
Shares used in per share computation:			
Basic	263,538	(270)	263,268
Diluted	272,888	(1,715)	271,173

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

(A) To properly record $3.8 million in revenue that was incorrectly recorded in the fourth quarter of 2005. Recognition of previously unrecognized revenue relating to our Jamba business in EMEA.
(B) Includes $1.7 million in stock compensation expense as result of the restatement. Additional expenses include deferred stock-based compensation for the understatement of FIN 44 expense relating to LightSurf acquisition and additional expenses to correct an accounting error related to software maintenance amortization which were mostly offset with a benefit for payroll taxes as a result of the restatement.
(C) Primarily due to a foreign exchange loss that resulted from revenue adjustments to our Jamba business in EMEA.
(D) Stock-based compensation expense as a result of the restatement allocated to discontinued operations and change in the effective tax rate.

The following table presents the impact of the financial statement adjustments on our previously reported condensed consolidated statements of income for the three month period ended September 30, 2005:

	Three Months Ended September, 2005		
	Previously Reported	Adjustments	As Restated (1)
	(In thousands, except per share data)		
Revenues	$399,705	$ 1,408(A)	$ 401,113
Costs and expenses:			
Cost of revenues	126,997	(139)	126,858
Sales and marketing	113,960	(627)	113,333
Research and development	25,044	(178)	24,866
General and administrative	49,642	(10,116)	39,526
Restructuring and other charges	537	—	537
Amortization of other intangible assets	26,235	—	26,235
Acquired in-process research and development	1,800	—	1,800
Total costs and expenses	344,215	(11,060)(B)	333,155
Operating income from continuing operations	55,490	12,468	67,958
Non-operating income (expense):			
Minority interest	(1,221)	—	(1,221)
Other income, net	14,419	(29)(C)	14,390
Total other income, net	13,198	(29)	13,169
Income from continuing operations before income taxes	68,688	12,439	81,127
Income tax expense	28,993	219	29,212
Net income from continuing operations	39,695	12,220	51,915
Net income from discontinued operations, net of tax	4,879	55(D)	4,934
Net income	$ 44,574	$ 12,275	$ 56,849
Basic net income per share from:			
Continuing operations	$ 0.15	$ 0.05	$ 0.20
Discontinued operations	0.02	—	0.02
Net income	$ 0.17	$ 0.05	$ 0.22
Diluted net income per share from:			
Continuing operations	$ 0.15	$ 0.05	$ 0.20
Discontinued operations	0.02	(0.01)	0.01
Net income	$ 0.17	$ 0.04	$ 0.21
Shares used in per share computation:			
Basic	260,288	81	260,369
Diluted	266,201	(122)	266,079

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

(A) Recognition of previously unrecognized revenue relating to our Jamba business in EMEA

(B) Reversal of $12.7 million in stock compensation expenses as a result of the restatement. A charge of $1.1 million to correct an accounting error related to software maintenance amortization. Additional expenses were to record deferred stock-based compensation for the understatement of FIN 44 expense relating to LightSurf acquisition, which was mostly offset by a benefit for payroll taxes as a result of the restatement.

(C) Primarily due to a foreign exchange loss that resulted from revenue adjustments to our Jamba business in EMEA.

(D) Stock-based compensation expense as a result of the restatement allocated to discontinued operations and change in the effective tax rate.

The following table presents the impact of the financial statement adjustments on our previously reported condensed consolidated statements of income for the three month period ended December 31, 2005:

	Three Months Ended December 31, 2005		
	Previously Reported	Adjustments	As Restated (1)
	(In thousands, except per share data)		
Revenues	$ 392,114	$ (2,986)(A)	$ 389,128
Costs and expenses:			
Cost of revenues	128,608	281	128,889
Sales and marketing	103,199	400	103,599
Research and development	25,264	488	25,752
General and administrative	53,181	1,671	54,852
Restructuring and impairment of long-lived assets	22,524	—	22,524
Amortization of other intangible assets	27,742	—	27,742
Acquired in-process research and development	1,570	—	1,570
Total costs and expenses	362,088	2,840(B)	364,928
Operating income from continuing operations	30,026	(5,826)	24,200
Non-operating income (expense):			
Minority interest	(1,305)	—	(1,305)
Other income, net	7,726	200(C)	7,926
Total other income, net	6,421	200	6,621
Income from continuing operations before income taxes	36,447	(5,626)	30,821
Income tax expense	19,670	(9,349)	10,321
Net income from continuing operations	16,777	3,723	20,500
Discontinued operations:			
Net income from discontinued operations, net of tax	2,859	(12)	2,847
Gain on sale of discontinued operations, net of tax	251,781	(1,208)	250,573
Net income from discontinued operations	254,640	(1,220)(D)	253,420
Net income	$ 271,417	$ 2,503	$ 273,920
Basic net income per share from:			
Continuing operations	$ 0.07	$ 0.01	$ 0.08
Discontinued operations	1.01	—	1.01
Net income	$ 1.08	$ 0.01	$ 1.09
Diluted net income per share from:			
Continuing operations	$ 0.07	$ 0.01	$ 0.08
Discontinued operations	0.99	—	0.99
Net income	$ 1.06	$ 0.01	$ 1.07
Shares used in per share computation:			
Basic	252,040	(2)	252,038
Diluted	257,048	(517)	256,531

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

(A) Reversal $3.8 million in revenue that was incorrectly recorded in the fourth quarter of 2005. The amount has been properly recorded in the second quarter of 2005. Offsetting this is recognition of previously unrecognized revenue relating to our Jamba business in EMEA.

(B) Includes $1.9 million in additional stock compensation expense as result of the restatement. A charge of $840,000 to correct an accounting error related to software maintenance amortization. Additional expenses were to record deferred stock-based compensation for the understatement of FIN 44 expense relating to LightSurf acquisition, which was mostly offset by a benefit for payroll taxes as a result of the restatement.

(C) Primarily due to a foreign exchange gain that resulted from revenue adjustments to our Jamba business in EMEA.

(D) Stock-based compensation expense as a result of the restatement allocated to discontinued operations and change in the effective tax rate.

The following table presents the impact of the financial statement adjustments on our previously reported condensed consolidated statements of income for the three month period ended March 31, 2006:

	Three Months Ended March 31, 2006		
	Previously Reported	Adjustment	As Restated (1)
Revenues	$373,604	$ (786)(A)	$ 372,818
Costs and expenses:			
Cost of revenues	138,912	122	139,034
Sales and marketing	90,387	423	90,810
Research and development	28,033	247	28,280
General and administrative	58,493	2,022	60,515
Restructuring and impairment of long-lived assets	3,409	—	3,409
Amortization of other intangible assets	28,000	—	28,000
Acquired in-process research and development	10,900	—	10,900
Total costs and expenses	358,134	2,814(B)	360,948
Operating income from continuing operations	15,470	(3,600)	11,870
Non-operating income (expense):			
Minority interest	(647)	—	(647)
Other income, net	28,797	79(C)	28,876
Total other income, net	28,150	79	28,229
Income from continuing operations before income taxes	43,620	(3,521)	40,099
Income tax expense	24,627	(205)	24,422
Net income from continuing operations	18,993	(3,316)	15,677
Net income from discontinued operations, net of tax	778	31(D)	809
Net income	19,771	$ (3,285)	$ 16,486
Basic net income per share from:			
Continuing operations	$ 0.08	$ (0.02)	$ 0.06
Discontinued operations	—	0.01	0.01
Net income	$ 0.08	$ (0.01)	$ 0.07
Diluted net income per share from:			
Continuing operations	$ 0.08	$ (0.02)	$ 0.06
Discontinued operations	—	0.01	0.01
Net income	$ 0.08	$ (0.01)	$ 0.07
Shares used in per share computation:			
Basic	245,603	—	245,603
Diluted	248,905	(822)	248,083

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

(A) Recognition of previously unrecognized revenue relating to our Jamba business in EMEA and correction of $1.1 million of revenue to reverse billed services that were not delivered under contractual terms.

(B) Includes $1.9 million of additional stock compensation expense as a result of the restatement and a charge of $1.2 million to correct an accounting error related to software maintenance amortization.

(C) Primarily due to a foreign exchange gain that resulted from revenue adjustments to our Jamba business in EMEA.

(D) Stock-based compensation expense as a result of the restatement allocated to discontinued operations and change in the effective tax rate.

The following table presents the impact of the financial statement adjustments on our previously reported condensed consolidated balance sheet for the period ended March 31, 2005 (in thousands):

	As of March 31, 2005		
ASSETS	Previously Reported	Adjustments	As Restated
Current assets:			
Cash and cash equivalents	$ 387,867	$ —	$ 387,867
Short-term investments	431,335	—	431,335
Accounts receivable, net of allowance	252,404	4,458	256,862
Prepaid expenses and other current assets	64,812	(259)	64,553
Deferred tax assets	18,898	1,207	20,105
Current assets of discontinued operations	6,896	—	6,896
Total current assets	1,162,212	5,406	1,167,618
Property and equipment, net	504,559	—	504,559
Goodwill	722,998	817	723,815
Other intangible assets, net	221,458	—	221,458
Restricted cash and investments	51,518	—	51,518
Long-term note receivable	24,607	—	24,607
Other assets	14,372		14,372
Long-term assets of discontinued operations	4,185	—	4,185
Total long-term assets	1,543,697	817	1,544,514
Total assets	$ 2,705,909	$ 6,223	$ 2,712,132
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 402,754	$ 5,577	$ 408,331
Accrued restructuring costs	10,046	—	10,046
Deferred revenue	326,193	1,460	327,653
Current liabilities of discontinued operations	10,851	—	10,851
Total current liabilities	749,844	7,037	756,881
Long-term deferred revenue	113,520	—	113,520
Long-term accrued restructuring costs	15,209	—	15,209
Other long-term liabilities	6,265	—	6,265
Long-term deferred tax liabilities	26,874	462	27,336
Long-term liabilities from discontinued operations	918	—	918
Total long-term liabilities	162,786	462	163,248
Total liabilities	912,630	7,499	920,129
Commitments and contingencies			
Minority interest in subsidiaries	37,833	—	37,833
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	255	—	255
Additional paid-in capital	23,270,173	187,390	23,457,563
Unearned compensation	(5,245)	(13,799)	(19,044)
Accumulated deficit	(21,504,654)	(174,867)	(21,679,521)
Accumulated other comprehensive loss	(5,083)	—	(5,083)
Total stockholders' equity	1,755,446	(1,276)	1,754,170
Total liabilities and stockholders' equity	$ 2,705,909	$ 6,223	$ 2,712,132

The following table presents the impact of the financial statement adjustments on our previously reported condensed consolidated balance sheet for the period ended June 30, 2005 (in thousands):

	As of June 30, 2005		
ASSETS	Previously Reported	Adjustments	As Restated
Current assets:			
Cash and cash equivalents	$ 447,716	$ —	$ 447,716
Short-term investments	431,960	—	431,960
Accounts receivable, net of allowance	275,166	9,011	284,177
Prepaid expenses and other current assets	108,543	2,702	111,245
Deferred tax assets	18,187	1,159	19,346
Current assets of discontinued operations	6,715	—	6,715
Total current assets	1,288,287	12,872	1,301,159
Property and equipment, net	518,852	6,418	525,270
Goodwill	972,050	(2,947)	969,103
Other intangible assets, net	245,260	—	245,260
Restricted cash and investments	51,444	—	51,444
Long-term note receivable	25,196	—	25,196
Other assets, net	13,542	—	13,542
Long-term assets of discontinued operations	4,032	—	4,032
Total long-term assets	1,830,376	3,471	1,833,847
Total assets	$ 3,118,663	$ 16,343	$ 3,135,006
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 478,518	$ 16,987	$ 495,505
Accrued restructuring costs	8,669	—	8,669
Deferred revenue	347,864	2,613	350,477
Current liabilities of discontinued operations	11,875	—	11,875
Total current liabilities	846,926	19,600	866,526
Long-term deferred revenue	118,251	—	118,251
Long-term accrued restructuring costs	13,529	—	13,529
Other long-term liabilities	5,639	—	5,639
Long-term deferred tax liabilities	23,334	462	23,796
Long-term liabilities of discontinued operations	1,118	—	1,118
Total long-term liabilities	161,871	462	162,333
Total liabilities	1,008,797	20,062	1,028,859
Commitments and contingencies			
Minority interest in subsidiaries	38,646	—	38,646
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	264	—	264
Additional paid-in capital	23,548,935	187,363	23,736,298
Unearned compensation	(10,640)	(15,160)	(25,800)
Accumulated deficit	(21,463,359)	(175,922)	(21,639,281)
Accumulated other comprehensive loss	(3,980)	—	(3,980)
Total stockholders' equity	2,071,220	(3,719)	2,067,501
Total liabilities and stockholders' equity	$ 3,118,663	$ 16,343	$ 3,135,006

The following table presents the impact of the financial statement adjustments on our previously reported condensed consolidated balance sheet for the period ended September 30, 2005 (in thousands):

	As of September, 2005		
ASSETS	Previously Reported	Adjustments	As Restated
Current assets:			
Cash and cash equivalents	$ 307,453	$ —	$ 307,453
Short-term investments	438,236	—	438,236
Accounts receivable, net of allowance	265,569	10,922	276,491
Prepaid expenses and other current assets	90,174	(1,412)	88,762
Deferred tax assets	17,290	1,158	18,448
Current assets of discontinued operations	8,149		8,149
Total current assets	1,126,871	10,668	1,137,539
Property and equipment, net	524,460	6,418	530,878
Goodwill	1,006,441	(2,947)	1,003,494
Other intangible assets, net	224,981	—	224,981
Restricted cash and investments	50,972	—	50,972
Long-term note receivable	25,800	—	25,800
Other assets, net	15,781	—	15,781
Long-term assets of discontinued operations	3,831	—	3,831
Total long-term assets	1,852,266	3,471	1,855,737
Total assets	$ 2,979,137	$ 14,139	$ 2,993,276
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 474,046	$ 14,555	$ 488,601
Accrued restructuring costs	8,354	—	8,354
Deferred revenue	358,975	3,160	362,135
Current liabilities of discontinued operations	12,818	—	12,818
Total current liabilities	854,193	17,715	871,908
Long-term deferred revenue	122,283	—	122,283
Long-term accrued restructuring costs	11,837	—	11,837
Other long-term liabilities	5,550	—	5,550
Long-term deferred tax liabilities	20,942	462	21,404
	1,363	—	1,363
Total long-term liabilities	161,975	462	162,437
Total liabilities	1,016,168	18,177	1,034,345
Commitments and contingencies			
Minority interest in subsidiaries	39,495	—	39,495
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	257	—	257
Additional paid-in capital	23,362,993	171,785	23,534,778
Unearned compensation	(13,221)	(12,176)	(25,397)
Accumulated deficit	(21,418,785)	(163,647)	(21,582,432)
Accumulated other comprehensive loss	(7,770)	—	(7,770)
Total stockholders' equity	1,923,474	(4,038)	1,919,436
Total liabilities and stockholders' equity	$ 2,979,137	$ 14,139	$ 2,993,276

The following table presents the impact of the financial statement adjustments on our previously reported condensed consolidated balance sheet for the period ended March 31, 2006 (in thousands):

	As of March 31, 2006		
ASSETS	**Previously Reported**	**Adjustments**	**As Restated**
Current assets:			
Cash and cash equivalents	$ 431,250	$ —	$ 431,250
Short-term investments	328,183	—	328,183
Accounts receivable, net of allowance	265,511	7,192	272,703
Prepaid expenses and other current assets	82,828	(1,518)	81,310
Deferred tax assets	16,959	351	17,310
Current assets of discontinued operations	4,766	—	4,766
Total current assets	1,129,497	6,025	1,135,522
Property and equipment, net	557,005	10,574	567,579
Goodwill	1,188,009	(3,633)	1,184,376
Other intangible assets, net	267,045	—	267,045
Restricted cash and investments	50,972	—	50,972
Other assets, net	17,307	—	17,307
Total long-term assets	2,080,338	6,941	2,087,279
Total assets	$ 3,209,835	$ 12,966	$ 3,222,801
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 541,900	$ 21,400	$ 563,300
Accrued restructuring costs	7,248	—	7,248
Deferred revenue	401,339	2,060	403,399
Current liabilities of discontinued operations	6,248	—	6,248
Total current liabilities	956,735	23,460	980,195
Long-term deferred revenue	138,089	—	138,089
Long-term accrued restructuring costs	10,285	—	10,285
Other long-term liabilities	4,263	—	4,263
Long-term deferred tax liabilities	29,012	1,155	30,167
Total long-term liabilities	181,649	1,155	182,804
Total liabilities	1,138,384	24,615	1,162,999
Commitments and contingencies			
Minority interest in subsidiaries	41,634	—	41,634
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	245	—	245
Additional paid-in capital	23,168,617	152,780	23,321,397
Accumulated deficit	(21,127,597)	(164,429)	(21,292,026)
Accumulated other comprehensive loss	(11,448)	—	(11,448)
Total stockholders' equity	2,029,817	(11,649)	2,018,168
Total liabilities and stockholders' equity	$ 3,209,835	$ 12,966	$ 3,222,801

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As discussed in the Explanatory Note at the beginning of this report, the Ad Hoc Group of independent directors of the Board of Directors conducted a review of our historical stock option granting practices for the period January 1998 through May 2006. During the course of the review, the Ad Hoc Group identified stock option grants with incorrect measurement dates, without required documentation, or with initial grant dates and exercise prices that were subsequently modified. Consequently, we have recorded additional non-cash stock-based compensation expense and related tax effects with regard to past stock option grants. In this Form 10-K, we are restating our consolidated balance sheet as of December 31, 2005, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the fiscal years ended December 31, 2005 and 2004.

Details of the restatement and its underlying circumstances are discussed in the Explanatory Note at the beginning of this report and in Note 2 of Notes to Consolidated Financial Statements in Item 15 of this report.

a. Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of December 31, 2006. We determined that our disclosure controls and procedures were not effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC because of the material weakness in our internal control over financial reporting discussed below. Notwithstanding the material weakness discussed below, our management, based upon the substantial work performed during the preparation of this report and the related restatement of historical financial information, has concluded that our consolidated financial statements for the periods covered by and included in this report are prepared in accordance generally accepted accounting principals in the U.S. and fairly present, in all material respects, our financial position, results of operations and cash flows for each of the periods presented herein.

b. Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 using the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Based on our evaluation under the COSO framework, management identified a material weakness in our internal control over financial reporting as of December 31, 2006 arising from a combination of the following control deficiencies in our stock administration policies and practices:

- Failure to consistently implement and apply policies and procedures related to the approval of equity-based grants to executive officers, retention grants and grants made in connection with new hires, promotions, and annual performance reviews.

- Lack of complete and timely reconciliation of grants and cancellations from our stock administration database to our financial reporting systems; lack of consistent reconciliation of grant dates in the system of record to supporting documentation.
- Inadequate supervision and training of personnel involved with the equity-based grant processes.
- Lack of effective coordination and communication among the Human Resources Department, Accounting Department and Legal Department in connection with the administration of equity-based grants.

Accordingly, we concluded that the control deficiencies resulted in more than a remote likelihood that a material misstatement of our annual or interim financial statements would not be prevented or detected.

A material weakness comprised of similar control deficiencies to those noted above resulted in material errors to, and the restatement of, the 2005 and 2004 annual consolidated financial statements and the condensed consolidated financial statements for the interim periods in 2005 and for the interim period ended March 31, 2006.

As a result of the material weakness described above, management has concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

The Company acquired m-Qube, Inc. (“m-Qube”) and inCode Telecom Group, Inc. (“inCode”) on May 1, 2006 and November 30, 2006, respectively. Management excluded from its assessment of the effectiveness of internal control over financial reporting as of December 31, 2006 m-Qube’s and inCode’s internal control over financial reporting associated with total assets of $316,131,000 and $89,656,000, respectively, and total revenues of $26,985,000 and $5,000,000, respectively, included in the consolidated financial statements of VeriSign, Inc. and subsidiaries as of and for the year ended December 31, 2006.

KPMG LLP, an independent registered public accounting firm, has issued a report on management’s assessment of internal control over financial reporting.

c. Changes in Internal Control over Financial Reporting

Subsequent to December 31, 2006, our Board of Directors approved additional internal control policies and procedures intended to remediate the material weakness described above. As of the date of this filing, we have implemented or are in the process of implementing the following corrective actions:

- Develop and implement detailed equity-based grant policies and procedures and related compensation and human resources practices, including procedures to ensure accurate and timely communication of Compensation Committee actions.
- Validation of critical stock administration data fields including employee termination dates and stock option cancellation dates.
- Designation of individuals in the legal and accounting departments to oversee the documentation of, and accounting for, equity-based grants.
- Additional training for our finance, human resource, stock administration, and legal personnel concerning the equity grant process and the accounting and financial reporting for equity awards and modifications of such awards.
- Awarding equity-based grants (new hire, promotion, and annual performance) at pre-determined dates, with all required approvals documented and finalized on or before those dates.
- Improving the coordination and communication among the human resources, accounting and legal departments to identify, in advance, accounting issues relating to equity-based awards, and to ensure that those awards are properly accounted for under generally accepted accounting principles.

Additionally, we are investing in ongoing efforts to continuously improve the Company's internal control over financial reporting and have committed considerable resources to the improvement of the design, implementation, documentation, testing and monitoring of our internal controls.

As of the date of this filing, we believe that we have made substantial progress in the implementation of the corrective actions noted above and toward remediation of the material weakness.

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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

ITEM 9B. OTHER INFORMATION

On July 10, 2007, Dana L. Evan our then-current Executive Vice President, Finance and Administration and Chief Financial Officer resigned from her position with VeriSign.

On July 9, 2007, VeriSign entered into a Consulting and Separation Agreement with Mr. Sclavos in connection with his resignation on May 27, 2007. Pursuant to the terms of the agreement, Mr. Sclavos will provide consulting services to the Company for a one-year period at the rate of $5,000 per month and is prohibited from engaging in certain competitive activities or soliciting customers of the Company during such period. The Company will pay Mr. Sclavos severance of $1,969,380 within twenty-one (21) days of the effective date of the agreement and $1,969,380 on June 15, 2008, subject to his compliance with the terms of the agreement. In the event of a change-in-control of the Company, all severance payments will accelerate and become immediately due and payable.

The Company accelerated all of Mr. Sclavos' outstanding options to purchase shares of the Company's common stock and restricted stock units that are scheduled to vest within twenty-four (24) months after Mr. Sclavos' resignation. Accordingly, vesting for restricted stock units with respect to approximately 156,000 shares of the Company's common stock and the following stock options were accelerated:

Grant Date	Exercise Price	# of Shares Accelerated
10/29/03	$15.87	86,340
11/1/05	$23.46	192,650
8/1/06	$17.94	400,813
	Total:	679,803

On May 31, 2007, in anticipation of entering into this agreement, the Company paid Mr. Sclavos severance in the amount of $1,031,580 and $115,422 for all unpaid wages and unused paid time off accrued through his resignation date.

The Company will also pay Mr. Sclavos $5,459,430 within twenty-one (21) days of the effective date of the agreement in connection with an option to purchase 300,000 shares of the Company's common stock that was previously granted to Mr. Sclavos but was erroneously deleted from the Company's records as more fully described in the Explanatory Note appearing at the beginning of this report.

With respect to an option to purchase 600,000 shares of the Company's common stock with an exercise price of $10.08 that was previously granted to Mr. Sclavos, if the Board of Directors determines in good faith that the exercise price of such option should be increased, then the exercise price of the unexercised portion of such option will be increased and with respect to the portion of such option that may have been exercised, Mr. Sclavos agrees to repay the Company the difference between the increased exercise price and the original exercise price.

On July 5, 2007 and July 12, 2007, the Board of Directors appointed Albert E. Clement as Chief Accounting Officer and Executive Vice President, Finance and Chief Financial Officer, respectively of the Company. Mr. Clement served as Senior Vice President, Finance, and Controller since January 2001. From January to December 2000, he served as Controller of Network Solutions, which was acquired by VeriSign in June 2000. Prior to joining Network Solutions, Mr. Clement held senior financial positions at BroadPoint Communications and MCI from 1996 to 2000. Prior to that, Mr. Clement spent twelve years in various capacities at PricewaterhouseCoopers LLP. He is a certified public accountant and holds a Bachelor of Accountancy from George Washington University.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

DIRECTORS

The names of the nominees for election as Class III directors at this Meeting and the incumbent Class I and Class II directors, and certain information about them, are included below.

Name	Age	Position
D. James Bidzos (1)	53	Vice Chairman of the Board
William L. Chenevich (2)	63	Director
Louis A. Simpson (3)	70	Director
Scott G. Kriens (1)	49	Director
Michelle Guthrie (3)	41	Director
Roger H. Moore (2)	65	Director
Edward A. Mueller (2)(3)	59	Chairman of the Board
William A. Roper, Jr.	61	Chief Executive Officer, President and Director

(1) Member of the Nominating and Corporate Governance Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee

D. James Bidzos has served as Vice Chairman of the Board of Directors since December 2001. He served as Chairman of the Board of Directors of VeriSign from April 1995 until December 2001. Mr. Bidzos served as Vice Chairman of RSA Security, an Internet identity and access management solution provider, from March 1999 to May 2002 and Executive Vice President from July 1996 to February 1999. Prior thereto, he served as President and Chief Executive Officer of RSA Data Security, Inc. from 1986 to February 1999.

William L. Chenevich has served as a director since April 1995. Mr. Chenevich has served as Vice Chairman of Technology and Operations for U.S. Bancorp, a financial holding company, since February 2001. He served as Vice Chairman of Technology and Operations Services of Firstar Corporation, a financial services company, from 1999 until its merger with U.S. Bancorp in February 2001. Prior thereto, he was Group Executive Vice President of VISA International, a financial services company, from 1994 to 1999. Mr. Chenevich holds a B.B.A. degree in Business from the City College of New York and a M.B.A. degree in Management from the City University of New York.

Louis A. Simpson has served as a director since May 2005. Since May 1993, he has served as President and Chief Executive Officer, Capital Operations, of GEICO Corporation, a passenger auto insurer. Mr. Simpson previously served as Vice Chairman of the Board of GEICO from 1985 to 1993. Mr. Simpson serves as a director of Science Applications International Corporation. Mr. Simpson holds a B.A. degree from Ohio Wesleyan University and a Masters degree in Economics from Princeton University.

Scott G. Kriens has served as a director since January 2001. Mr. Kriens has served as Chief Executive Officer and Chairman of the Board of Directors of Juniper Networks, a provider of Internet hardware and software systems, since October 1996. From April 1986 to January 1996, Mr. Kriens served as Vice President of Sales and Operations at StrataCom, Inc., a telecommunications equipment company, which he co-founded in 1986. Mr. Kriens serves as a director of Equinix, Inc. Mr. Kriens holds a B.A. in Economics from California State University, Hayward.

Michelle Guthrie has served as a director since December 2005. From November 2003 to February 2007, she served as Chief Executive Officer of STAR, News Corporation’s Asian media and entertainment company. Ms. Guthrie previously served as STAR’s Executive Vice President from June 2003 and Senior Vice President from January 2001. Prior to joining STAR, Ms. Guthrie worked for FOXTEL in Australia and BSkyB and News International in the United Kingdom. Ms. Guthrie holds an Arts degree and a Law degree from the University of Sydney.

Roger H. Moore has served as a director since February 2002. Since June 2007, Mr. Moore has served as interim Chief Executive Officer of Arbinet-Thexchange, Inc., a provider of online trading services. He was President and Chief Executive Officer of Illuminet Holdings, Inc. from December 1995 until December 2001 when VeriSign acquired Illuminet Holdings. Prior to Illuminet Holdings, Mr. Moore spent ten years with Nortel Networks in a variety of senior management positions including President of Nortel Japan. Mr. Moore serves as a director of Western Digital Corporation, Consolidated Communications Illinois Holdings, Inc., and Arbinet-Thexchange, Inc. Mr. Moore holds a B.S. degree in General Science from Virginia Polytechnic Institute and State University.

Edward A. Mueller has served as Chairman of the Board of Directors since May 2007. He served as a director since March 2005. He served as Chief Executive Officer of Williams-Sonoma, Inc., a specialty retailer of home furnishings, from January 2003 to July 2006. Prior to joining Williams-Sonoma, Inc., Mr. Mueller served as President and Chief Executive Officer of Ameritech, a telecommunications company, from 2000 to 2002; as President of SBC International Operations, a telecommunications company, from 1999 to 2000; and as President and Chief Executive Officer of Pacific Bell, a telecommunications company, from 1997 to 1999. Mr. Mueller joined the SBC organization in 1968, and held other executive level positions in the company, including President and Chief Executive Officer of Southwestern Bell Telephone. Mr. Mueller serves as a director of The Clorox Company and GSC Acquisition Company. Mr. Mueller holds a B.S. degree in Civil Engineering from the University of Missouri and an Executive M.B.A. degree from Washington University.

William A. Roper, Jr. has served as President and Chief Executive Officer since May 2007 and has served as a director since November 2003. From April 2000 through May 2007, he served as Corporate Executive Vice President of Science Applications International Corporation (“SAIC”), a diversified technology services company, and has previously served as SAIC’s Senior Vice President from 1990 to 1999, Chief Financial Officer from 1990 to 2000, and Executive Vice President from 1999 to 2000. Mr. Roper holds a B.A. degree in Mathematics from the University of Mississippi and graduate degrees from Southwestern Graduate School of Banking at Southern Methodist University and Stanford University, Financial Management Program.

EXECUTIVE OFFICERS

The following table sets forth certain information regarding the executive officers of VeriSign as of June 30, 2007:

Name	Age	Position
William A. Roper, Jr.	61	President and Chief Executive Officer
Aristotle N. Balogh	43	Executive Vice President and Chief Technology Officer
John M. Donovan	46	Executive Vice President, Worldwide Sales and Services
Albert E. Clement	45	Executive Vice President, Finance and Chief Financial Officer
Richard H. Goshorn	51	Senior Vice President, General Counsel and Secretary
Robert J. Korzeniewski	50	Executive Vice President, Corporate Development
Mark D. McLaughlin	41	Executive Vice President, Products and Marketing

William A. Roper, Jr. has served as President and Chief Executive Officer since May 2007 and has served as a director since November 2003. From April 2000 through May 2007, he served as Corporate Executive Vice President of Science Applications International Corporation (“SAIC”), a diversified technology services company, and has previously served as SAIC’s Senior Vice President from 1990 to 1999, Chief Financial Officer from 1990 to 2000, and Executive Vice President from 1999 to 2000. Mr. Roper holds a B.A. degree in Mathematics from the University of Mississippi and graduate degrees from Southwestern Graduate School of Banking at Southern Methodist University and Stanford University, Financial Management Program.

Aristotle N. Balogh has served as Executive Vice President and Chief Technology Officer since January 2007. From May 2006 to January 2007, Mr. Balogh served as Executive Vice President, Operations and Infrastructure. From May 2002 to May 2006, Mr. Balogh served as Senior Vice President, Operations and Infrastructure. From 1999 to 2002, Mr. Balogh served as Vice President of Engineering at VeriSign and Network Solutions. Prior to that, he held a variety of positions at Network Solutions. Prior to joining Network Solutions in 1998, Mr. Balogh held a variety of senior engineer and management roles at SRA Corporation, UPS's Roadnet Technologies, and Westinghouse Electric Corporation. Mr. Balogh holds a B.S. degree in Electrical Engineering and Computer Science and an M.S.E. degree in Electrical and Computer Engineering from the Whiting School of Engineering at Johns Hopkins University.

John M. Donovan has served as Executive Vice President, Worldwide Sales and Services, since November 2006 when VeriSign acquired inCode Telecom Group, Inc., a wireless consulting company. He served as Chief Executive Officer and Chairman of the Board of Directors of inCode from November 2000 to November 2006. Prior to joining inCode, Mr. Donovan was with Deloitte Consulting from 1994 to 2000, where he was a partner from 1997 to 2000 and held the position of Americas Industry Practice Director for Telecom. Mr. Donovan holds a B.S. degree in Electrical Engineering from the University of Notre Dame and an MBA degree in Finance from the University of Minnesota.

Albert E. Clement has served as Executive Vice President, Finance and Chief Financial Officer since July 2007. He served as Senior Vice President, Finance, and Controller since January 2001. From January to December 2000, he served as Controller of Network Solutions, which was acquired by VeriSign in June 2000. Prior to joining Network Solutions, Mr. Clement held senior financial positions at BroadPoint Communications and MCI from 1996 to 2000. Prior to that, Mr. Clement spent twelve years in various capacities at PricewaterhouseCoopers LLP. He is a certified public accountant and holds a Bachelor of Accountancy from George Washington University.

Richard H. Goshorn has served as Senior Vice President, General Counsel and Secretary since June 2007. From October 2004 to May 2007, he served as General Counsel for Akin Gump Strauss Hauer & Feld, LLP, a law firm. From 2002 to 2003, Mr. Goshorn was Corporate Vice President, General Counsel and Secretary of Acterna Corporation, a public communications test equipment company. From 1991 to 2001 he held a variety of senior executive legal positions with London-based Cable and Wireless PLC, a telecommunications company, including the position of Senior Vice President and General Counsel, Cable & Wireless Global. Mr. Goshorn holds a B.A. degree in Economics from the College of Wooster and a J.D. degree from Duke University's School of Law.

Robert J. Korzeniewski has served as Executive Vice President of Corporate Development since January 2007. From June 2000 to January 2007, Mr. Korzeniewski served as Executive Vice President of Corporate and Business Development. He served as Chief Financial Officer of Network Solutions from March 1996 until June 2000 when Network Solutions was acquired by VeriSign. Prior to joining Network Solutions, Mr. Korzeniewski held various senior financial positions at Science Application International Company from 1987 to March 1996. Mr. Korzeniewski serves as a director of Kintera, Inc. Mr. Korzeniewski is a certified public accountant and holds a B.S. degree in Business Administration from Salem State College.

Mark D. McLaughlin has served as Executive Vice President, Products and Marketing, since January 2007. From May 2006 to January 2007, he was Executive Vice President and General Manager, Information Services. From December 2004 to May 2006, he was Senior Vice President and General Manager, Information Services. From November 2003 through December 2004, Mr. McLaughlin was Senior Vice President and Deputy General Manager of Information Services. From 2002 to 2003, he served as Vice President, Corporate Business Development and from 2000 to 2001 he was Vice President, General Manager of VeriSign Payment Services. Prior to joining VeriSign, Mr. McLaughlin was the Vice President, Business Development of Signio, an Internet payment company acquired by VeriSign in February 2000. Mr. McLaughlin holds a B.S. degree in Political Science from the U.S. Military Academy at West Point and a J.D. degree from the Seattle University School of Law.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Securities Exchange Act of 1934, as amended, requires our directors and officers, and persons who own more than 10% of VeriSign's common stock to file initial reports of ownership and reports of changes in ownership with the SEC and The Nasdaq Stock Market. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file.

Based solely on our review of the copy of the forms furnished to us and written representations from the executive officers and directors, we believe that all filing requirements applicable to our directors and executive officers were timely met except that John M. Donovan had one delinquent filing on Form 3 and each of Aristotle N. Balogh, Dana L. Evan, Vernon L. Irvin, Robert J. Korzeniewski, Judy Lin and James M. Ulam had one delinquent filing on Form 4 during the fiscal year ended December 31, 2006.

CODE OF ETHICS

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and other senior accounting officers. The "Code of Ethics for the Chief Executive Officer and Senior Financial Officers" is located on our website at *http://investor.verisign.com/documents2.cfm*.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above.

CORPORATE GOVERNANCE

Audit Committee

The Board of Directors has established an audit committee that has responsibility for oversight of our financial, accounting and reporting processes and our compliance with legal and regulatory requirements, the appointment, termination, compensation and oversight of our independent auditors, including conducting a review of their independence, reviewing and approving the planned scope of our annual audit, overseeing the independent auditors' audit work, reviewing and pre-approving any non-audit services that may be performed by the independent auditors, reviewing with management and our independent auditors the adequacy of our internal financial controls, and reviewing our critical accounting policies and the application of accounting principles. The audit committee is currently comprised of Messrs. Chenevich, Moore and Mueller. Each member of the audit committee meets the independence criteria of The Nasdaq Stock Market and the SEC. Each audit committee member meets The Nasdaq Stock Market's financial knowledge requirements, and the Board of Directors has determined that Mr. Mueller is "financially sophisticated" as such term is defined in Rule 4350(d)(2)(A) of The Nasdaq Stock Market. The audit committee operates pursuant to a written charter adopted by the Board of Directors, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and The Nasdaq Stock Market. A copy of the audit committee charter is located on our website at *http://investor.verisign.com/governance.cfm*. The audit committee met nine times during 2006.

Audit Committee Financial Expert

On May 29, 2007, we announced that the Board of Directors had appointed William A. Roper, Jr. as President and Chief Executive Officer of the Company. Prior to this appointment, Mr. Roper was a member of the audit committee and the "audit committee financial expert" as such term is defined in Item 407(d)(5) of Regulation S-K of the Exchange Act. We are currently searching for a new director to fill this role.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The goal of our executive officer compensation program is to create long-term value for our stockholders. Toward this goal, we have designed and implemented our compensation programs for our executives to reward them for sustained financial and operating performance and leadership excellence, to align their interests with those of our stockholders and to encourage them to remain with the Company into the future. Most of our compensation elements are designed to simultaneously fulfill one or more of our performance, alignment and retention objectives. In deciding on the type and amount of compensation for each executive, we focus on both current pay and the opportunity for future compensation. We combine the compensation elements for each executive in a manner we believe optimizes the executive's contribution to the Company.

Role of the Compensation Committee

The Compensation Committee of our Board of Directors (the "Compensation Committee") is responsible for oversight of our compensation plans and benefit programs. The Compensation Committee sets and administers the policies governing compensation of our executive officers and our other employees. The Compensation Committee annually reviews and approves the base salary, incentive bonus and long-term incentive compensation of our executive officers and also reviews and approves the annual incentive bonus program and long-term incentive compensation program for our non-officer employees. Health and welfare benefits, perquisites, severance and change-in-control benefits are also reviewed regularly by the Compensation Committee. The Compensation Committee reviews recommendations from the Chief Executive Officer ("CEO") in connection with the review and approval of compensation of executive officers (other than the CEO). The CEO annually reviews the performance of each executive officer (other than the CEO whose performance is reviewed by the Committee). The CEO is responsible for making a recommendation regarding the salary, incentive bonus and long-term incentive compensation for each executive officer (other than himself) based on his assessment of the performance of each individual. The CEO is assisted by the Human Resources Department in formulating these recommendations. The CEO takes an active part in the discussions at Committee meetings at which the compensation of his direct reports is discussed. All decisions regarding the CEO's compensation are made by the Committee in executive session, without the CEO present. The Committee may accept or reject, in whole or in part, the recommendations of the CEO and the Human Resources Department. Similarly, recommendations made by the Committee's outside advisors may also be accepted, rejected or modified by the Committee.

Executive Compensation Philosophy, Framework and Implementation

VeriSign operates in a highly competitive and rapidly changing business environment. Our executive compensation program seeks to motivate executives to achieve our business objectives, foster teamwork, and attract and retain highly talented executives who will contribute to our long-term success.

Our executive officer compensation program is based on the following principles:

- **Performance:** a significant portion of each executive officer's total compensation should depend on the achievement of corporate objectives and the creation of stockholder value. Compensation should be directly and substantially linked to measurable corporate and individual performance, and provide incentives for superior performance that will drive demonstrable business impact;
- **Alignment:** compensation should closely align the interests of our executive officers with the long-term interests of our stockholders; and
- **Retention**: compensation should be competitive with that offered by other leading high technology companies we view as our peers and as competitors for the employment of talented executives.

We use a combination of base salary and benefits, annual incentive bonus, and long-term incentive compensation, such as stock options and restricted stock units, to achieve our objectives. The combined mix of compensation elements allows us to provide a competitive total rewards package for our executive officers that reflects our pay-for-performance philosophy. The Compensation Committee exercises its discretion in determining compensation for our executive officers, and compensation decisions are made after reviewing the performance of the Company and each executive's performance during the year against established goals, current compensation arrangements, market trends, and the compensation history of the executive officer relative to the other executives. Specific factors affecting compensation decisions include:

- key financial measurements such as revenue and cash flow, as well as non-GAAP operating income, operating margin, and earnings per share[1]
- strategic objectives, such as acquisitions, divestitures, innovation and segment expansion
- organizational development improvements relative to the executive's organizational responsibility and among their employees
- adherence to the Company's values.

Benchmarking

VeriSign uses a benchmarking process to help determine base salary, annual incentive bonus and long-term incentive compensation targets for our executive officers. The Compensation Committee engages a third party executive compensation consulting firm to undertake an annual study of competitive compensation practices for executive officers at certain high technology companies that we view as our peers or as competitors for talent. The Compensation Committee regularly reviews VeriSign's financial performance against these peers to assess the degree to which executive performance aligns with the metrics set by our peers.

The Compensation Committee targets total cash compensation (base salary and annual incentive bonus) between the 50th and 75th percentile of the compensation peer group. Long-term incentive compensation is targeted at the 75th percentile of the compensation peer group. Total direct compensation (base salary plus annual incentive bonus plus long-term incentive compensation) is targeted at the 75th percentile of the compensation peer group. Adjustments to total compensation are made based on the executive's individual performance in the prior year relative to his peers, the executive's future potential with the Company, and the scope of the executive's responsibilities and experience. The Compensation Committee believes that setting base salary, bonus and long-term incentive compensation targets at these levels is necessary in order to effectively attract, retain and motivate talented executives while enabling the Company to differentiate between executives, levels of performance and responsibility.

Other elements of compensation, including health and welfare benefits, perquisites, and severance and change-in-control payments and benefits are reviewed periodically by the Compensation Committee to ensure that our total compensation is competitive based on data obtained from various sources at the time of the review.

VeriSign's compensation peer group is principally made up of publicly-traded companies in the high technology sector that are our direct business competitors and with which we compete for executive talent.

The compensation peer group is comparable to VeriSign with regard to labor market competition, market capitalization, revenue and number of employees. The compensation peer group is reviewed annually and adjustments are made as necessary to ensure the group continues to appropriately reflect the competitive market for key talent and includes companies similar to VeriSign in scope and complexity.

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1 Non-GAAP financial information does not include the following types of financial measures that are included in GAAP: amortization of purchased intangible assets, in-process research and development, stock-based compensation expense, litigation settlements, gain/loss from the Jamba joint venture, restructuring, impairment of assets and acquisition-related reserve costs, impairment charges for goodwill and purchased intangible assets, internal review costs, release of deferred tax asset valuation allowances, and the net gain/loss or impairment of investments.

For 2006, the compensation peer group consisted of the following companies:

Adobe Systems Inc.	Hyperion Solutions Corp.
Akamai Technologies Inc	Intuit Inc.
Autodesk	Juniper Networks Inc.
BEA Systems Inc.	McAfee, Inc.
Cadence Design Systems Inc.	Mercury Interactive Corp.
Citrix Systems Inc.	Network Appliance Inc.
Convergys Corporation	Symantec Corp.
Electronic Arts Inc.	

On May 1, 2007, the Compensation Committee determined that the compensation peer group for 2007 and 2008 would consist of the following companies:

Adobe Systems Inc.	Convergys Corporation
Akamai Technologies Inc	Electronic Arts Inc.
Autodesk	Intuit Inc.
BEA Systems Inc.	Juniper Networks Inc.
BMC Software, Inc.	McAfee, Inc.
Business Objects S.A.	Network Appliance Inc.
Cadence Design Systems Inc.	Symantec Corp.
Citrix Systems Inc.	

The Compensation Committee also reviews annually the executive pay practices of other similarly situated companies as reported in industry surveys, reports from compensation consulting firms and other public data. These surveys are specific to the high technology sector and the Company utilizes customized reports of these surveys so that the compensation data reflect the practices of companies that are as similar in scope and complexity to VeriSign as possible. This information is also considered when making recommendations for each compensation element.

Role of Compensation Consultant

Compensia, Inc. (“Compensia”) serves as an independent compensation consultant to the Compensation Committee. Compensia reports directly to the Compensation Committee and assists it in evaluating and analyzing the Company’s executive compensation program, principles and objectives, as well as the specific compensation and benefit design recommendations presented by the Company’s executive management. The Compensation Committee recently engaged Frederick W. Cook & Co., Inc. to serve as its independent compensation consultant. VeriSign’s Human Resources Department also provides support to the Compensation Committee in carrying out its duties at the request and under the direction of the Compensation Committee.

Elements of Compensation Program

Base Salary. Base salaries of our executive officers, including our CEO, are determined annually. Actual base salary levels are established based upon each executive officer’s job responsibilities and experience, individual contributions and future potential, with reference to base salary levels of executives at other high technology companies we view as our peers. As described above, we target a percentile above the median as determined by a benchmarking analysis in setting the total cash compensation (base salary and annual incentive bonus) for each executive officer.

Annual Incentive Bonus. VeriSign has established the VeriSign Performance Plan (“VPP”), an annual cash bonus plan that is designed to reward members of the executive team and other employees for their contributions to the success of the Company. A substantial portion of each executive officer’s cash compensation is paid, if earned, in the form of the VPP bonus. Target bonus levels for our executive officers are established in part by reference to bonus levels of executives at other high technology companies we view as our peers as determined by our benchmarking analysis.

The VPP bonus is based upon the achievement of specified corporate, business unit and/or functional goals, including achievement of a minimum performance threshold and individual performance. All non-sales employees are eligible to participate in the annual incentive bonus program. The Compensation Committee, working with the executive management team, annually establishes the corporate and business unit and/or functional goals. These goals include financial, strategic and operational objectives, such as achieving measurable progress with key customer accounts and leadership development. The Compensation Committee determines the amount of annual incentive bonus, if any, that will be paid to the CEO and our other executive officers for achievement of the prior year's goals. As part of this process, the Compensation Committee reviews recommendations from the CEO in connection with the review and approval of each executive officer's annual incentive bonus, other than the CEO. The Compensation Committee also reviews and approves the budget for the VPP program for employees who are not executive officers and has delegated authority to the executive management team to administer the VPP for these employees.

Long-term Incentive Compensation. Long-term incentive compensation consists of non-qualified stock options and restricted stock units and is intended to align the interests of our executive officers with the long-term interests of our stockholders by focusing the efforts of our executive officers on the long-term success of the Company as reflected in increases to VeriSign's stock price over a period of several years, growth in its financial results and other measures. Long-term incentive awards are established based upon each executive officer's job responsibilities and experience, individual contributions and future potential, with reference to long-term incentive award levels of executives at other high technology companies we view as our peers as determined by our benchmarking analysis. In 2006, we awarded non-qualified stock options and restricted stock units to our executive officers that contain vesting terms over a four-year period: twenty-five percent (25%) of each stock option award vests one year after the date of grant and quarterly thereafter until fully vested; twenty-five percent (25%) of each restricted stock award vests annually on each anniversary of the date of grant until fully vested. We believe that providing combined grants of stock options and restricted stock units effectively balances our objective of focusing our executives on delivering long term value to our stockholders, with our providing value to executives with the equity awards.

In February 2006, the Compensation Committee used a benchmarking analysis to evaluate the competitive positioning of long-term incentive compensation for our executive officers. For 2006, long-term incentive compensation was targeted at the 75th percentile of the compensation peer group; however, stock options and restricted stock units were also granted to executives based on the individual's expected contribution to the Company's future success, as well as the individual's past performance. The Compensation Committee also considered the number of unvested stock options and restricted stock units held by each executive officer. 75% of the total award value was granted in the form of non-qualified stock options and 25% of the total award value was granted in the form of restricted stock units. Stock options were granted in August 2006 to executive officers with an exercise price equal to the fair market value of VeriSign common stock on the date of grant, which was the date the Compensation Committee approved such awards.

Stock options and restricted stock units have value for executive officers only if the individual remains an employee for the applicable vesting period, and, in the case of stock options, only if the price of VeriSign's stock increases above the exercise price of the option. Stock options are granted with an exercise price equal to fair market value at the date of grant and typically vest over a four-year period with 25% of the option shares vesting on the first anniversary of the grant and the remaining option shares vesting ratably each quarter thereafter until fully vested. Restricted stock units typically vest over four years as follows: 25% on the first anniversary of the grant, and 25% on each of the subsequent three anniversary dates. Vesting in all cases is subject to the individual's continued provision of services to VeriSign through the vesting date.

VeriSign is cognizant of stockholder concerns about stock usage and dilution. As a consequence, management and the Compensation Committee have taken the following steps to manage employee equity grants:

- VeriSign reviewed its equity compensation practices in connection with the stock option-related accounting changes promulgated by the Financial Accounting Standards Board and the impact such

changes have on VeriSign's financial statements. The purpose of this review was to determine whether alternative forms of equity compensation could strengthen the link between executive and employee reward opportunities and the creation of long-term stockholder value. The Board of Directors concluded that stock options continue to be an appropriate equity compensation tool for VeriSign's executives officers, but the use of performance shares (full-value stock award units based on the achievement of pre-established goals) in the future as part of the composition of equity compensation for the CEO and other executives will allow the Company to reward executives for sustained performance against key long-term performance measures, as well as performance relative to our peers, which is how many of our stockholders measure the Company's performance.

- VeriSign is committed to limit annual net issuances of stock-based awards to employees to 3% or less of the number of shares of common stock outstanding, excluding extraordinary events, such as acquisitions.

Benefits. Executive officers, like other employees, participate in a number of benefit programs designed to enable VeriSign to attract and retain employees in a competitive marketplace. The Company provides executive officers the same health and welfare benefits provided generally to all other employees, at the same general premium rates charged to such employees, with the exception of the Group Voluntary Universal Life insurance benefit and certain executive perquisites described below. The health and welfare benefits include medical, dental and vision insurance and other health benefits, as well as paid time off, an employee stock purchase plan, and a qualified 401(k) plan. The Group Voluntary Universal Life insurance benefit is open to all U.S.-based employees with an annual salary of $110,000 or greater. All of our Named Executive Officers (as defined in the "Summary Compensation Table for Fiscal 2006" section of this report) participate in this program which provides two times salary in basic life insurance as well as the opportunity to purchase optional life insurance.

Perquisites. Other than those benefits described above, the Company generally provides no additional or supplemental benefits, such as a company automobile, club memberships, deferred compensation programs, or retirement benefits, to its executive officers. However, between 2004 and 2006, the Company paid country club membership fees and monthly dues on behalf of Mr. Irvin. In 2006, Mr. Irvin received compensation of $9,634 as reimbursement for country club dues.

Total Compensation. VeriSign believes we are fulfilling our compensation objectives and rewarding executive officers in a manner that is consistent with our pay-for-performance philosophy. Executive compensation is tied directly to our performance and is structured to ensure that there is an appropriate balance between the Company's long-term and short-term performance, and also provides a balance between our operational performance and stockholder return. On average, targeted total cash compensation (base salary plus annual incentive bonus) for our Named Executive Officers in 2006 was at the 65th percentile of the market as determined by reference to our compensation peer group and the average resulting targeted pay mix was 23% base salary, 15% annual incentive bonus and 62% long-term inventive compensation. On average, targeted total direct compensation (base salary plus annual incentive bonus plus long-term incentive compensation) was slightly above the 75th percentile of market as determined by reference to our compensation peer group due to emphasis we placed on long-term incentives.

Equity Award Practices. Equity-based grants, which include stock options and restricted stock units ("RSUs"), are an important element of VeriSign's total compensation program and are designed to support the Company's pay-for-performance philosophy in addition to providing a direct link between employee rewards and increased stockholder value. Equity-based awards are typically granted in connection with new hires and promotions and annually in connection with the Company's Stock Recognition Award program that is designed to reward for employees who are considered key contributors to VeriSign's continued success. Except for equity awards made in connection with new hires and promotions, equity awards to executive officers and other employees are generally made annually. Details regarding the grants, including the type of grants, the terms of the grants, the recipients, and the size of the grants, are reviewed and approved by the Compensation Committee. Each year, the Compensation Committee establishes guidelines for the granting of equity-based awards in connection with new hires and promotions based on recommendations from management and consideration of a

number of factors including the dilutive impact of grants that are expected to be made in the coming year, the current number of outstanding options and RSUs, and the rate at which the Company expects to issue equity grants.

Equity-based awards made in connection with the Company's Stock Recognition Award program are granted on the date the Compensation Committee approves the awards, which is usually the Compensation Committee meeting held in August of each year. The exercise price of each stock option awarded to our employees, including our executive officers, is the closing price of VeriSign stock on the date of grant.

Automatic Grants for New Hires and Promotions. When an employee is hired or promoted, the employee may be eligible to receive an equity award. Unless the individual is an executive officer or the grant exceeds the range approved by the Compensation Committee in its equity guidelines, the grant is made automatically on the 15th day of the month as follows: If the date of the new hire or promotion occurs before the 15th day of the month, the grant is made automatically on the 15th day of the month (unless that day is not a day that the NASDAQ Stock Market is open for trading ("Trading Day") in which case the grant is made on the preceding Trading Day. If the date of the new hire or promotion occurs on or after the 15th day of the month, the grant will be made automatically on the 15th day of the next month (unless that day is not a Trading Day in which case the grant is made on the preceding Trading Day). If the individual is an executive officer or the grant exceeds the range approved by the Compensation Committee in its equity guidelines, the Compensation Committee must approve the equity award.

Tax and Accounting Treatment of Executive Compensation

In determining the amount and form of compensation paid each year to its executive officers, the Company takes into account both the tax treatment and the accounting treatment of such compensation. However, the tax and accounting treatment of various forms of compensation is subject to changes in, and changing interpretations of, applicable laws, regulations and rules, as well as other factors not necessarily within the Company's control. Thus, tax and accounting treatment is merely one of many factors that the Company takes into account in designing certain elements of compensation.

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the federal income tax deduction for compensation paid to each Named Executive Officers to $1,000,000 per year for public companies, unless the compensation is performance-based. VeriSign's executive compensation is structured to maximize the amount of compensation expense that is deductible by the Company when, in its judgment, it is appropriate and in the interest of the Company and its stockholders. The deductibility of an executive officer's compensation can depend upon the timing of the executive officer's vesting or exercise of previously granted rights, as well as other factors beyond the Company's control. Therefore an executive officer's compensation is not necessarily limited to that which is deductible under Section 162(m). The Compensation Committee may approve payment of compensation that exceeds the deductibility limitation under Section 162(m) in order to meet compensation objectives or if it determines that doing so is otherwise in the interest of our stockholders. Having considered the requirements of Section 162(m), we believe that the stock option awards made in 2006 pursuant to the 2006 Equity Incentive Plan meet the requirements that such grants be "performance based" and are, therefore, exempt from the limitations on deductibility, and that the restricted stock units awarded are not performance based and are therefore, not exempt from the limitations on deductibility.

Restricted stock units granted under the 1998 Equity Incentive Plan and options granted under the 2001 Stock Incentive Plan in 2006 may not be deductible depending on the date that such restricted stock units vest or the options are exercised. The 2001 Stock Incentive Plan does not meet the requirements of Section 162(m). For 2006, all compensation, excluding restricted stock unit awards, provided to our named executive officers, other than Stratton D. Sclavos, our former Chief Executive Officer, President and Chairman of the Board, was fully deductible by the Company. Mr. Sclavos' non-deductible compensation for 2006 was $1,074,617 and was attributed primarily to the non-deductibility of his 2005 VPP Bonus payment, paid in 2006, as well as the non-deductibility of restricted stock unit awards.

Share Ownership Guidelines

In addition to aligning interests between executives and stockholders through stock options and restricted stock units, the Board of Directors adopted a stock ownership policy that requires executive officers to own shares of VeriSign common stock. Executive officers are required to own VeriSign common stock in an amount not less than three times their annual base salary (calculated using the executive's 2005 base salary for individuals who were executive officers at the time of the policy's adoption or, for officers appointed after the policy's adoption, the executive's initial base salary at the time the individual was appointed as an executive officer). Company stock that counts toward satisfaction of these stock ownership guidelines includes: shares owned outright by the officer and his or her immediate family members who share the same household, whether held individually or jointly; restricted stock where the restrictions have lapsed; shares acquired and held upon stock option exercises; and shares obtained through open market purchases. Shares held in trust may also be included, subject to the approval of the Chairman of the Board of Directors and the lead independent director. Each executive officer has five years from the later of the date of the adoption of the requirement or of the individual becoming an executive officer, to attain the minimum level of ownership. The stock ownership policy is included in VeriSign's Corporate Governance Principles which can be found on our website at *http://investor.verisign.com/governance.cfm*.

Because the Company grants stock-based incentives in order to align the interests of its employees with those of its stockholders, the Company's Securities Trading Policy forbids executive officers and other employees from buying or selling derivative securities related to VeriSign common stock, such as puts or calls on VeriSign common stock, as derivative securities may diminish the alignment that the Company is trying to foster. Company-issued stock options and restricted stock units are not transferable during the executive officer's life, other than certain gifts to family members (or trusts, partnerships, etc., that benefit family members).

Compensation for the Named Executive Officers

The specific compensation decisions made for each of the Named Executive Officers for 2006 reflect the performance of the Company against key financial and operational measurements. A detailed analysis of our financial and operational performance is contained in Item 7, Management's Discussion and Analysis of Financial Condition and Financial Disclosure elsewhere in this report.

CEO Compensation

In February 2006, the Compensation Committee established Mr. Sclavos' base salary for 2006 after reviewing his personal performance and achievement against 2005 corporate financial, strategic and operational goals, his compensation history and relevant benchmarking data. Corporate financial goals included measurements against revenue and cash flow targets, as well as non-GAAP operating income, operating margin and earnings per share targets.[2] Strategic goals included growth targets for existing services, goals for development of new product and service offerings, achievement of specified milestones regarding major customer accounts, expansion of international revenues, leverage of synergy opportunities, successful mergers and acquisitions activity, operational excellence, broadening strategic alliances, and continued improvement in the Company's operational infrastructure. Operational goals included organizational development objectives and leadership development initiatives.

After reviewing Mr. Sclavos' performance against 2005 goals, personal performance and relevant benchmarking data, the Compensation Committee increased Mr. Sclavos' base salary by 4.2% to $937,800 which

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[2] Non-GAAP financial information does not include the following types of financial measures that are included in GAAP: amortization of purchased intangible assets, in-process research and development, stock-based compensation expense, litigation settlements, gain/loss from the Jamba joint venture, restructuring, impairment of assets and acquisition-related reserve costs, impairment charges for goodwill and purchased intangible assets, internal review costs, release of deferred tax asset valuation allowances, and the net gain/loss or impairment of investments.

is approximately the 70th percentile of our compensation peer group. The Compensation Committee also, within the same review process, awarded a 2005 performance bonus payment of $1,160,027, or 117% of the target bonus.

In August 2006, as part of the Company's annual Stock Recognition Award program process, and based on an evaluation of Company performance, Mr. Sclavos' leadership performance, and market data as determined by reference to our compensation peer group, the Compensation Committee awarded Mr. Sclavos 583,000 non qualified stock options and 64,800 restricted stock units. These grants were subject to our customary four-year vesting terms and were the only long-term incentive compensation awards granted to Mr. Sclavos in 2006.

At the time the Compensation Committee met to determine 2007 base salaries for executive officers, the restatement of certain historical financial statement related to the review of historical stock option granting practices by the Ad Hoc Group described in the Explanatory Note in Note 2 "Restatement of Consolidated Financial Statements" of the Notes to Consolidated Financial Statements, was ongoing. As a consequence, the Board of Directors and the Compensation Committee determined to defer consideration of Mr. Sclavos' 2007 compensation until after the restatement was completed. On May 27, 2007, Mr. Sclavos resigned from the Company and the Board of Directors appointed William A. Roper, Jr. as the Chief Executive Officer and President. Prior to his resignation, Mr. Sclavos received no annual salary increase or annual incentive bonus based on his performance and achievement against the personal, corporate financial, strategic and operational goals established for 2006. The terms of Mr. Roper's compensation have not yet been determined.

CFO and Other Named Executive Officers

2006 Base Salary. In determining the base salaries of our Named Executive Officers for 2006 (other than the CEO and Mr. Donovan), the Compensation Committee evaluated each individual's personal performance and achievement against 2005 corporate financial, strategic and operational goals, his or her compensation history and relevant benchmarking data. The CEO reviewed with the Compensation Committee the performance of each executive officer during 2005.

The table below summarizes the base salaries of our Named Executive Officers (other than our CEO) in 2006.

Named Executive Officer	2006 Base Salary	% Increase Compared to 2005 Base Salary	Effective Date
John Donovan	$ 450,000	n/a	11/30/2006
Dana Evan	$ 420,000	5.0%	2/10/2006
Vernon Irvin	$ 427,200	4.2%	2/10/2006
Bob Korzeniewski	$ 367,500	5.0%	2/10/2006
Mark McLaughlin	$ 336,000	20.0%	3/11/2006

The Compensation Committee approved the increases in Ms. Evan's, Mr. Irvin's, and Mr. Korzeniewski's base salaries after a review of relevant benchmarking information, as well as performance information and recommendations provided by the CEO.

Mr. McLaughlin was promoted to Executive Vice President effective on March 11, 2006, and the Compensation Committee approved an increase in his base salary to reflect the desired salary level for our executives and after a review of relevant benchmarking information.

The base salary for Mr. Donovan, the former Chief Executive Officer of inCode Telecom Group, Inc. ("inCode"), was set at $450,000 per annum at the time of our acquisition of inCode on November 30, 2006 and is based upon our review of base salaries for similarly situated positions in the market.

2007 Base Salary. In determining the base salaries for our Named Executive Officers (other than our former CEO) for 2007, the Compensation Committee evaluated each individual's personal performance and achievement against 2006 corporate financial, strategic and operational goals, his or her compensation history and relevant benchmarking data. The CEO reviewed with the Compensation Committee the performance of each executive officer during 2006.

The table below summarizes the base salaries of our Named Executive Officers (other than our former CEO) in 2007. The effective date of the base salary increases was May 1, 2007.

Named Executive Officer	2007 Base Salary	% Increase Compared to 2006 Base Salary
John Donovan	$ 450,000	0.0%
Dana Evan	$ 420,000	0.0%
Vernon Irvin	—	—
Bob Korzeniewski	$ 375,000	2.0%
Mark McLaughlin	$ 450,000	33.9%

As Mr. Donovan's base salary was determined in November 2006 in connection with the acquisition of inCode Telecom Group, Inc. ("inCode"), no adjustment was deemed necessary to his base salary for 2007.

At the time the Compensation Committee met to determine 2007 base salaries for executive officers, the restatement of certain historical financial statement related to the review of historical stock option granting practices by the Ad Hoc Group described in the Explanatory Note that appears at the beginning of this report was ongoing. As a consequence, the Board of Directors and the Compensation Committee determined to defer consideration of Ms. Evan's 2007 compensation until after the restatement was completed. On July 10, 2007, Ms. Evan resigned from Company. Ms. Evan had been our Executive Vice President, Finance and Administration and Chief Financial Officer.

The Compensation Committee approved the increase in Mr. Korzeniewski's base salary after a review of relevant benchmarking information, as well as performance information and recommendations provided by the CEO.

The base salary increase for Mr. McLaughlin reflects a material increase in responsibility following a corporate reorganization and his new and significantly expanded role as Executive Vice President of Products and Marketing in January 2007.

Mr. Irvin resigned from the Company on October 31, 2006.

Annual Incentive Bonus. In determining the annual incentive bonuses payable in 2007 for performance in 2006 to our Named Executive Officers (other than the CEO), the Compensation Committee evaluated each individual's personal performance and achievement against 2006 corporate financial goals (as described in the CEO Compensation section above), strategic and operational goals, his or her compensation history and relevant benchmarking data.

For 2006, target bonuses were established at 60% of base salary. In February and again in May 2007, the Compensation Committee met with executive management to review the performance of executive officers and certify achievement against corporate and business unit goals and individual objectives for 2006.

In May 2007, the CEO made recommendations to the Compensation Committee regarding annual incentive bonus amounts for each of the executive officers (other than the CEO and Mr. Irvin). These recommendations, other than the recommendation for Ms. Evan, were approved by the Compensation Committee. The annual VPP bonuses paid in 2007 for performance in 2006 to executive officers was as follows:

Named Executive Officer	Target % of Base Salary	% of Target Awarded	VPP Bonus Amount	Year over Year Change
John Donovan	60%	—	—	—
Dana Evan	60%	—	—	—
Vernon Irvin	60%	59%	$179,424	(39)%
Robert Korzeniewski	60%	100%	$220,500	(12)%
Mark McLaughlin	60%	125%	$252,000	20%

Mr. Donovan joined VeriSign in November 2006, and therefore he was not eligible to receive an annual incentive bonus as part of the VPP for 2006. In 2007, Mr. Donovan received a bonus payment of $24,000 in connection with his service as Chief Executive Officer of inCode during 2006. In addition, in 2006, VeriSign paid Mr. Donovan $5,000,000 pursuant to the terms of an inCode Management Retention Plan.

At the time the Compensation Committee met to determine 2007 base salaries for executive officers, the restatement of certain historical financial statement related to the review of historical stock option granting practices by the Ad Hoc Group described in the Explanatory Note that appears at the beginning of this report, was ongoing. As a consequence, the Board of Directors and the Compensation Committee decided to defer consideration of Ms. Evan's 2006 annual incentive bonus until after the restatement was completed. On July 10, 2007, Ms. Evan resigned from Company. Ms. Evan had been our Executive Vice President, Finance and Administration and Chief Financial Officer. The material terms of any separation agreement that may be entered into between the Company and Ms. Evan will be disclosed as required under applicable regulations of the SEC.

Mr. Irvin resigned from the Company on October 31, 2006. In March 2007, under the terms of his severance agreement, Mr. Irvin was paid an annual incentive bonus based on his service through October 31, 2006. The material terms of Mr. Irvin's severance arrangement are summarized in the "Separation and Change-in-Control Payments and Benefits" section below.

Long-Term Incentive Compensation. In August 2006, the Compensation Committee approved long-term incentive awards in the form of non-qualified stock options and restricted stock units to our Named Executive Officers (other than Mr. Donovan who was not an employee of the Company at that time). In establishing the amount of long-term incentives to award each individual, the Committee compared the total value of the proposed long-term incentive awards to the market benchmark data. As described above, in 2006, the Company's objective was to target long term incentive compensation at approximately the 75th percentile of market data; however, stock options and restricted stock units were also granted to executives based on the individual's expected contribution to the Company's future success, as well as the individual's past performance. The Committee also considered the number of unvested stock options and restricted stock units held by each executive officer. 75% of the total award value was granted in the form of non-qualified stock options and 25% of the total award value was granted in the form of restricted stock units.

In May 2006, the Compensation Committee awarded Mark McLaughlin 40,000 non-qualified stock options and 4,200 RSUs in connection with his promotion to Executive Vice President and General Manager, Information Services. This award took into consideration Mr. McLaughlin's level of responsibility and historical equity awards, and was granted in accordance with the Company's equity guidelines for promotional grants.

Mr. Donovan was appointed Executive Vice President, Worldwide Sales and Consulting Services, in November 2006, in connection with our acquisition of inCode. At that time, the Compensation Committee awarded Mr. Donovan 200,000 non-qualified stock options and 25,000 restricted stock units.

The table below summarizes the long-term incentive awards granted to our Named Executive Officers (other than our former CEO) in 2006.

Named Executive Officer	Shares Subject to Non-qualified Stock Options	RSUs
John Donovan	200,000	25,000
Dana Evan	81,000	9,000
Vernon Irvin	63,000	7,000
Bob Korzeniewski	72,000	8,000
Mark McLaughlin	130,000	14,200

The Compensation Committee and management are currently reviewing the Company's approach to long-term incentive compensation plan for executive officers for 2007.

Elections Related to Section 409A-Affected Options. As disclosed in the Explanatory Note at the beginning of this report, four of VeriSign's current and former executive officers and a current director holding Affected Options elected to increase the exercise price of their Affected Options to the market price on December 31, 2006. Accordingly, effective December 31, 2006, the exercise prices of Affected Options held by D. James Bidzos, a current board member, Dana Evan, Chief Financial Officer, Robert Korzeniewski, Executive Vice President of Corporate Development, Judy Lin, former Executive Vice President of Security Services and Mark McLaughlin, Executive Vice President of Products and Marketing, were adjusted so that these options will not be subject to Section 409A. The Company has not made a determination whether compensation will be paid to any of these individuals in connection with this election.

Relocation Agreements. Pursuant to the terms of Mr. Donovan's employment offer letter, the Company will reimburse Mr. Donovan up to $1.5 million for expenses related to his relocation to Mountain View, California. Through June 2007, VeriSign reimbursed Mr. Donovan approximately $1,366,827 for relocation expenses, including relocation allowance, transportation of family members and household goods, house hunting trips, temporary maintenance, closing costs associated with the sale and purchase of his residence, and other miscellaneous expenses related to the relocation.

Reimbursement Payments to Mr. Sclavos for Use of Airplane. Mr. Sclavos receives reimbursement for business use of his personal aircraft as more fully described in the "Certain Relationships and Related Transactions" section elsewhere in this report.

In April 2007, the Company's Internal Audit Department began a review of business expenses for which senior management was reimbursed by the Company during calendar year 2006 and the first calendar quarter of 2007 and presented a preliminary report to the Audit Committee of the Board of Directors. The Audit Committee concluded that the Company erroneously reimbursed Mr. Sclavos in the amount of $32,190 for personal travel on his private plane. In June 2007, Mr. Sclavos reimbursed the Company for that amount.

The Internal Audit Department's review of senior management business expenses has not yet been completed.

Separation and Change-in-Control Payments and Benefits. The Company generally does not enter into employment agreements with its executive officers and employment offers generally do not provide for severance or other benefits following termination. However, we have entered into severance arrangements with certain of our executive officers in the past. On February 16, 2007, we entered into a severance arrangement with Judy Lin, our former Executive Vice President and General Manager, Security Services, as further described below. On October 31, 2006, we entered into a severance arrangement with Vernon Irvin, our former Executive Vice President and General Manager, Communications Services, as further described below. On July 9, 2007, we entered into a consulting and separation agreement with Mr. Sclavos, our former CEO, President and Chairman of the Board, as further described below.

Upon certain changes in control, the option vesting schedule accelerates as to 50% of any shares subject to stock options that are then unvested for officers at the level of senior vice president and above and as to 100% of any shares subject to stock options that are then unvested for the president and chief executive officer.

On July 9, 2007, VeriSign entered into a Consulting and Separation Agreement with Mr. Sclavos in connection with his resignation on May 27, 2007. Pursuant to the terms of the agreement, Mr. Sclavos will provide consulting services to the Company for a one-year period at the rate of $5,000 per month and is prohibited from engaging in certain competitive activities or soliciting customers of the Company during such period. The Company will pay Mr. Sclavos severance of $1,969,380 within twenty-one (21) days of the effective date of the agreement and $1,969,380 on June 15, 2008, subject to his compliance with the terms of the agreement. In the event of a change-in-control of the Company, all severance payments will accelerate and become immediately due and payable.

The Company accelerated all of Mr. Sclavos' outstanding options to purchase shares of the Company's common stock and restricted stock units that are scheduled to vest within twenty-four (24) months after Mr. Sclavos' resignation. Accordingly, vesting for restricted stock units with respect to approximately 156,000 shares of the Company's common stock and the following stock options were accelerated:

Grant Date	Exercise Price	Number of Shares Accelerated
10/29/2003	$ 15.87	86,340
11/01/2005	23.46	192,650
08/01/2006	17.94	400,813
	Total:	679,803

On May 31, 2007, in anticipation of entering into this agreement, the Company paid Mr. Sclavos severance in the amount of $1,031,580 and $115,422 for all unpaid wages and unused paid time off accrued through his resignation date.

The Company will also pay Mr. Sclavos $5,459,430 within twenty-one (21) days of the effective date of the agreement in connection with an option to purchase 300,000 shares of the Company's common stock that was previously granted to Mr. Sclavos but was erroneously deleted from the Company's records as more fully described in the Explanatory Note appearing at the beginning of this report.

With respect to an option to purchase 600,000 shares of the Company's common stock with an exercise price of $10.08 that was previously granted to Mr. Sclavos, if the Board of Directors determines in good faith that the exercise price of such option should be increased, then the exercise price of the unexercised portion of such option will be increased and with respect to the portion of such option that may have been exercised, Mr. Sclavos agrees to repay the Company the difference between the increased exercise price and the original exercise price.

Severance Agreement with Ms. Lin. On February 16, 2007, VeriSign entered into a severance agreement with Judy Lin, the former Executive Vice President and General Manager, Security Services ("Lin Severance Agreement"). In consideration of Ms. Lin's service with VeriSign and in exchange for Ms. Lin's release of claims and covenant not to sue, VeriSign agreed to pay Ms. Lin a severance payment in the total amount of $571,200, $382,704 of which was paid in 2007, and the other $188,496 will be paid on the one year anniversary of the termination of her employment, subject to Ms. Lin's compliance with non-solicitation and non-competition provisions. In March 2007, VeriSign also paid Ms. Lin $214,200, representing her bonus for services performed for VeriSign in 2006. VeriSign also made payments to Ms. Lin for her COBRA and life insurance premiums and provided certain administrative and other support as forth in the Lin Severance Agreement.

Upon termination of Ms. Lin's employment with VeriSign, VeriSign accelerated vesting of 19,719 of Ms. Lin's then unvested stock options to purchase shares of VeriSign common stock for which the fair market value is greater than the exercise price of her employment on the termination date. Also upon termination of Ms. Lin's employment, VeriSign accelerated vesting of 4,250 of her then unvested restricted stock units of VeriSign common stock.

Severance Agreement with Mr. Irvin. On October 31, 2006, VeriSign entered into a Severance and General Release Agreement (the "Irvin Severance Agreement") with Vernon L. Irvin, the former Executive Vice President and General Manager, Communications Services. In consideration of Mr. Irvin's service with VeriSign and in exchange for Mr. Irvin's release of claims and covenant not to sue, VeriSign agreed to pay Mr. Irvin a severance payment in the total amount of $683,520, $457,958 of which was paid in 2006, and the other $225,562 will be paid on the one year anniversary of the termination of his employment, subject to Mr. Irvin's compliance with non-solicitation and non-competition provisions. In March 2007, VeriSign also paid Mr. Irvin $179,424, representing his bonus for services performed for VeriSign in 2006. VeriSign also made payments to Mr. Irvin for his COBRA and life insurance premiums and provided certain administrative and other support as set forth in the Irvin Severance Agreement.

Upon termination of Mr. Irvin's employment with VeriSign, VeriSign accelerated vesting of 22,781 of Mr. Irvin's then unvested stock options to purchase shares of VeriSign common stock for which the fair market value is greater than the exercise price of his employment on the termination date. Also upon termination of Mr. Irvin's employment, VeriSign accelerated vesting of 4,450 of his then unvested restricted stock units of VeriSign common stock.

Report of the Compensation Committee

The information contained in this report shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent that VeriSign specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act.

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis for 2006. Based on the review and discussions, the Compensation Committee recommended to the Board, and the Board has approved, that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

This report is submitted by the Compensation Committee

Louis A. Simpson (Chairperson)
Michelle Guthrie
Edward A. Mueller

Compensation Committee Interlocks and Insider Participation

All members of the compensation committee during 2006 were independent directors, and none of them were employees or former employees of VeriSign. No executive officer of VeriSign has served on the compensation committee of the board of directors of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors or the compensation committee of VeriSign during the 2006 fiscal year. Mr. Sclavos, the former President, Chief Executive Officer and Chairman of the Board of Directors of VeriSign, served on the board of directors of Juniper Networks during the 2006 fiscal year. Mr. Kriens, a member of the Board of Directors of VeriSign, is Chief Executive Officer and Chairman of the board of directors of Juniper Networks.

Summary Compensation Table for Fiscal 2006

The following table sets forth certain summary information concerning the compensation received by our chief executive officer and chief financial officer during 2006, the three other most highly compensated executive officers as of the end of 2006, as well as one individual who would have been among the three most highly compensated executive officers for 2006 but for the fact that the individual was not serving as an executive officer at the end of 2006. We refer to these officers as the Named Executive Officers.

SUMMARY COMPENSATION TABLE FOR FISCAL 2006

Name and Principal Position	Year	Salary (1)	Bonus	Stock Awards (2)	Option Awards (2)	Non-Equity Incentive Plan Compensation (3)	All Other Compensation (4)	Total
Stratton D. Sclavos (5) Former Chairman of the Board, President and Chief Executive Officer	2006	$932,130	$ —	$1,259,903	$4,625,647	$ —	$ 7,633(6)	$6,825,313
Dana L. Evan (7) Executive Vice President, Finance and Administration and Chief Financial Officer	2006	417,000	—	61,596	409,957	—	7,857	896,410
John M. Donovan Executive Vice President, Worldwide Sales and Services	2006	37,500	—	8,244	43,360	—	6,390,865(8)	6,479,969
Mark D. McLaughlin Executive Vice President, Products and Marketing	2006	323,982	—	70,689	571,466	252,000	7,624	1,225,761
Robert J. Korzeniewski Executive Vice President, Corporate Development	2006	364,875	—	52,263	403,526	220,500	8,220	1,049,384
Vernon L. Irvin (9) Former Executive Vice President and General Manager, Communications Services	2006	404,903	—	134,050(10)	479,617(10)	179,424	718,181(11)	1,916,175

(1) Includes, where applicable, amounts electively deferred by each Named Executive Officer under our 401(k) Plan.
(2) Stock Awards consist solely of restricted stock units. Amounts shown do not reflect compensation actually received by the Named Executive Officer. Instead, the amounts shown are the compensation expenses recognized by VeriSign in fiscal 2006 for the applicable Stock Award or Option Award as determined pursuant to FAS 123R disregarding forfeiture assumptions. These compensation costs reflect equity awards granted in 2006 and prior years. The assumptions used to calculate the value of Stock Awards and Option Awards are set forth under Note 13 of the Notes to Consolidated Financial Statements included elsewhere in this report.
(3) Amounts shown are for non-equity incentive plan compensation earned during the year indicated, but paid in the following year.
(4) The amounts, except as otherwise noted, are for health club fees, term life insurance premiums, matching contributions made under our 401(k) plan as follows:

ALL OTHER COMPENSATION

Name	Health Club Fees	Term Life Insurance Premiums	401(k) Matching Contribution	Other Compensation	Total All Other Compensation
Stratton D. Sclavos	$ —	$ 1,033	$ 6,600	$ —	$ 7,633(6)
Dana L. Evan	—	1,257	6,600	—	7,857
John M. Donovan	—	38	—	6,390,827(8)	6,390,865
Mark D. McLaughlin	390	634	6,600	—	7,624
Robert J. Korzeniewski	390	1,676	6,154	—	8,220
Vernon L. Irvin	—	945	7,500	709,736(11)	718,181

(5) Mr. Sclavos resigned from the Company on May 27, 2007.

(6) Does not include $568,400 for personal plane expense reimbursement as described in the "Certain Relationships and Related Transactions" included elsewhere in this report.
(7) Ms. Evan resigned from the Company on July 10, 2007.
(8) Includes $5 million paid pursuant to the terms of the inCode Telecom Group, Inc. ("inCode") Management Retention Plan in connection with VeriSign's acquisition of inCode on November 30, 2006. Also includes $1,366,827 representing reimbursement for relocation expenses paid in 2007 and a $24,000 bonus for services performed as inCode's Chief Executive Officer during 2006.
(9) Mr. Irvin resigned from the Company on October 31, 2006.
(10) Does not include an estimated compensation expense of $15,836 in restricted stock unit forfeitures and $126,173 in stock option forfeitures related to service-based vesting conditions on these awards.
(11) Includes $700,102 in severance payments, paid or accrued by the Company pursuant to the terms of Mr. Irvin's severance agreement, the material terms of which are summarized in "Compensation Discussion and Analysis" included elsewhere in this report. Also includes $9,634 paid to Mr. Irvin for country club dues in 2006.

In April 2007, the Company's Internal Audit Department began a review of business expenses for which senior management was reimbursed by the Company during calendar year 2006 and the first calendar quarter of 2007 and presented a preliminary report to the Audit Committee of the Board of Directors. The Audit Committee concluded that the Company erroneously reimbursed Mr. Sclavos in the amount of $32,190 for personal travel on his private plane. In June 2007, Mr. Sclavos reimbursed the Company for that amount.

The Internal Audit Department's review of senior management business expenses has not yet been completed.

Grants of Plan Based Awards for Fiscal 2006

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal 2006.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2006

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Stratton D. Sclavos	8/1/2006	—	583,000	$ 17.9400	$ 6,017,435
	8/1/2006	64,800	—	—	1,162,512
Dana L. Evan					(1)
	8/1/2006	—	81,000	17.9400	555,992
	8/1/2006	9,000	—	—	161,460
John M. Donovan	11/30/2006	—	15,238	5.1808	306,284
	11/30/2006	—	427	3.2121	9,287
	11/30/2006	—	854	3.2121	18,575
	12/12/2006	—	200,000	25.3400	1,768,640
	12/12/2006	25,000	—	—	633,500
Mark D. McLaughlin					(2)
	5/16/2006	—	40,000	22.3000	346,148
	8/1/2006	—	90,000	17.9400	617,769
	5/16/2006	4,200	—	—	93,660
	8/1/2006	10,000	—	—	179,400
Robert J. Korzeniewski					(3)
	8/1/2006	—	72,000	17.9400	494,215
	8/1/2006	8,000	—	—	143,520
Vernon L. Irvin	8/1/2006	—	63,000	17.9400	432,438
	8/1/2006	7,000	—	—	125,580

(1) Ms. Evan holds certain stock options that were subject to Section 409A of the Internal Revenue Code ("Affected Options"). Effective December 31, 2006, Ms. Evan elected to adjust the exercise price of an Affected Option to purchase 1,667 shares of VeriSign common stock from $34.438 to $42.26, the exercise price of an Affected Option to purchase 11,250 shares of VeriSign common stock from $34.16 to $38.30, and the exercise price of an Affected Option to purchase 31,250 shares of VeriSign common stock from $22.71 to $23.74. In accordance with FAS 123R, there was no incremental fair value assigned to the Affected Options as a result of the election.

(2) Mr. McLaughlin holds certain stock options that are Affected Options. Effective December 31, 2006, Mr. McLaughlin elected to adjust the exercise price of an Affected Option to purchase 28,187 shares of VeriSign common stock from $12.88 to $14.93 and the exercise price of an Affected Option to purchase 67,499 shares of VeriSign common stock from $17.36 to $19.82. In accordance with FAS 123R, there was no incremental fair value assigned to the Affected Options as a result of the election.

(3) Mr. Korzeniewski holds certain stock options that are Affected Options. Effective December 31, 2006, Mr. Korzeniewski elected to adjust the exercise price of an Affected Option to purchase 1,458 shares of VeriSign common stock from $34.438 to $42.26, the exercise price of an Affected Option to purchase 11,250 shares of VeriSign common stock from $34.16 to $38.30, and the exercise price of an Affected Option to purchase 56,250 shares of VeriSign common stock from $22.71 to $23.74. In accordance with FAS 123R, there was no incremental fair value assigned to the Affected Options as a result of the election.

Employment Agreements

The Company generally does not enter into employment agreements with its executive officers. Please refer to "Compensation Discussion and Analysis" in this report for more information concerning our compensation practices and policies for executive officers.

Adjustments or Amendments to Exercise or Base Price of Stock Option Awards

Effective December 31, 2006, Ms. Evan, Mr. McLaughlin and Mr. Korzeniewski elected to adjust the exercise price of their Affected Options to reflect the fair market value at the time the option was granted (as such measurement date is determined for financial reporting purposes). As adjusted, such options are no longer subject to the adverse tax consequences of Section 409A of the Internal Revenue Code.

The Company has not made a determination whether compensation will be paid to any of these individuals in connection with these elections.

Material Terms of Stock Options and Restricted Stock Unit Awards

Stock options are granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant and have a term of not greater than 10 years from the date of grant. Stock options generally vest 25% on the first anniversary of the date of grant and ratably over the following 12 quarters. A restricted stock unit is an award covering a number of shares of VeriSign common stock that may be settled in cash or by issuance of those shares, which may consist of restricted stock. Restricted stock units will generally vest in four installments with 25% of the shares vesting on each anniversary of the date of grant over four years. The Compensation Committee of the Board of Directors, however, may authorize grants with different vesting schedule in the future.

Salary and Bonus in Proportion to Total Compensation

The following table shows each of our Named Executive Officer's 2006 salary as a percentage of the total compensation as set forth in the "Summary Compensation Table for Fiscal 2006" above.

Named Executive Officer	2006 Salary as Percentage of Total Compensation
Stratton D. Sclavos	13.66%
Dana L. Evan	46.52%
John M. Donovan	0.58%
Mark D. McLaughlin	26.43%
Robert J. Korzeniewski	34.77%
Vernon L. Irvin	21.13%

Outstanding Equity Awards at 2006 Fiscal Year-End

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal 2006.

OUTSTANDING EQUITY AWARDS AT 2006 FISCAL YEAR-END

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (1)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (2)
Stratton D. Sclavos	2,694(3)	—	$ 74.1880	12/29/2007	—	—
	97,306(3)	—	$ 74.1880	12/29/2007	—	—
	100,000	—	$ 59.4000	5/2/2008	—	—
	400,000(4)	—	$ 22.7100	2/21/2009	—	—
	200,000(4)	—	$ 22.7100	2/21/2009	—	—
	600,000	—	$ 10.0800	5/24/2009	—	—
	300,000(5)	—	$ 55.9400	8/1/2011	—	—
	925,000(5)	—	$ 55.9400	8/1/2011	—	—
	250,000	—	$ 33.3800	12/17/2011	—	—
	400,000	—	$ 35.0490	12/17/2011	—	—
	96,325	288,975(6)	$ 23.4600	11/1/2012	—	—
	518,038	172,679(7)	$ 15.8700	10/29/2013	—	—
	—	583,000(8)	$ 17.9400	8/1/2013	—	—
	—	—	—	—	82,499(9)	$1,984,101
	—	—	—	—	77,400(10)	$1,861,470
	—	—	—	—	64,800(11)	$1,558,440
Dana L. Evan	1,322(12)	—	$151.2500	8/1/2007	—	—
	123,678(12)	—	$151.2500	8/1/2007	—	—
	25,000(13)	—	$ 74.1880	12/29/2007	—	—
	40,000(14)	—	$ 34.4380	3/15/2008	—	—
	90,000(15)	—	$ 34.1600	9/6/2008	—	—
	100,000(16)	—	$ 22.7100	2/21/2009	—	—
	52,500	—	$ 10.0800	5/24/2009	—	—
	135,000	—	$ 26.5300	11/3/2011	—	—
	108,000	—	$ 26.4000	8/2/2012	—	—
	—	81,000(8)	$ 17.9400	8/1/2013	—	—
	65,000	15,000(17)	$ 12.8800	8/11/2013	—	—
	—	—	—	—	10,800(18)	$ 259,740
	—	—	—	—	9,000(11)	$ 216,450

Name	Option Awards: Number of Securities Underlying Unexercised Options Exercisable	Option Awards: Number of Securities Underlying Unexercised Options Unexercisable (1)	Option Awards: Option Exercise Price	Option Awards: Option Expiration Date	Stock Awards: Number of Shares or Units of Stock That Have Not Vested	Stock Awards: Market Value of Shares or Units of Stock That Have Not Vested (2)
John M. Donovan	142	285(19)	$ 3.2121	8/14/2012	—	—
	142	712(19)	$ 3.2121	8/14/2012	—	—
	662	14,576(20)	$ 5.1808	10/29/2013	—	—
	—	200,000(21)	$ 25.3400	12/12/2013	—	—
	—	—	—	—	25,000(22)	$601,250
Mark D. McLaughlin	3,066	—	$ 97.7969	4/15/2007	—	—
	21,934	—	$ 97.7969	4/15/2007	—	—
	50,000	—	$151.2500	8/1/2007	—	—
	6,250	—	$ 13.7900	3/15/2008	—	—
	25,000	—	$ 13.7900	9/6/2008	—	—
	16,875	—	$ 13.7900	2/21/2009	—	—
	15,625	—	$ 10.0800	5/24/2009	—	—
	12,500	4,687(23)	$ 12.8800	9/26/2010	—	—
	20,500(24)	7,687(23)	$ 12.8800	9/26/2010	—	—
	36,000(25)	31,499(26)	$ 17.3600	8/31/2011	—	—
	25,000	—	$ 33.3800	12/17/2011	—	—
	90,000	—	$ 26.4000	8/2/2012	—	—
	—	40,000(27)	$ 22.3000	5/16/2013	—	—
	—	90,000(8)	$ 17.9400	8/1/2013	—	—
	—	—	—	—	9,000(18)	$216,450
	—	—	—	—	4,200(28)	$101,010
	—	—	—	—	10,000(11)	$240,500
Robert J. Korzeniewski	2,680	—	$149.2500	6/23/2007	—	—
	97,320	—	$149.2500	6/23/2007	—	—
	35,000(29)	—	$ 34.4380	3/15/2008	—	—
	90,000(30)	—	$ 34.1600	9/6/2008	—	—
	100,000(31)	—	$ 22.7100	2/21/2009	—	—
	25,000	—	$ 10.0800	5/24/2009	—	—
	112,500	—	$ 26.5300	11/3/2011	—	—
	90,000	—	$ 26.4000	8/2/2012	—	—
	—	72,000(8)	$ 17.9400	8/1/2013	—	—
	65,000	15,000(17)	$ 12.8800	8/11/2013	—	—
	—	—	—	—	9,000(18)	$216,450
	—	—	—	—	8,000(11)	$192,400
Vernon L. Irvin	74,906	—	$ 13.7900	1/31/2007	—	—
	180,000	—	$ 26.5300	1/31/2007	—	—
	108,000	—	$ 26.4000	1/31/2007	—	—
	15,750	—	$ 17.9400	1/31/2007	—	—

(1) On December 29, 2005, VeriSign's Board of Directors approved the acceleration of the vesting of unvested stock options with an exercise price per share in excess of $24.99. Such acceleration was accompanied by restrictions that prohibit the sale of any shares acquired upon the exercise of such stock options prior to the date such stock options would have originally vested had the optionee been employed on such date (whether or not the optionee is actually an employee at that time). All vesting terms assume continued employment with VeriSign through full vesting of the respective option or restricted stock unit award.

(2) Value is based on the closing price of VeriSign common stock of $24.05 on December 29, 2006, as reported by the NASDAQ Global Select Market.
(3) On January 12, 2007, the Board of Directors adjusted the exercise price of this option from $74.188 to $127.31. In accordance with FAS 123R, there was no incremental fair value assigned to the option as a result of the adjustment.
(4) On May 23, 2007, the Board of Directors adjusted the exercise price of this option from $22.71 to $26.31. In accordance with FAS 123R, there was no incremental fair value assigned to the option as a result of the adjustment.
(5) The option was transferred on or about 10/30/2001 to Boutari Ventures, LLC pursuant to a Unanimous Written Consent of the Compensation Committee dated October 30, 2001. Mr. Sclavos and his spouse are co-managers of Boutari Ventures, LLC.
(6) The option was granted on 11/01/2005. The option became exercisable as to 25% of the shares on 11/01/2006 and vests quarterly thereafter until fully vested.
(7) The option was granted on 10/29/2003. The option became exercisable as to 25% of the shares on 10/29/2004 and vests quarterly thereafter until fully vested.
(8) The option was granted on 08/01/2006. The option becomes exercisable as to 25% of the shares on 08/01/2007 and vests quarterly thereafter until fully vested.
(9) Two awards of RSUs were granted on 12/17/2004, the first award for 100,000 RSUs (the “First Award”) and the second award for 25,000 RSUs (the “Second Award”). The First Award vested on 12/17/2005 and 12/17/2006 as to 10% and 20% of the award, respectively; 30% and 40% will vest on 12/17/2008 and 12/17/2009, respectively. The Second Award first vested on 12/17/2005 as to 25% of the total award and vested and continues to vest quarterly thereafter until fully vested.
(10) An award of RSUs was granted on 11/01/2005. The RSUs vested on 11/01/2006 as to 10% of the total award, and shall vest as to 20%, 30% and 40% on each subsequent anniversary of the date of grant until fully vested.
(11) An award of RSUs was granted on 08/01/2006. The RSUs vest as to 25% of the total award on each anniversary of the date of grant until fully vested.
(12) On January 12, 2007, the Board of Directors adjusted the exercise price of this option from $151.25 to $165.22. In accordance with FAS 123R, there was no incremental fair value assigned to the option as a result of the adjustment.
(13) On January 12, 2007, the Board of Directors adjusted the exercise price of this option from $74.188 to $127.31. In accordance with FAS 123R, there was no incremental fair value assigned to the option as a result of the adjustment.
(14) Includes 1,667 Affected Options as described in Footnote 1 of the Grants of Plan-Based Awards Table contained in this report. On February 27, 2007, the Board of Directors adjusted the exercise price on the balance of this option not considered Affected Options from $34.438 to $42.26. In accordance with FAS 123R, there was no incremental fair value assigned to the option as a result of the adjustment.
(15) Includes 11,250 Affected Options as described in Footnote 1 of the Grants of Plan-Based Awards Table contained in this report. On February 27, 2007, the Board of Directors adjusted the exercise price on the balance of this option not considered Affected Options from $34.16 to $38.30. In accordance with FAS 123R, there was no incremental fair value assigned to the option as a result of the adjustment.
(16) Includes 31,250 Affected Options as described in Footnote 1 of the Grants of Plan-Based Awards Table contained in this report. On May 23, 2007, the Board of Directors adjusted the exercise price on the balance of this option not considered Affected Options from $22.71 to $23.74. In accordance with FAS 123R, there was no incremental fair value assigned to the option as a result of the adjustment.
(17) The option was granted on 08/11/2003. The option became exercisable as to 6.25% of the shares on 11/11/2003 and vests quarterly thereafter until fully vested.
(18) An award of RSUs was granted on 08/02/05. The RSUs vested on 08/02/2006 as to 10% of the total award, and shall vest as to 20%, 30% and 40% on each subsequent anniversary of the date of grant until fully vested.
(19) The options were granted on 11/30/2006. The options became exercisable as to 142 shares on 12/31/2006 and vest monthly thereafter until fully vested.
(20) The option was granted on 11/30/2006. The option became exercisable as to 662 shares on 12/29/2006 and vests monthly thereafter until fully vested.
(21) The option was granted on 12/12/2006. The option becomes exercisable as to 25% of the shares on 12/12/2007 and vests quarterly thereafter until fully vested.
(22) An award of RSUs was granted on 12/12/2006. The RSUs vest as to 25% of the total award on each anniversary of the date of grant until fully vested.
(23) The option was granted on 09/26/2003. The option became exercisable as to 25% of the shares on 09/26/2004 and vested and continues to vest quarterly thereafter until fully vested.
(24) Includes 28,187 Affected Options as described in Footnote 2 of the Grants of Plan-Based Awards Table contained in this report.
(25) Includes 67,499 Affected Options as described in Footnote 2 of the Grants of Plan-Based Awards Table contained in this report.
(26) The option was granted on 08/31/2004. The option became exercisable as to 25% of the shares on 08/31/2005 and vested and continues to vest quarterly thereafter until fully vested.
(27) The option was granted on 05/16/2006. The option became exercisable as to 25% of the shares on 05/16/2007 and vests quarterly thereafter until fully vested.
(28) An award of RSUs was granted on 05/16/2006. The RSUs vest as to 25% of the total award on each anniversary of the date of grant until fully vested.
(29) Includes 1,458 Affected Options as described in Footnote 3 of the Grants of Plan-Based Awards Table contained in this report.
(30) Includes 11,250 Affected Options as described in Footnote 3 of the Grants of Plan-Based Awards Table contained in this report.
(31) Includes 56,250 Affected Options as described in Footnote 3 of the Grants of Plan-Based Awards Table contained in this report.

Option Exercises and Stock Vested for Fiscal Year 2006

The following table shows all stock options exercised and value realized upon exercise, and all stock awards vested and value realized upon vesting, by our Named Executive Officers during fiscal 2006.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL 2006

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Stratton D. Sclavos	—	$ —	34,851	$830,129
Dana L. Evan	22,500	311,275	1,200	21,264
John M. Donovan	—	—	—	—
Mark D. McLaughlin	44,877	438,626	1,000	17,720
Robert J. Korzeniewski	25,000	348,379	1,000	17,720
Vernon L. Irvin	14,000	131,985	5,650	113,290

Potential Payments Upon Termination or Change-in-Control

The Company has no formal severance program for its executive officers, all of whom are at-will employees. The Company generally does not enter into employment agreements with its executive officers and employment offers generally do not provide for severance or other benefits following termination. Upon certain changes in control, the option vesting schedule accelerates as to 50% of any shares subject to stock options that are then unvested for officers at the level of senior vice president and above and as to 100% of any shares subject to stock options that are then unvested for the president and chief executive officer.

Assuming a change-in-control occurred on December 29, 2006, our Named Executive Officers, other than Mr. Irvin, would receive the following benefits using $24.05 as the closing share price of VeriSign common stock as of that date.

CHANGE IN CONTROL PAYMENT AND BENEFIT ESTIMATES DECEMBER 29, 2006

Executive Name	Value of Accelerated Vesting of Stock Option Awards
Stratton D. Sclavos	$ 5,145,139
Dana L. Evan	331,230
John M. Donovan	147,906
Mark D. McLaughlin	484,423
Robert J. Korzeniewski	303,735

NON-EMPLOYEE DIRECTOR COMPENSATION

Non-Employee Director Compensation Table for Fiscal 2006

The following table sets forth a summary of compensation information for our non-employee directors for fiscal 2006.

Non-Employee Director Compensation for Fiscal 2006

Non-Employee Director Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards (1)	All Other Compensation (2)	Total
D. James Bidzos (3)	$ 53,500	$ 11,393	$ 77,283(4)	$ —	$142,176
William L. Chenevich (5)	63,500	11,393	77,283	3,302	155,478
Michelle Guthrie (6)	53,500	11,393	129,671	914	195,478
Scott G. Kriens (7)	51,500	11,393	88,348	—	151,241
Leonard J. Lauer (8)	28,750	—	63,159(9)	2,324	94,233
Roger H. Moore (10)	43,500	11,393	86,789	—	141,682
Edward A. Mueller (11)	81,500	11,393	127,453	—	220,346
Gregory L. Reyes (12)	43,125	—	29,760(13)	—	72,885
William A. Roper, Jr. (14)	118,500	11,393	98,278	10,316	238,487
Louis A. Simpson (15)	73,500	11,393	105,669	3,582	194,144

(1) Stock Awards consist solely of restricted stock units. Amounts shown do not reflect compensation actually received by the respective non-employee director. Instead, the amounts shown are the compensation expenses recognized by VeriSign in 2006 for the applicable Stock Award or Option Award as determined pursuant to FAS 123R, disregarding forfeiture assumptions. These compensation costs reflect equity awards granted in 2006 and prior years. The grant date fair value for each Stock Award granted to non-employee directors in 2006 was $109,434. As of December 31, 2006, each non-employee director held outstanding stock awards of 6,100 restricted stock units, which if settled for shares of the Company's common stock, will settle on a one-to-one basis into shares of the Company's common stock following satisfaction of vesting. The grant date fair value for each Option Award granted to non-employee directors on January 3, 2006 to Mr. Kriens, February 13, 2006 to Mr. Moore and March 21, 2006 to Mr. Mueller was $103,125, $114,509 and $112,021, respectively. The grant date fair value for each Option Award granted to non-employee directors on June 12, 2006 to Ms. Guthrie and Messrs. Mueller and Simpson was $231,103. The grant date fair value for each Option Award granted to non-employee directors on August 1, 2006 was $153,257. The assumptions used to calculate the value of Option Awards are set forth under Note 13 of the Notes to Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.
(2) Represents reimbursable expenses paid to the respective non-employee director.
(3) As of December 31, 2006, Mr. Bidzos held outstanding options to purchase 103,850 shares of the Company's common stock.
(4) Mr. Bidzos holds certain options that are Affected Options. Effective December 31, 2006, Mr. Bidzos elected to adjust the exercise price of an Affected Option to purchase 3,125 shares of VeriSign common stock from $5.25 to $6.70, the exercise price of an Affected Option to purchase 6,250 shares of VeriSign common stock from $12.46 to $12.88, and the exercise price of an Affected Option to purchase 12,500 shares of VeriSign common stock from $25.79 to $25.99. In accordance with FAS 123R, there was no incremental fair value assigned to the Affected Options as a result of the election.
(5) As of December 31, 2006, Mr. Chenevich held outstanding options to purchase 113,225 shares of the Company's common stock.
(6) As of December 31, 2006, Ms. Guthrie held outstanding options to purchase 67,600 shares of the Company's common stock.
(7) As of December 31, 2006, Mr. Kriens held outstanding options to purchase 105,100 shares of the Company's common stock.
(8) Mr. Lauer resigned as a director on July 31, 2006. As of December 31, 2006, Mr. Lauer held outstanding options to purchase 18,750 shares of the Company's common stock.
(9) Does not include an estimated compensation expense of $55,567 in stock option forfeitures related to service-based vesting conditions on these awards.
(10) As of December 31, 2006, Mr. Moore held outstanding options to purchase 92,600 shares of the Company's common stock.
(11) As of December 31, 2006, Mr. Mueller held outstanding options to purchase 80,100 shares of the Company's common stock.
(12) Mr. Reyes resigned as a director on July 31, 2006. As of December 31, 2006, Mr. Reyes held outstanding options to purchase 67,968 shares of the Company's common stock.
(13) Does not include an estimated compensation expense of $29,640 in stock option forfeitures related to service-based vesting conditions on these awards.
(14) As of December 31, 2006, Mr. Roper held outstanding options to purchase 67,600 shares of the Company's common stock. Mr. Roper served as Lead Independent Director from May 2005 until his appointment as CEO and President in May 2007.
(15) As of December 31, 2006, Mr. Simpson held outstanding options to purchase 67,600 shares of the Company's common stock.

Adjustments or Amendments to Exercise or Base Price of Stock Option Awards

Effective December 31, 2006, Mr. Bidzos elected to adjust the exercise price of his Affected Options to reflect the fair market value at the time the option was granted (as such measurement date is determined for financial reporting purposes). As adjusted, such options are no longer subject to the adverse tax consequences of Section 409A of the Internal Revenue Code.

The Company has not made a determination whether compensation will be paid in connection with this election.

Material Terms of Stock Options and Restricted Stock Unit Awards

Under the Company's 2006 Equity Incentive Plan (the "2006 Plan"), stock options are granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant and have a term of not greater than 10 years from the date of grant. Stock options generally vest 25% on the first anniversary of the date of grant and ratably over the following 12 quarters. A restricted stock unit is an award covering a number of shares of VeriSign common stock that may be settled in cash or by issuance of those shares, which may consist of restricted stock. Restricted stock units will generally vest in four installments with 25% of the shares vesting on each anniversary of the date of grant over 4 years. The Compensation Committee of the Board of Directors, however, may authorize grants with different vesting schedule in the future. Upon a change-in-control of the Company, the vesting schedule for equity awards accelerates as to 100% of any shares that are then unvested for all non-employee directors.

Under the Company's 1998 Directors Stock Option Plan (the "Directors Plan"), stock options are granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant and have a term of not greater than 10 years from the date of grant. Stock options generally vest 6.25% on each three-month anniversary of the date of grant. Upon a change-in-control of the Company, the vesting schedule for equity awards accelerates as to 100% of any shares that are then unvested for all non-employee directors.

Non-Employee Director Meeting Fees and Retainer Information

The following table sets forth details of our compensation and reimbursement policy and practices for our non-employee directors during fiscal 2006.

Annual retainer for all non-employee directors	$ 37,500
Additional annual retainer for the Lead Independent Director	$ 40,000
Additional annual retainer for Audit Committee members	$ 20,000
Additional annual retainer for Compensation Committee members	$ 20,000
Additional annual retainer for Nominating and Corporate Governance Committee members	$ 10,000
Additional annual retainer for Audit Committee Chairman	$ 10,000
Additional annual retainer for Compensation Committee Chairman	$ 10,000
Additional annual retainer for Nominating and Corporate Governance Committee Chairman	$ 5,000
Payment for each Special Board meeting attended	$ 2,000
Reimbursement for expenses attendant to Board membership	Yes

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of June 30, 2007 by:

- each current stockholder who is known to own beneficially more than 5% of our common stock;
- each current director;
- each of the Named Executive Officers (see the "Summary Compensation Table for Fiscal 2006" elsewhere in this report); and
- all current directors and executive officers as a group.

The percentage ownership is based on 243,838,287 shares of common stock outstanding at June 30, 2007. Shares of common stock that are subject to options currently exercisable or exercisable within 60 days of June 30, 2007 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 in the footnotes following the table, 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.

BENEFICIAL OWNERSHIP TABLE

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Number (1)	Percent (1)
Greater Than 5% Stockholders		
T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, MD 21202	18,192,176(2)	7.46%
Private Capital Management, L.P. 8889 Pelican Bay Blvd., Suite 500 Naples, FL 34108	17,610,384(3)	7.22
Eton Park Capital Management, L.P. 825 Third Avenue, 8th Floor New York, NY 10022	13,705,700(4)	5.62
Directors and Named Executive Officers		
Stratton D. Sclavos (5)	5,326,267	2.18%
Dana L. Evan (6)	860,311	*
Robert J. Korzeniewski (7)	632,580	*
Mark D. McLaughlin (8)	356,244	*
Scott G. Kriens (9)	164,051	*
D. James Bidzos (10)	142,800	*
William L. Chenevich (11)	103,112	*
Louis A. Simpson (12)	93,425	*
Roger H. Moore (13)	72,042	*
William A. Roper, Jr. (14)	57,332	*
Edward A. Mueller (15)	48,331	*
Michelle Guthrie (16)	24,675	*
John M. Donovan (17)	7,243	*
Vernon L. Irvin	—	—
All current directors and executive officers as a group (14 persons) (18)	2,190,488	*

* Less than 1% of VeriSign's outstanding common stock.

(1) The percentages are calculated using 243,838,287 outstanding shares of the Company's common stock on June 30, 2007 as adjusted pursuant to Rule 13d-3(d)(1)(i). Pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, as amended, beneficial ownership information also includes shares subject to options exercisable within 60 days of June 30, 2007.
(2) Based on Schedule 13G/A filed on February 14, 2007 with the SEC by T. Rowe Price Associates, Inc., with respect to beneficial ownership of 18,192,176 shares. T. Rowe Price Associates, Inc. has sole voting power over 4,120,484 of these shares and sole dispositive power over 18,192,176 of these shares.
(3) Based on Schedule 13G filed on February 14, 2007 with the SEC by Private Capital Management, L.P., with respect to beneficial ownership of 17,610,384 shares. Private Capital Management, L.P. has sole voting power and sole dispositive power over 598,900 of these shares and shared voting power and shared dispositive power over 17,011,484 of these shares.
(4) Based on Schedule 13G filed on April 23, 2007 with the SEC by Eton Park Fund, L.P. ("EP Fund"), Eton Park Master Fund, Ltd. ("EP Master Fund"), Eton Park Associates, L.P. ("EP Associates"), Eton Park Capital Management, L.P. ("EP Management"), and Eric M. Mindich ("Mr. Mindich"), with respect to beneficial ownership of 13,705,700 shares of Common Stock. EP Fund has shared voting power and shared dispositive power over 4,796,955 of these shares. EP Master Fund has shared voting power and shared dispositive power over 8,908,705 of these shares. EP Associates serves as the general partner of EP Fund. EP Management serves as investment manager to EP Master Fund. EP Associates, the general partner of EP Fund, has the power to direct the affairs of EP Fund including decisions with respect to the disposition of the proceeds from the sale of the shares of Common Stock held by EP Fund. Eton Park Associates, L.L.C. serves as the general partner of EP Associates. Mr. Mindich is managing member of Eton Park Associates, L.L.C. and may, by virtue of his position as managing member, be deemed to have power to direct the vote and disposition of the shares of common stock held by EP Fund. EP Master Fund is a client of EP Management. Eton Park Capital Management, L.L.C. serves as the general partner of EP Management. Mr. Mindich is the managing member of Eton Park Capital Management, L.L.C. and may be, by virtue of his position as managing member, deemed to have power to direct the vote and disposition of the shares of common stock held by EP Master Fund. Mr. Mindich disclaims beneficial ownership of the Common Stock reported herein, other than the portion of such shares which relates to his individual economic interest in each of EP Fund and EP Master Fund.
(5) Includes 85,600 shares held indirectly by Eladha Partners, LP under which Stratton D. Sclavos and his spouse are limited partners with an ownership interest of 98%. Also includes 18,333 shares held indirectly by Sclavos Family Partners, LP under which Mr. Sclavos and his spouse are limited partners with an ownership interest of 50% and Mr. Sclavos' children are limited partners with a 48% ownership interest. Also includes 313,403 shares held indirectly by the Sclavos 1990 Revocable Trust under which Mr. Sclavos and his spouse are co-trustees. Also includes 12,205 shares held indirectly by the Sclavos Family Foundation under which Mr. Sclavos is the beneficial owner. Also includes 1,563 unissued shares subject to restricted stock units. Also includes 2,798,865 shares subject to options held directly by Mr. Sclavos, and 1,225,000 shares subject to options held indirectly by Boutari Ventures, LLC. Mr. Sclavos and his spouse are co-managers of Boutari Ventures, LLC. Also includes 679,803 shares subject to options to purchase shares of VeriSign common stock and 156,336 unissued shares subject to restricted stock units that were accelerated pursuant to the terms of Mr. Sclavos' severance agreement. Mr. Sclavos is our former President, Chief Executive Officer and Chairman of the Board of Directors and resigned from the Company on May 27, 2007.
(6) Includes 15,742 shares held indirectly by TDC&R Investments LP under which Dana L. Evan and her spouse are 1% general partners and Ms. Evan's children are limited partners with an ownership interest of 99%. Also includes 57,587 shares held indirectly by the Evan 1991 Living Trust under which Ms. Evan and her spouse are co-trustees. Also includes 775,750 shares subject to options held directly by Ms. Evan. Also includes 4,650 shares subject to restricted stock units. Ms. Evan is our former Executive Vice President, Finance and Administration and Chief Financial Officer and resigned from the Company on July 10, 2007.
(7) Includes 550,500 shares subject to options held directly by Mr. Korzeniewski. Also includes 4,000 shares subject to restricted stock units. Mr. Korzeniewski is Executive Vice President, Corporate Development.
(8) Includes 350,000 shares subject to options held directly by Mr. McLaughlin. Also includes 1,050 unissued shares and 4,500 shares subject to restricted stock units. Mr. McLaughlin is Executive Vice President, Products and Marketing.
(9) Includes 80,000 shares held indirectly by the Kriens 1996 Trust U/T/A October 29, 1996, over which Mr. Kriens and his spouse exercise investment and voting control. Also includes 82,526 shares subject to options held directly by Mr. Kriens. Also includes 1,525 shares subject to restricted stock units.
(10) Includes 87,525 shares subject to options held directly by Mr. Bidzos. Also includes 1,525 shares subject to restricted stock units.
(11) Includes 96,900 shares subject to options held directly by Mr. Chenevich. Also includes 1,525 shares subject to restricted stock units.
(12) Includes 41,900 shares subject to options held directly by Mr. Simpson. Also includes 1,525 shares subject to restricted stock units.
(13) Includes 70,026 shares subject to options held directly by Mr. Moore. Also includes 1,525 shares subject to restricted stock units.
(14) Includes 10,000 shares held indirectly by the FMT CO Cust IRA Rollover FBO William A. Roper, Jr., of which Mr. Roper has sole beneficial ownership. Also includes 45,807 shares subject to options held directly by Mr. Roper. Also includes 1,525 shares subject to restricted stock units. Mr. Roper is our President and Chief Executive Officer and a member of the Board of Directors.
(15) Includes 1,000 shares held indirectly by the Fidelity Management Trust Company FBO Edward A. Mueller IRA, of which Mr. Mueller has sole beneficial ownership. Includes 45,806 shares subject to options held directly by Mr. Mueller. Also includes 1,525 shares subject to restricted stock units. Mr. Mueller is Chairman of the Board of Directors.
(16) Includes 23,150 shares subject to options held directly by Ms. Guthrie. Also includes 1,525 shares subject to restricted stock units.
(17) Includes 7,243 shares subject to options held directly by Mr. Donovan. Mr. Donovan is Executive Vice President, Worldwide Sales and Services.
(18) Includes the shares described in footnotes (6)-(17) and 488,653 shares beneficially held by three additional executive officers, of which 465,467 shares are subject to options and 1,050 unissued shares and 6,660 subject to restricted stock units held directly by the additional executive officers.

EQUITY COMPENSATION INFORMATION

The following table sets forth information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2006.

EQUITY COMPENSATION PLAN TABLE

	Equity Compensation Plan Information		
	(A)	(B)	(C)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by stockholders (2)	12,771,690(3)	$ 41.03	28,926,883(4)
Equity compensation plans not approved by stockholders (5)	20,004,411(6)	20.65	—
Total	32,776,101	$ 28.59	28,926,883

(1) Excludes 2,134,467 shares subject to restricted stock units outstanding as of December 31, 2006 that were issued under the 1998 Equity Incentive Plan and 2006 Equity Incentive Plan (the "2006 Plan").

(2) Includes the 1998 Equity Incentive Plan, the 1998 Directors Plan (collectively, the "1998 Plans"), the 2006 Plan, and the 1998 Employee Stock Purchase Plan (the "Purchase Plan"). Effective May 27, 2006, additional equity awards under the 1998 Plans have been discontinued and new equity awards are being granted under the 2006 Plan. Remaining authorized shares under the 1998 Plans that were not subject to outstanding awards as of May 26, 2006 were canceled on May 26, 2006. The 1998 Plans will remain in effect as to outstanding equity awards granted under the plan prior to May 26, 2006.

(3) Excludes purchase rights accruing under the Purchase Plan, which has a remaining stockholder-approved reserve of 8,398,601 shares as of December 31, 2006.

(4) Consists of shares available for future issuance under the 2006 Plan and the Purchase Plan. As of December 31, 2006, an aggregate of 20,528,282 and 8,398,601 shares of Common Stock were available for issuance under the 2006 Plan and the Purchase Plan, respectively.

(5) Includes the 1995 Stock Option Plan, the 1997 Stock Option Plan (the "Prior Plans"), and the 2001 Stock Incentive Plan (the "2001 Plan"). No options issued under the Prior Plans are held by any directors or executive officers. No options issued under the 2001 Plan are held by any directors or executive officers except for Messrs. Balogh, McLaughlin and Sclavos. Effective May 27, 2006, additional equity awards under the 2001 Plan have been discontinued and new equity awards are being granted under the 2006 Plan. Remaining authorized shares under the 2001 Plan that were not subject to outstanding awards as of May 26, 2006 were canceled on May 26, 2006. The 2001 Plan will remain in effect as to outstanding equity awards granted under the plan prior to May 26, 2006.

(6) Does not include options to purchase an aggregate of 1,941,070 shares of common stock with a weighted-average exercise price of $11.75 that were assumed in business combinations. Also does not include options to purchase an aggregate of 925,000 shares of VeriSign common stock with an exercise price of $55.94 that were granted to Stratton D. Sclavos on August 1, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

POLICIES AND PROCEDURES WITH RESPECT TO TRANSACTIONS WITH RELATED PERSONS

In May 2007, VeriSign's Audit Committee approved a *Policy for Entering into Transactions with Related Persons* (the "Policy") which sets forth the requirements for review, approval or ratification of transactions between VeriSign and "related persons," as such term is defined under Item 404 of Regulation S-K.

Pursuant to the terms of the Policy, the Audit Committee shall review, approve or ratify the terms of any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (i) VeriSign was or is to be a participant and (ii) a related person has or will have a direct or indirect interest, *except* transactions entered into at arms length and in the ordinary course of business where the aggregate value of the transaction is less than $120,000 ("Related Party Transaction"). In determining whether to approve or ratify a Related Party Transaction, the Audit Committee will take into account, among other factors it deems appropriate, whether the Related Party Transaction terms are no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the materiality of the related person's direct or indirect interest in the transaction.

Prior approval of the Audit Committee shall be required for the following Related Party Transactions:

- Any Related Party Transaction where a related person enters into an agreement or arrangement directly with VeriSign; *provided*, *however*, certain agreements or arrangements between VeriSign and a related person concerning employment and any compensation solely resulting from the employment or concerning compensation as a member of the Board of Directors that have, in each case, been entered into or approved in accordance with policies of VeriSign shall not be subject to prior approval of the Audit Committee.
- Any Related Party Transaction involving an indirect material interest of a related person where the terms of the agreement or arrangement are not negotiated on an arms length basis or where the Related Party Transaction is not a transaction in the ordinary course of business; *provided*, *further*, that the Audit Committee shall have the sole discretion in determining whether an indirect interest of a related person is material.
- Any Related Party Transaction where the total contract value exceeds $1 million.

On a quarterly basis, the Audit Committee shall review and, if determined by the Audit Committee to be appropriate, ratify any Related Party Transaction not requiring prior approval of the Audit Committee pursuant to the Policy.

In the event VeriSign proposes to enter into a transaction with a related person who is a member of the Audit Committee or an immediate family member of a member of the Audit Committee, prior approval by a majority of the disinterested members of the Board of Directors shall be required and no such member of the Audit Committee for which he or she or an immediate family member is a related person shall participate in any discussion or approval of such transaction, except to provide all material information concerning the Related Party Transaction.

The following Related Party Transactions shall be deemed to be pre-approved by the Audit Committee, even if the aggregate amount involved exceeds $120,000:

- Payment of compensation to officers in connection with their employment with VeriSign; *provided* that, such compensation has been approved in accordance with policies of VeriSign.
- Remuneration to directors in connection with their service as a member of the Board of Directors; *provided* that, such remuneration has been approved in accordance with policies of VeriSign.

- Reimbursement of expenses incurred in exercising duties as an officer or director of VeriSign provided such reimbursement has been approved in accordance with policies of VeriSign.
- Any transaction with another company at which a related person's only relationship is an employee (other than an executive officer), director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed $1,000,000.
- Any transaction with a related person involving services as a bank depositary of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.
- Any transaction involving a related person where the rates or charges involved are determined by competitive bids.
- Any transaction where the related person's interest arises solely from the ownership of VeriSign' common stock and all holders of VeriSign's common stock received the same benefit on a pro rata basis (e.g., dividends).

There are no transactions required to be reported under Item 404(a) of Regulation S-K where the Policy did not require review, approval or ratification, or where the Policy was not followed because the Policy was not adopted until May 2007.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since January 1, 2006, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we or any of our subsidiaries was or is to be a party in which the amount involved exceeded or will exceed $120,000 and in which any director, executive officer or beneficial holder of more than 5% of the common stock of VeriSign 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 the transactions described below.

Reimbursement Payments to Mr. Sclavos for Use of Airplane. The compensation committee has approved a policy for the reimbursement of certain expenses incurred by Stratton D. Sclavos in the operation of his private plane when used for VeriSign business. Under this policy, we will reimburse Mr. Sclavos $2,900 per flight hour up to $650,000 per year. During 2006, we reimbursed approximately $568,400 under this policy. All amounts reimbursed to Mr. Sclavos were approved by the compensation committee of the Board of Directors. Mr. Sclavos was President, Chief Executive Officer and Chairman of the Board of Directors until his resignation on May 27, 2007.

In April 2007, the Company's Internal Audit Department began a review of business expenses for which senior management was reimbursed by the Company during calendar year 2006 and the first calendar quarter of 2007 and presented a preliminary report to the Audit Committee of the Board of Directors. The Audit Committee concluded that the Company erroneously reimbursed Mr. Sclavos in the amount of $32,190 for personal travel on his private plane. In June 2007, Mr. Sclavos reimbursed the Company for that amount.

The Internal Audit Department's review of senior management business expenses has not yet been completed.

On July 9, 2007, VeriSign entered into a Consulting and Separation Agreement with Mr. Sclavos in connection with his resignation on May 27, 2007. Pursuant to the terms of the agreement, Mr. Sclavos will provide consulting services to the Company for a one-year period at the rate of $5,000 per month and is prohibited from engaging in certain competitive activities or soliciting customers of the Company during such period. The Company will pay Mr. Sclavos severance of $1,969,380 within twenty-one (21) days of the effective date of the agreement and $1,969,380 on June 15, 2008, subject to his compliance with the terms of the agreement. In the event of a change-in-control of the Company, all severance payments will accelerate and become immediately due and payable.

The Company accelerated all of Mr. Sclavos' outstanding options to purchase shares of the Company's common stock and restricted stock units that are scheduled to vest within twenty-four (24) months after Mr. Sclavos' resignation. Accordingly, vesting for restricted stock units with respect to approximately 156,000 shares of the Company's common stock and the following stock options were accelerated:

Grant Date	Exercise Price	Number of Shares Accelerated
10/29/2003	$15.87	86,340
11/01/2005	23.46	192,650
08/01/2006	17.94	400,813
Total:		679,803

On May 31, 2007, in anticipation of entering into this agreement, the Company paid Mr. Sclavos severance in the amount of $1,031,580 and $115,422 for all unpaid wages and unused paid time off accrued through his resignation date.

The Company will also pay Mr. Sclavos $5,459,430 within twenty-one (21) days of the effective date of the agreement in connection with an option to purchase 300,000 shares of the Company's common stock that was previously granted to Mr. Sclavos but was erroneously deleted from the Company's records as more fully described in the Explanatory Note appearing at the beginning of this report.

With respect to an option to purchase 600,000 shares of the Company's common stock with an exercise price of $10.08 that was previously granted to Mr. Sclavos, if the Board of Directors determines in good faith that the exercise price of such option should be increased, then the exercise price of the unexercised portion of such option will be increased and with respect to the portion of such option that may have been exercised, Mr. Sclavos agrees to repay the Company the difference between the increased exercise price and the original exercise price.

Severance Arrangement with Ms. Lin. On February 16, 2007, VeriSign entered into a severance Agreement with Judy Lin, the former Executive Vice President and General Manager, Security Services ("Lin Severance Agreement"), pursuant to which the Company agreed to pay Ms. Lin a severance payment in the total amount of $571,200, of which $382,704 was paid in 2007, and the balance is payable on the one year anniversary of the termination of her employment, subject to Ms. Lin's compliance with non-solicitation and non-competition provisions. In March 2007, VeriSign also paid Ms. Lin $214,200, representing her bonus for services performed for VeriSign in 2006. VeriSign also made payments to Ms. Lin for her COBRA and life insurance premiums and provided certain administrative and other support as forth in the Lin Severance Agreement.

Upon termination of Ms. Lin's employment with VeriSign, VeriSign accelerated vesting of 19,719 of Ms. Lin's then unvested stock options to purchase shares of VeriSign common stock for which the fair market value is greater than the exercise price of her employment on the termination date. Also upon termination of Ms. Lin's employment, VeriSign accelerated vesting of 4,250 of her then unvested restricted stock units of VeriSign common stock.

Severance Arrangement with Mr. Irvin. On October 31, 2006, VeriSign entered into a Severance and General Release Agreement (the "Irvin Agreement") with Vernon L. Irvin, the former Executive Vice President and General Manager, Communications Services, pursuant to which the Company agreed to pay Mr. Irvin a severance payment in the total amount of $683,520, of which $457,958 was paid in 2006 and the other $225,562 will be paid on the one year anniversary of the termination of his employment, subject to Mr. Irvin's compliance with non-solicitation and non-competition provisions. In March 2007, VeriSign also paid Mr. Irvin $179,424, representing his bonus for services performed for VeriSign in 2006. VeriSign also made payments to Mr. Irvin for his COBRA and life insurance premiums and provided certain administrative and other support as set forth in the Irvin Agreement.

Upon termination of Mr. Irvin's employment with VeriSign, VeriSign accelerated vesting of 22,781 of Mr. Irvin's then unvested stock options to purchase shares of VeriSign common stock for which the fair market value is greater than the exercise price of his employment on the termination date. Also upon termination of Mr. Irvin's employment, VeriSign accelerated vesting of 4,450 of his then unvested restricted stock units of VeriSign common stock.

Payments to Mr. Donovan. In 2007, John Donovan received a bonus payment of $24,000 in connection with his service as Chief Executive Officer of inCode during 2006. In addition, in 2006, VeriSign paid Mr. Donovan $5,000,000 pursuant to the terms of an inCode Management Retention Plan. Mr. Donovan's offer of employment provides for reimbursement of relocation expenses up to $1,500,000 in connection with his relocation to California. In February 2007, we reimbursed Mr. Donovan $1,366,827 in connection with his relocation. Mr. Donovan is our Executive Vice President, Worldwide Sales and Services.

Transactions with U.S. Bancorp. We have entered into agreements with U.S. Bancorp and its affiliates (collectively "U.S. Bank") pursuant to which we provide various services to U.S. Bank. William L. Chenevich is a member of our Board of Directors and the Vice Chairman of Technology and Operations for U.S. Bancorp. In 2006, the value of such transactions was $2,008,348, which was comprised mostly of professional consulting services, and in 2007, the value of such transactions was approximately $1,174,131, which includes $752,893 for professional consulting services and $421,238 for security services. We have also entered into agreements pursuant to which we purchase various products and services from U.S. Bank; however, the amounts are not material. In addition, U.S. Bank is a lender under a $500 million senior unsecured revolving credit facility (the "Facility"), under which VeriSign, or certain designated subsidiaries may be borrowers. The Facility is more fully described in Note 10 "Credit Facility" of the Notes to Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K. The portion of interest and fees paid by us under the Facility that was attributable to U.S. Bank was $299,100 in 2006 and $113,800 in 2007.

Transactions with Williams-Sonoma, Inc. We have entered into agreements with Williams-Sonoma, Inc. ("Williams-Sonoma") pursuant to which we provide various services to Williams-Sonoma. Edward A. Mueller is a member of our Board of Directors and was the Chief Executive Officer of Williams-Sonoma, Inc. until July 2006. In 2006, the value of such transactions was $134,422.

Transactions with Sprint Nextel. We have entered into agreements with Sprint Nextel Corporation and its affiliates (collectively, "Sprint Nextel") pursuant to which we provide various services to Sprint Nextel. In 2006, the value of such transactions was $83,691,659, which includes approximately $42.3 million for billing, commerce and communications services, approximately $38.9 million for content services, approximately $2.2 million for professional consulting services, and approximately $300,000 for security services. We have also entered into agreements pursuant to which we purchase various communications related products and services from Sprint Nextel. In 2006, we paid Sprint Nextel $13,402,875 in connection with such agreements. Len J. Lauer was a member of our Board of Directors until his resignation on July 31, 2006 and the Chief Operating Officer of Sprint Nextel Corporation through August 2006.

Director and Officer Indemnification Agreements. We have entered into indemnity agreements with certain of officers, executive officers and directors which provide, among other things, that we will indemnify such officers and directors, under the circumstances and to the extent provided for in the agreements, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party to by reason of his or her position as a director, officer or other agent of VeriSign, and otherwise to the full extent permitted under Delaware law and our bylaws.

Acceleration of Equity Award Vesting in the Event of a Change-in-Control. Options generally vest at the rate of 25% of the shares subject to the option on the first anniversary of the date of the grant and thereafter with respect to 6.25% each quarter. However, upon certain changes in control, the vesting schedule accelerates as to 50% of any shares subject to stock options that are then unvested for officers at the level of senior vice president

and above and as to 100% of any shares subject to stock options that are then unvested for the president and chief executive officer. In addition, upon a change-in-control, the vesting schedule for equity awards accelerates as to 100% of any shares that are then unvested for all non-employee directors.

DIRECTOR INDEPENDENCE

The Board of Directors has affirmatively determined that each non-employee directors is independent and that each director who serves on each of its committees is independent, as the term is defined by rules of The Nasdaq Stock Market and the SEC.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents fees for professional services rendered by KPMG LLP for the audit of our annual consolidated financial statements for the years ended December 31, 2006 and December 31, 2005, and fees billed for other services provided by KPMG LLP.

	2006 Fees	2005 Fees (1)
Audit Fees (including quarterly reviews):		
Integrated Audit	$ 3,835,709	$ 3,336,411
Stock Option Investigation	2,668,437	—
Consolidated audit (2)	6,504,146	3,336,411
Statutory Audits	545,690	399,870
Consent on SEC filing	7,500	22,500
Total Audit Fees	7,057,336	3,758,781
Audit-Related Fees (3)	1,298,855	1,153,244
Tax Fees (4)	228,717	128,743
All Other Fees	—	—
Total Fees	$ 8,584,908	$ 5,040,768

(1) The Audit Fees reported for fiscal 2005 have been updated from the amounts reported in our proxy statement for our 2006 Annual Meeting of Stockholders which contained an estimate of Total Fees of $4,961,589 as final fees were not available at the time of filing.
(2) Consolidated audit fees for 2006 represent estimated billings as final billings are yet to be determined.
(3) Audit-Related Fees consist principally of attestation of internal controls for service organizations under Statement on Accounting Standards No. 70 and Webtrust audits.
(4) Tax Fees include foreign tax compliance and related tax matters.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The audit committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the audit committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report

Financial statements

- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets As of December 31, 2006 and 2005
- Consolidated Statements of Income For the Years Ended December 31, 2006, 2005 and 2004
- Consolidated Statements of Stockholders' Equity For the Years Ended December 31, 2006, 2005 and 2004
- Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2006, 2005 and 2004
- Consolidated Statements of Cash Flows For the Years Ended December 31, 2006, 2005 and 2004
- Notes to Consolidated Financial Statements

Financial statement schedules

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

3. Exhibits

(a) Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2.01	Agreement and Plan of Merger dated as of March 6, 2000, by and among the Registrant, Nickel Acquisition Corporation and Network Solutions, Inc.	8-K	3/8/00	2.1	
2.02	Agreement and Plan of Merger dated September 23, 2001, by and among the Registrant, Illinois Acquisition Corporation and Illuminet Holdings, Inc.	S-4	10/10/01	4.03	
2.03	Purchase Agreement dated as of October 14, 2003, as amended, among the Registrant and the parties indicated therein	8-K	12/10/03	2.1	
2.04	Sale and Purchase Agreement Regarding the Sale and Purchase of All Shares In Jamba! AG dated May 23, 2004 between the Registrant and certain other named individuals	10-K	3/16/05	2.04	
2.05	Asset Purchase Agreement dated October 10, 2005, as amended, among the Registrant, eBay, Inc. and the other parties thereto.	8-K	11/23/05	2.1	
3.01	Third Amended and Restated Certificate of Incorporation of the Registrant	S-1	1/29/98	3.02	
3.02	Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of the Registrant dated May 27, 1999	S-8	7/15/99	4.03	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.03	Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of the Registrant dated June 8, 2000	S-8	6/14/00	4.03	
3.04	Amended and Restated Bylaws of Registrant, effective December 18, 2002	10-Q	5/14/03	3.1	
3.05	Amended and Restated Article II, Section 2 of the Bylaws of Registrant, effective May 3, 2005	8-K	5/6/05	3.01	
4.01	Rights Agreement dated as of September 27, 2002, between the Registrant and Mellon Investor Services LLC, as Rights Agent, which includes as Exhibit A the Form of Certificate of Designations of Series A Junior Participating Preferred Stock, as Exhibit B the Summary of Stock Purchase Rights and as Exhibit C the Form of Rights Certificate	8-A	9/30/02	4.01	
4.02	Amendment to Rights Agreement dated as of February 11, 2003, between the Registrant and Mellon Investor Services LLC, as Rights Agent	8-A/A	3/19/03	4.02	
10.01	Form of Revised Indemnification Agreement entered into by the Registrant with each of its directors and executive officers	10-K	3/31/03	10.02	
10.02	Registrant’s 1995 Stock Option Plan, as amended through 8/6/96	S-1	1/29/98	10.06	
10.03	Registrant’s 1997 Stock Option Plan	S-1	1/29/98	10.07	
10.04	Registrant’s 1998 Equity Incentive Plan, as amended through 2/8/05	10-K	3/16/05	10.04	
10.05	Form of 1998 Equity Incentive Plan Restricted Stock Purchase Agreement	10-Q	11/14/03	10.1	
10.06	Form of 1998 Equity Incentive Plan Restricted Stock Unit Agreement	10-K	3/16/05	10.06	
10.07	409A Options Election Form and related documentation	8-K	1/4/07	99.01	
10.08	Registrant’s 1998 Directors Stock Option Plan, as amended through 5/22/03, and form of stock option agreement	S-8	6/23/03	4.02	
10.09	Summary of Director’s Compensation Benefits	10-Q	7/12/07	10.05	
10.10	Registrant’s 1998 Employee Stock Purchase Plan, as amended through 10/22/03	S-8	8/4/04	4.01	
10.11	Registrant’s 2001 Stock Incentive Plan, as amended through 11/22/02	10-K	3/31/03	10.08	
10.12	Registrant’s 2006 Equity Incentive Plan, as adopted 5/26/06	10-Q	7/12/07	10.02	
10.13	Registrant’s 2006 Equity Incentive Plan, form of Stock Option Agreement	10-Q	7/12/07	10.03	
10.14	Registrant’s 2006 Equity Incentive Plan, form of Restricted Stock Unit Agreement	10-Q	7/12/07	10.04	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.13	Assignment Agreement, dated as of April 18, 1995 between the Registrant and RSA Data Security, Inc.	S-1	1/29/98	10.15	
10.14	BSAFE/TIPEM OEM Master License Agreement, dated as of April 18, 1995, between the Registrant and RSA Data Security, Inc., as amended	S-1	1/29/98	10.16	
10.15	Amendment Number Two to BSAFE/TIPEM OEM Master License Agreement dated as of December 31, 1998 between the Registrant and RSA Data Security, Inc.	S-1	1/5/99	10.31	
10.16	Non-Compete and Non-Solicitation Agreement, dated April 18, 1995, between the Registrant and RSA Security, Inc.	S-1	1/29/98	10.17	
10.17*	Microsoft/VeriSign Certificate Technology Preferred Provider Agreement, effective as of May 1, 1997, between the Registrant and Microsoft Corporation	S-1	1/29/98	10.18	
10.18*	Master Development and License Agreement, dated as of September 30, 1997, between the Registrant and Security Dynamics Technologies, Inc.	S-1	1/29/98	10.19	
10.19	Amendment Number One to Master Development and License Agreement dated as of December 31, 1998 between the Registrant and Security Dynamics Technologies, Inc.	S-1	1/5/99	10.30	
10.20	Employment Offer Letter Agreement between the Registrant and Stratton Sclavos dated as of June 12, 1995, as amended October 4, 1995	S-1	1/29/98	10.28	
10.21	Transition Services and General Release Agreement between the Registrant and James M. Ulam dated May 18, 2006	10-Q	7/10/07	10.01	
10.22	Amended and Restated Transition Services and General Release Agreement between the Registrant and James M. Ulam dated September 27, 2006	10-Q	7/10/07	10.01	
10.23	Severance Agreement between the Registrant and Vernon Irvin dated October 31, 2006	8-K	11/6/06	99.01	
10.24	Employment Offer Letter between the Registrant and Rodney A. McCowan dated October 4, 2006				X
10.25	Employment Offer Letter between the Registrant and John M. Donovan dated November 20, 2006				X
10.26	2006 *.com* Registry Agreement between VeriSign and ICANN				X
10.27	Amendment No. Thirty (30) to Cooperative Agreement - Special Awards Conditions NCR-92-18742, between the Registrant and U.S. Department of Commerce managers				X
10.28	Deed of Lease between TST Waterview I, L.L.C. and the Registrant, dated as of July 19, 2001	10-Q	11/14/01	10.01	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.29	Accelerated Share Repurchase Transaction at Discount to VWAP dated November 21, 2005 between the Registrant and Morgan Stanley & Co. Incorporated	10-K	3/13/06	10.28	
10.30	Credit Agreement among Registrant, the Designated Borrowers named therein, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, the other lenders party thereto, Citicorp USA, Inc., as Syndication Agent, JP Morgan Chase Bank, N.A., KeyBank National Association and U.S. Bank National Association, as Co-Documentation Agents, and Banc of America Securities LLC and Citigroup Global Markets, Inc., as joint lead arrangers and joint book running managers	8-K	6/7/06	10.1	
10.31	Subsidiary Guaranty dated June 7, 2006, made by the subsidiaries of Registrant named therein in favor of the Lenders party to the Credit Agreement and Bank of America, N.A., as Administrative Agent	8-K	6/7/06	10.1	
10.32	Company Guaranty dated June 7, 2006, made by Registrant, in favor of the Lenders party to the Credit Agreement and Bank of America, N.A., as Administrative Agent	8-K	6/7/06	10.1	
21.01	Subsidiaries of the Registrant				X
23.01	Consent of Independent Registered Public Accounting Firm				X
31.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)				X
31.02	Certification of Executive Vice President of Finance and Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)				X
32.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)**				X
32.02	Certification of Executive Vice President of Finance and Chief Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)**				X

* Confidential treatment was received with respect to certain portions of this agreement. Such portions were omitted and filed separately with the Securities and Exchange Commission.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mountain View, State of California, on the 12th day of July 2007.

VERISIGN, INC.

By /s/ WILLIAM A. ROPER, JR.
William A. Roper, Jr.
President and Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints William A. Roper Jr., Albert E. Clement and Richard Goshorn, and each of them, his or her true lawful attorneys-in-fact and agents, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granted unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

In accordance with the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 12th day of July 2007:

Signature	Title
/s/ WILLIAM A. ROPER, JR. William A. Roper, Jr.	President, Chief Executive Officer and Director
/s/ ALBERT E CLEMENT Albert E. Clement	Executive Vice President, Finance and Chief Financial Officer (Principal finance and accounting officer)
/s/ EDWARD A. MUELLER Edward A. Mueller	Chairman of the Board
/s/ D. JAMES BIDZOS D. James Bidzos	Vice Chairman of the Board
/s/ WILLIAM L. CHENEVICH William Chenevich	Director
/s/ MICHELLE GUTHRIE Michelle Guthrie	Director
/s/ SCOTT G. KRIENS Scott G. Kriens	Director
/s/ ROGER H. MOORE Roger H. Moore	Director
/s/ LOUIS A. SIMPSON Louis A. Simpson	Director

FINANCIAL STATEMENTS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As required under Item 8—Financial Statements and Supplementary Data, the consolidated financial statements of VeriSign are provided in this separate section. The consolidated financial statements included in this section are as follows:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
VeriSign, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting (Item 9A.b), that VeriSign, Inc. (the Company) did not maintain effective internal control over financial reporting as of December 31, 2006, because of the effect of a material weakness identified in management's assessment, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The Company identified a material weakness in its internal control over financial reporting as of December 31, 2006 arising from a combination of the following control deficiencies in the Company's stock administration policies and practices: (1) failure to consistently implement and apply policies and procedures related to the approval of equity-based grants to executive officers, retention grants and grants made in connection with new hires, promotions, and annual performance reviews; (2) lack of complete and timely reconciliation of grants and cancellations from the Company's stock administration database to its financial reporting systems; lack of consistent reconciliation of grant dates in the system of record to supporting documentation; (3) inadequate supervision and training of personnel involved with the equity-based grant processes; and (4) lack of effective coordination and communication among the Human Resources Department, Accounting Department and Legal

Department in connection with the administration of equity-based grants. The control deficiencies resulted in more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected. A material weakness comprised of similar control deficiencies to those noted above resulted in material errors to, and the restatement of, the 2005 and 2004 annual consolidated financial statements and the condensed consolidated financial statements for the interim periods in 2005 and for the interim period ended March 31, 2006.

In our opinion, management's assessment that VeriSign, Inc. did not maintain effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, VeriSign, Inc. has not maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company acquired m-Qube, Inc. (m-Qube) and inCode Telecom Group, Inc. (inCode) on May 1, 2006 and November 30, 2006, respectively, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 m-Qube's and inCode's internal control over financial reporting associated with total assets of $316,131,000 and $89,656,000, respectively, and total revenues of $26,985,000 and $5,000,000, respectively, included in the consolidated financial statements of VeriSign, Inc. and subsidiaries as of and for the year ended December 31, 2006. Our audit of internal control over financial reporting of VeriSign, Inc. also excluded an evaluation of the internal control over financial reporting of m-Qube and inCode.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of VeriSign, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2006. The aforementioned material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2006 consolidated financial statements, and this report does not affect our report dated July 12, 2007, which expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Mountain View, California
July 12, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
VeriSign, Inc.:

We have audited the accompanying consolidated balance sheets of VeriSign, Inc. and subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the Consolidated Financial Statements, the consolidated financial statements as of December 31, 2005 and for each of the years in the two-year period ended December 31, 2005 have been restated.

As discussed in Note 1 to the consolidated financials statements, effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the internal control over financial reporting of VeriSign, Inc. as of December 31, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 12, 2007 expressed an unqualified opinion on management's assessment of, and an adverse opinion on the effective operation of, internal control over financial reporting.

KPMG LLP

Mountain View, California
July 12, 2007

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31, 2006	December 31, 2005 As Restated (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 501,184	$ 476,826
Short-term investments	198,656	378,006
Accounts receivable, net of allowance for doubtful accounts of $8,083 in 2006 and $11,559 in 2005	329,848	279,766
Prepaid expenses and other current assets	217,262	78,008
Deferred tax assets	84,103	15,907
Current assets of discontinued operations	1,311	5,295
Total current assets	1,332,364	1,233,808
Property and equipment, net	605,292	558,272
Goodwill	1,449,493	1,068,963
Other intangible assets, net	333,430	225,302
Restricted cash and investments	49,437	50,972
Long-term note receivable	—	26,419
Long-term deferred tax assets	179,023	—
Other assets, net	25,214	16,985
Total long-term assets	2,641,889	1,946,913
Total assets	$ 3,974,253	$ 3,180,721
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 699,464	$ 567,848
Accrued restructuring costs	3,818	7,440
Deferred revenue	454,947	371,566
Short-term debt	199,000	—
Deferred tax liability	1,448	—
Current liabilities of discontinued operations	600	6,822
Total current liabilities	1,359,277	953,676
Long-term deferred revenue	159,439	127,175
Long-term accrued restructuring costs	937	10,876
Other long-term liabilities	5,175	4,995
Long-term deferred tax liabilities	24,849	19,072
Total long-term liabilities	190,400	162,118
Total liabilities	1,549,677	1,115,794
Commitments and contingencies		
Minority interest in subsidiaries	47,716	41,485
Stockholders' equity:		
Preferred stock—par value $.001 per share Authorized shares: 5,000,000 Issued and outstanding shares: none	—	—
Common stock—par value $.001 per share Authorized shares: 1,000,000,000 Issued and outstanding shares: 243,844,122, excluding 35,471,662 shares held in treasury, at December 31, 2006; 246,418,940, excluding 28,981,444 shares held in treasury, at December 31, 2005;	244	246
Additional paid-in capital	23,314,511	23,368,460
Unearned compensation	—	(24,199)
Accumulated deficit	(20,929,497)	(21,308,512)
Accumulated other comprehensive loss	(8,398)	(12,553)
Total stockholders' equity	2,376,860	2,023,442
Total liabilities and stockholders' equity	$ 3,974,253	$ 3,180,721

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

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

	Year Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
Revenues	$1,575,249	$ 1,612,574	$ 1,120,595
Costs and expenses:			
Cost of revenues	580,739	512,543	437,872
Sales and marketing	377,550	479,599	246,659
Research and development	129,343	95,594	63,689
General and administrative	256,801	180,108	193,927
Restructuring, impairment and other charges (reversals), net	(4,471)	18,703	23,357
Amortization of other intangible assets	122,767	101,638	79,440
Acquired in-process research and development	16,700	7,670	—
Total costs and expenses	1,479,429	1,395,855	1,044,944
Operating income from continuing operations	95,820	216,719	75,651
Other income (expense):			
Minority interest	(2,875)	(4,702)	(2,618)
Other income, net	43,740	51,211	83,520
Total other income, net	40,865	46,509	80,902
Income from continuing operations before income taxes	136,685	263,228	156,553
Income tax (benefit) expense	(241,285)	101,013	21,184
Net income from continuing operations	377,970	162,215	135,369
Discontinued operations:			
Net income from discontinued operations, net of tax	1,045	16,190	17,451
Gain on sale of discontinued operations, net of tax	—	250,573	—
Net income from discontinued operations	1,045	266,763	17,451
Net income	$ 379,015	$ 428,978	$ 152,820
Basic net income per share from:			
Continuing operations	$ 1.55	$ 0.63	$ 0.54
Discontinued operations	—	1.04	0.07
Net income	$ 1.55	$ 1.67	$ 0.61
Diluted net income per share from:			
Continuing operations	$ 1.53	$ 0.62	$ 0.53
Discontinued operations	—	1.01	0.07
Net income	$ 1.53	$ 1.63	$ 0.60
Shares used in per share computation:			
Basic	244,421	257,368	250,564
Diluted	247,073	263,689	255,414

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

	Year Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
Common stock:			
Balance, beginning of year:			
246,418,940 shares at January 1, 2006			
253,341,383 shares at January 1, 2005			
241,829,274 shares at January 1, 2004	$ 246	$ 253	$ 242
Issuance of common stock for business combinations:			
9,083,074 shares in 2005			
9,282,349 shares in 2004	—	9	9
Issuance of common stock under stock plans:			
3,915,400 shares in 2006			
6,811,910 shares in 2005			
6,703,777 shares in 2004	4	7	6
Repurchase of common stock:			
6,490,218 shares in 2006			
22,817,427 shares in 2005			
4,474,017 shares in 2004	(6)	(23)	(4)
Balance, end of year:			
243,844,122 shares at December 31, 2006			
246,418,940 shares at December 31, 2005			
253,341,383 shares at December 31, 2004	244	246	253
Additional paid-in capital:			
Balance at December 31, 2003 as previously reported			23,128,095
Cumulative effect of restatement through 2003			155,143
Balance, beginning of year as restated	23,368,460	23,452,925	23,283,238
Reclassification of unearned compensation upon adoption of SFAS 123R	(24,199)	—	—
Issuance of common stock for business combinations	—	288,402	165,632
Common stock issued under stock plans	51,536	80,447	63,717
Issuance of stock-based compensation awards, net of variable accounting adjustments	—	(22,411)	53,630
Stock-based compensation expense	67,896	—	—
Income tax (expense) benefit from stock based awards	(14,188)	117,704	(39)
Repurchase of common stock	(134,994)	(548,607)	(113,253)
Balance, end of year	23,314,511	23,368,460	23,452,925
Unearned compensation:			
Balance at December 31, 2003 as previously reported			(2,628)
Cumulative restatement effect through 2003			(11,661)
Balance, beginning of year as restated	(24,199)	(23,549)	(14,289)
Reclassification of unearned compensation upon adoption of SFAS 123R	24,199	—	—
Issuance of stock-based compensation awards	—	9,938	(56,095)
Stock-based compensation expense	—	(10,588)	46,835
Balance, end of year	—	(24,199)	(23,549)
Accumulated deficit:			
Balance at December 31, 2003 as previously reported			(21,740,054)
Cumulative restatement effect through 2003			(150,256)
Balance, beginning of year as restated	(21,308,512)	(21,737,490)	(21,890,310)
Net income	379,015	428,978	152,820
Balance, end of year	(20,929,497)	(21,308,512)	(21,737,490)
Accumulated other comprehensive income (loss):			
Balance, beginning of year	(12,553)	(1,411)	(2,002)
Translation adjustments	776	(7,988)	4,104
Change in unrealized gain (loss) on investments, net of tax	3,379	(3,154)	(3,513)
Balance, end of year	(8,398)	(12,553)	(1,411)
Total stockholders' equity	$ 2,376,860	$ 2,023,442	$ 1,690,728

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2006	2005	2004
		As Restated (1)	As Restated (1)
Net income	$379,015	$ 428,978	$ 152,820
Other comprehensive income:			
Unrealized gain (loss) on investments, net of tax	3,382	(4,573)	(3,462)
Reclassification adjustment for (gains) losses included in net income	(3)	1,419	(51)
Translation adjustments	776	(7,988)	4,104
Net gain (loss) recognized in other comprehensive income	4,155	(11,142)	591
Comprehensive income	$383,170	$ 417,836	$ 153,411

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
Cash flows from operating activities:			
Net income	$ 379,015	$ 428,978	$ 152,820
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of discontinued operations	—	(250,573)	—
Depreciation and amortization of property and equipment	108,762	89,309	85,641
Amortization of other intangible assets	122,767	101,638	79,440
Acquired in-process research and development	16,700	7,670	—
Provision for doubtful accounts	(1,165)	1,041	689
Restructuring, impairment and other charges (reversals), net	(4,471)	18,703	23,357
Net (gain) loss on sale and impairment of investments	(21,258)	(11,310)	10,131
Gain on sale of VeriSign Japan stock	—	—	(74,925)
Minority interest	2,875	4,702	2,618
Stock-based compensation and other	66,285	(10,588)	46,835
Tax benefit (expense) associated with stock options	(7,833)	51,964	(39)
Deferred income taxes	(227,194)	(8,313)	(9,693)
Loss on disposal of property and equipment	—	186	—
Changes in operating assets and liabilities, excluding effects of acquisitions:			
Accounts receivable	32,356	(67,531)	(69,994)
Prepaid expenses and other current assets	(80,514)	(24,411)	9,799
Accounts payable and accrued liabilities	(15,384)	75,498	37,553
Deferred revenue	103,838	74,159	71,106
Net cash provided by operating activities	474,779	481,122	365,338
Cash flows from investing activities:			
Net proceeds from sale of discontinued operations	—	367,222	—
Purchases of investments	(541,569)	(276,869)	(1,083,203)
Proceeds from maturities and sales of investments	716,250	313,845	1,067,258
Purchases of property and equipment	(181,611)	(110,834)	(92,532)
Proceeds from sale of VeriSign Japan stock	—	—	78,317
Proceeds received on long term note receivable	47,786	15,990	—
Cash paid for business combinations, net of cash acquired	(604,795)	(161,334)	(253,776)
Other assets	1,543	(4,424)	(927)
Net cash (used in) provided by investing activities	(562,396)	143,596	(284,863)
Cash flows from financing activities:			
Proceeds from issuance of common stock from option exercises and employee stock purchase plan	51,540	80,454	63,723
Repurchase of common stock	(135,000)	(548,630)	(113,257)
Proceeds from draw-down of credit facility	299,000	—	—
Repayment of credit facility	(100,000)	—	—
Debt issuance costs	(3,381)	—	—
Change in net assets of subsidiary and other	1,448	863	(447)
Repayment of long term liabilities	(2,872)	(2,200)	(4,491)
Net cash provided by (used in) financing activities	110,735	(469,513)	(54,472)
Effect of exchange rate changes on cash and cash equivalents	6	(7,186)	3,045
Net increase in cash and cash equivalents	23,124	148,019	29,048
Cash and cash equivalents of at beginning of year	478,660	330,641	301,593
Cash and cash equivalents at end of year	501,784	478,660	330,641
Cash and cash equivalents included in discontinued operations	(600)	(1,834)	(1,799)
Cash and cash equivalents of continuing operations at the end of the year	$ 501,184	$ 476,826	$ 328,842

VERISIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(In thousands)

	Year Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
Cash flows from discontinued operations:			
Net cash (used in) provided by operating activities	$ (1,234)	$ 35	$ 208
Net cash used in investing activities	—	—	(1,530)
Net cash (used in) provided by discontinued operations	$ (1,234)	$ 35	$ (1,322)
Supplemental cash flow disclosures:			
Cash paid for interest payments	$ 6,360	$ —	$ —
Cash paid for income taxes	$51,660	$ 26,440	$ 26,497

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006, 2005 AND 2004

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

VeriSign, Inc. ("VeriSign" or "the Company"), a Delaware corporation, operates intelligent infrastructure services that enable and protect billions of interactions every day across the world's voice and data networks. We offer a variety of Internet and communications-related services which are marketed through Web site sales, direct field sales, channel sales, telesales, and member organizations in our global affiliate network.

VeriSign is organized into two reportable service-based segments: the Internet Services Group and the Communications Services Group. The Internet Services Group consisted of the Security Services business and the Information Services business. The Security Services business provided products and services that protect online and network interactions, enabling companies to manage reputational, operational and compliance risks. The Information Services business was the authoritative directory provider of all *.com*, *.net*, *.cc*, and *.tv* domain names, and also provided other value added services, including intelligent supply chain services, real-time publisher services and digital brand management services. The Communications Services Group provided communications services, such as connectivity and interoperability services and intelligent database services; commerce services, such as billing and operational support system services ("OSS"), mobile commerce, self care and analytics services; and content services, such as digital content and messaging services.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of VeriSign and its subsidiaries after the elimination of intercompany accounts and transactions. As of December 31, 2006, VeriSign owned approximately 54% of the outstanding shares of capital stock of its consolidated subsidiary, VeriSign Japan K.K. The minority interest's proportionate share of income is included in minority interest in the consolidated statement of income. Changes in VeriSign's proportionate share of the net assets of VeriSign Japan K.K. resulting from sales of capital stock by the subsidiary are accounted for as equity transactions. VeriSign accounted for the November 2005 sale of its payment gateway business as a discontinued operation in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 144 ("SFAS 144"), *"Accounting for the Impairment or Disposal of Long Lived Assets"*. Accordingly, the consolidated financial statements have been reclassified for all periods presented to reflect its payment gateway business as discontinued operations. Unless noted otherwise, discussions in the Notes to Consolidated Financial Statements pertain to continuing operations.

Use of Estimates

The discussion and analysis of VeriSign's financial position and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, allowance for doubtful accounts, long-lived assets, restructuring, stock-based compensation, royalty liabilities, and deferred taxes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Cash and Cash Equivalents

VeriSign considers all highly liquid investments with original 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.

Short-Term Investments

Highly liquid investments with original maturities greater than three months are considered short-term investments. VeriSign invests in debt and equity securities of companies for business and investment purposes.

Fair Value of Financial Instruments

The fair value of VeriSign's cash equivalents, short-term investments, accounts receivable, restricted cash and investments, accounts payable, short-term debt and other long-term liabilities approximates the carrying amount, which is the amount for which the instrument could be exchanged in a current transaction between willing parties. See Note 7, "Cash, Cash Equivalents, Investments and Restricted Cash" for further information regarding these instruments.

Long-Term Investments

Investments in non-public companies where VeriSign owns less than 20% of the voting stock and has no indicators of significant influence are included in other assets in the consolidated balance sheets and are accounted for under the cost method. For these non-quoted investments, VeriSign regularly reviews the assumptions underlying the operating performance and cash flow forecasts based on information provided by these privately held companies. This information may be more limited, may not be as timely, and may be less accurate than information available from publicly traded companies. Assessing each investment's carrying value requires significant judgment by management. Generally, if cash balances are insufficient to sustain the investee's operations for a six-month period and there are no anticipated prospects of future funding for the investee, VeriSign considers the decline in fair value to be other-than-temporary. If it is determined that an other-than-temporary decline exists in a non-public equity security, VeriSign writes down the investment to its fair value and records the related impairment as an investment loss in its consolidated statement of income. During 2006, 2005 and 2004, VeriSign determined that the decline in value of certain of its non-public equity investments was other-than-temporary and recorded impairments of these investments totaling $0.4 million, $0.8 million, and $12.6 million, respectively. As of December 31, 2006 and 2005, long-term investments totaling $11.2 million and $6.7 million have been included in other assets on the respective consolidated balance sheets.

Trade Accounts Receivable and Allowances for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and generally do not include finance charges. VeriSign maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. VeriSign regularly reviews the adequacy of its accounts receivable allowance after considering the significance of the accounts receivable balance, each customer's expected ability to pay and its collection history with each customer. VeriSign reviews significant invoices that are past due to determine if an allowance is appropriate based on the risk category using the factors described above. For those invoices not specifically reviewed, VeriSign maintains general reserve provisions based upon the age of the receivable. In determining these reserves, VeriSign analyzes its historical collection experience and current economic trends. If the historical data VeriSign uses to calculate the allowance for doubtful accounts does not reflect the future ability to collect outstanding receivables, additional provisions for doubtful accounts may be needed and the future results of operations could be materially affected.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

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, 40 years for buildings and three to five years for computer equipment, purchased software, office equipment, and furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or lease terms.

Capitalized Software

Costs incurred in connection with the development of software products are accounted for in accordance with SFAS No. 86, "*Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed.*" Development costs incurred in the research and development of new software products, and enhancements to existing software products are expensed as incurred until technological feasibility in the form of a working model has been established. VeriSign's software has been available for general release concurrent with the establishment of technological feasibility, and accordingly no such costs have been capitalized.

Software included in property and equipment includes amounts paid for purchased software and implementation services for software used internally that has been capitalized in accordance with the American Institute of Certified Public Accountants Statement of Position ("SOP") No. 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*". The following table summarizes the capitalized costs related to third-party implementation and consulting services as well as costs related to internally developed software:

	Year ended December 31,	
	2006	2005
	(In thousands)	
Internally used third-party software	$ 20,202	$ 21,657
Internally developed software	23,665	13,362

Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over fair value of net assets of businesses acquired. Goodwill and other intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142, "*Goodwill and Other Intangible Asset*" (SFAS 142). As of December 31, 2006, there were no other intangible assets with an indefinite useful life. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives, and reviewed for impairment in accordance with SFAS 144.

Impairment of Long-Lived Assets

In accordance with SFAS 144, long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business or a significant change in the operations of an acquired business. Recoverability of assets to be held and used is measured by a

comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds its fair value.

Purchased goodwill is not amortized but is subject to testing for impairment on at least an annual basis. VeriSign performed its annual impairment tests as of June 30, 2006, 2005 and 2004. The fair value of VeriSign's reporting units is determined using either the income or the market valuation approach or a combination thereof. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows that the reporting unit is expected to generate over its remaining life. Under the market approach, the value of the reporting unit is based on an analysis that compares the value of the reporting unit to values of publicly traded companies in similar lines of business. In the application of the income and market valuation approaches, VeriSign is required to make estimates of future operating trends and judgments on discount rates and other variables. Actual future results related to assumed variables could differ from these estimates.

There were no impairment charges for goodwill and other intangible assets from the annual impairment tests conducted as of June 30, 2006, 2005 and 2004.

Provision for Royalty Liabilities for Intellectual Property Rights

Certain of VeriSign content services utilize intellectual property owned or held under license by others. Where VeriSign has not yet entered into a license agreement with a holder, VeriSign records a provision for royalty payments that it estimates will be due once a license agreement is concluded. VeriSign estimates the royalty payments based on the prevailing royalty rate for the type of intellectual property being utilized. VeriSign's estimates could differ materially from the actual royalties to be paid under any definitive license agreements that may be reached due to changes in the market for such intellectual property, such as a change in demand for a particular type of content, in which case VeriSign would record a royalty expense materially different than its estimate.

Foreign Currency Translation

VeriSign conducts business throughout the world and transacts in multiple currencies. The functional currency for most of VeriSign's international subsidiaries is the U.S. Dollar. The subsidiaries' financial statements are remeasured into U.S. Dollars using a combination of current and historical exchange rates and any remeasurement gains and losses are included in operating results.

The financial statements of the subsidiaries for which the local currency is the functional currency are translated into U.S. Dollars using the current rate for assets and liabilities and a weighted-average rate for the period for revenues and expenses. This translation results in a cumulative translation adjustment that is included in accumulated other comprehensive income or loss, which is a separate component of stockholders' equity.

VeriSign maintains a foreign currency risk management program designed to mitigate foreign exchange risks associated with the monetary assets and liabilities of its operations that are denominated in non-functional currencies. The primary objective of this program is to minimize the gains and losses resulting from fluctuations in exchange rates. The Company does not enter into foreign currency transactions for trading or speculative purposes, nor does it hedge foreign currency exposures in a manner that entirely offsets the effects of changes in exchange rates. The program may entail the use of forward or option contracts, and in each case, these contracts are limited to a duration of less than 12 months.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

At December 31, 2006, VeriSign held forward contracts in notional amounts totaling approximately $182.4 million to mitigate the impact of exchange rate fluctuations associated with certain foreign currencies. All forward contracts were recorded at fair market value on the balance sheet and gains and losses were included in earnings. The Company attempts to limit its exposure to credit risk by executing foreign exchange contracts with high-quality financial institutions.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes foreign currency translation adjustments and unrealized gains and losses on marketable securities classified as available-for-sale. The following table summarizes the changes in the components of accumulated other comprehensive loss during 2006 and 2005:

	Foreign Currency Translation Adjustments Gain (Loss)	Unrealized Gain (Loss) On Investments, Net of Tax	Total Accumulated Other Comprehensive Loss
		(In thousands)	
Balance, December 31, 2004	$ 797	$ (2,208)	$ (1,411)
Changes	(7,988)	(3,154)	(11,142)
Balance, December 31, 2005	$ (7,191)	$ (5,362)	$ (12,553)
Changes	776	3,379	4,155
Balance, December 31, 2006	$ (6,415)	$ (1,983)	$ (8,398)

Revenue Recognition

VeriSign derives its revenues from two reportable segments: (i) the Internet Services Group, which consists of Security Services and Information Services; and (ii) the Communications Services Group, which consists of Network Connectivity and Interoperability Services, Intelligent Database Services, Content and Application Services, Clearing and Settlement Services, and Billing and Payment Services. Unless otherwise noted below, VeriSign's revenue recognition policies are in accordance with the U.S. Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104, "*Revenue Recognition*," and Emerging Issues Task Force ("EITF") Issue No. 00-21, "*Revenue Arrangements with Multiple Deliverables.*"

The revenue recognition policy for each of these categories is as follows:

Internet Services Group

Security Services

Revenues from the Security Services business are comprised of security services including managed security services and authentication services for enterprises.

Managed Security Services ("MSS"). Revenues from managed security services primarily consist of a set-up fee and a monthly service fee for the managed security service. Revenues from set-up fees are deferred and recognized ratably over the period that the fees are earned and revenues from the monthly service fees are recognized in the period in which the services are provided.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

VeriSign also provides global security consulting services to help enterprises assess, design, and deploy network security solutions. Revenues from global security consulting services are recognized either on a time-and-materials basis as the services are performed, or for fixed price consulting as services are performed, completed and accepted. In some cases fixed price consulting is measured using the proportional performance method of accounting. Proportional performance is based upon the ratio of hours incurred to total hours estimated to be incurred for the project. VeriSign has a history of accurately estimating project status and the hours required to complete projects. If different conditions were to prevail such that accurate estimates could not be made, then the use of the completed contract method would be required and all revenue and costs would be deferred until the project was completed. Revenues from time-and-materials are recognized as services are performed.

Authentication Services. Revenues from the sale of authentication and security services primarily consist of a set-up fee, annual managed service and per-seat license fee. Revenues from the fees are deferred and recognized ratably over the term of the license, generally 12 to 36 months. Post-contract customer support ("PCS") is bundled with authentication and security services licenses and recognized over the license term.

VeriSign Affiliate PKI Software and Services. VeriSign Affiliate PKI Software and Services ("International Affiliates") are for digital certificate technology and business process technology. Revenues from the VeriSign Affiliate PKI Software and Services are derived from arrangements involving multiple elements including PCS and other services. These software licenses, which do not provide for right of return, are primarily perpetual licenses for which revenues are recognized up-front once all criteria for revenue recognition have been met.

VeriSign recognizes revenues from VeriSign Affiliate PKI Software and Services in accordance with SOP 97-2, "*Software Revenue Recognition*," as amended by SOP 98-9, "*Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions*," when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred, (3) the fee is fixed or determinable and (4) collectibility is probable. VeriSign defines each of these four criteria as follows:

- *Persuasive evidence of an arrangement exists.* It is the Company's customary practice to have a written contract, which is signed by both the customer and VeriSign, or a purchase order from those customers who have previously negotiated a standard license arrangement with VeriSign.
- *Delivery has occurred.* VeriSign's software may be either physically or electronically delivered to the customer. Electronic delivery is deemed to have occurred upon download by the customer from an FTP server. Where an arrangement includes undelivered products or services that are essential to the functionality of the delivered product, delivery is not considered to have occurred until these products or services are delivered or accepted.
- *The fee is fixed or determinable.* It is VeriSign's policy to not provide customers the right to a refund of any portion of their paid license fees. Generally, at least 80% of the arrangement fees are due within one year or less, but VeriSign may agree to payment terms with a foreign customer based on local customs. Arrangements with payment terms extending beyond these customary payment terms are considered not to be fixed or determinable, and revenues from such arrangements are recognized as payments become due and payable.
- *Collectibility is probable.* Collectibility is assessed on a customer-by-customer basis. VeriSign typically sells to customers for whom there is a history of successful collection. New customers are subjected to a credit review process that evaluates the customer's financial position and, ultimately, their ability to pay. If VeriSign determines from the outset of an arrangement that collectibility is not probable based upon its credit review process, revenues are recognized as cash is collected.

The Company's determination of fair value of each element in multiple-element software arrangements is based on vendor-specific objective evidence ("VSOE") of fair value. VeriSign limits its assessment of VSOE for each element to the price charged when the same element is sold separately. VeriSign has analyzed all of the elements included in its multiple-element software arrangements and determined that it has sufficient VSOE to allocate revenues to PCS and professional services components of its perpetual license arrangements. VeriSign sells its professional services separately, and has established VSOE on this basis. VSOE for PCS is determined based upon the customer's annual renewal rates for these elements. Accordingly, assuming all other revenue recognition criteria are met, revenues from perpetual licenses are recognized upon delivery using the residual method in accordance with SOP 98-9.

VeriSign's consulting services generally are not essential to the functionality of the software. The Company's software products are fully functional upon delivery and do not require any significant modification or alteration. Customers purchase these consulting services to facilitate the adoption of VeriSign's technology and dedicate personnel to participate in the services being performed, but customers may also decide to use their own resources or appoint other consulting service organizations to provide these services. Software products are billed separately and independently from consulting services, which are generally billed on a time-and-materials or milestone-achieved basis.

VeriSign also receives ongoing royalties from each digital certificate or authentication service sold by the VeriSign Affiliate to an end user. The Company recognizes the royalties from affiliates over the term of the digital certification or authentication service to which the royalty relates, which is generally 12 to 24 months.

SSL Certificate Services. Revenues from SSL Certificate services include the sale or renewal of digital certificates. These revenues are deferred and recognized ratably over the life of the digital certificate, which is generally 12 to 36 months.

Information Services

Naming Services. VeriSign's Information Services revenues primarily include registry services for the *.com* and *.net* gTLDs and certain ccTLDs, and managed domain name services. Domain name registration revenues consist primarily of registration fees charged to registrars for domain name registration services. Revenues from the initial registration or renewal of domain name registration services are deferred and recognized ratably over the registration term, generally one to two years and up to ten years. Fees for renewals and advance extensions to the existing term are deferred until the new incremental period commences. These fees are then recognized ratably over the new registration term, ranging from one to ten years.

Digital Brand Management Services. Revenues from digital brand management services include VeriSign's domain name registration services and its brand monitoring services. Revenues from the registration fees are deferred and recognized ratably over the registration term and the revenues from the brand monitoring services are recognized ratably over the periods in which the services are provided, which is generally one to ten years.

Communications Services Group

Revenues from Communications Services business are comprised of connectivity and interoperability services, intelligent database services, content services, messaging services, clearing and settlement services, and billing and OSS services.

Connectivity and Interoperability Services

Through VeriSign's network connectivity and interoperability services, VeriSign provides SS7 Connectivity and Signaling, and Voice and Data Roaming services.

SS7 Connectivity and Signaling. Network connectivity revenues are derived from establishing and maintaining connection to VeriSign's SS7 network and trunk signaling services. Revenues from network connectivity consist primarily of monthly recurring fees, along with trunk signaling service fees, which are charged and recognized monthly based on the number of switches to which a customer signals.

Voice and Data Roaming. Voice and Data roaming revenues are derived from enabling service providers to offer wireless data roaming to their subscribers. Revenues from wireless account management services and unregistered wireless roaming services are based on the revenue retained by VeriSign and recognized in the period in which such calls are processed on a per-minute or per-call basis.

Intelligent Database Services

Intelligent Database Services revenues include Number Portability, Caller Name Identification, Toll-free Database Services and TeleBlock Do Not Call, which are derived primarily from monthly database administration and database query services and are charged and recognized on a per-use or per-query basis.

Content and Application Services

Content services revenues are derived by providing digital content services, including Digital Content services, Messaging services and Mobile Delivery services. Revenues from content services primarily consist of weekly, biweekly or monthly subscriber fees. VeriSign recorded these revenues net of the fees from its wireless carriers in accordance with EITF No. 99-19, "*Reporting Revenue Gross as a Principal versus Net as an Agent*." VeriSign also provides content services on a transaction basis and recognizes revenue upon delivery. VeriSign's content subscription plans allow for a specified number of content downloads per subscription period and give the customer the ability to rollover unused content downloads to future periods. VeriSign considers historical customer usage patterns to estimate and defer revenue for the number of content downloads expected to be rolled over and utilized prior to termination of the subscription plan.

Revenues from Messaging services are derived by providing multimedia, global and short messaging services between carrier systems and devices, and across disparate networks and technologies so the carrier's customers can exchange messages outside their carrier's network. Revenues from Messaging services primarily represent fees charged and recognized for the messaging services either based on a monthly fee or number of messages processed. VeriSign also provides consulting services to provide multimedia messaging and interoperability solutions. These fees are charged on a transaction or fixed-fee basis. The revenues associated with interoperability solutions are typically recognized over the estimated useful life, which is generally one to two years.

Clearing and Settlement Services

The Communications Services Group also offers advanced billing and customer care services to wireline and wireless carriers. VeriSign's advanced billing and customer care services include:

Wireline and Wireless Clearinghouse Services. Clearinghouse services revenues are derived primarily from serving as a distribution and collection point for billing information and payment collection for services provided by one carrier to customers billed by another. Revenues from clearinghouse services

are earned based on the number of messages processed. Amounts due from customers that are related to VeriSign's telecommunications services for third-party network access, database charges and clearinghouse toll amounts that have been invoiced and remitted to the customer are included in prepaid expenses and other current assets.

Billing and OSS Services

Revenues from Billing and OSS services primarily represent a monthly recurring fee for every subscriber activated by VeriSign's wireless carrier customers.

Advertising Expense

Advertising costs are expensed as incurred and are included in sales and marketing expense in the accompanying consolidated statements of income. Advertising expense was $150.1 million in 2006, $287.7 million in 2005 and $87.9 million in 2004.

Income Taxes

VeriSign 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 and net operating loss carryforwards. 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. VeriSign records a valuation allowance to reduce deferred tax assets to an amount whose realization is more likely than not.

Stock-Based Compensation

Prior to January 1, 2006, VeriSign accounted for stock-based awards under the intrinsic value method, which followed the recognition and measurement principles of Accounting Principles Board Opinion No. 25 ("APB 25"), "*Accounting for Stock Issued to Employees*", and related interpretations. The intrinsic value method of accounting resulted in compensation expense for restricted stock awards at fair value on date of grant based on the number of shares granted and the quoted price of the Company's common stock, and for stock options to the extent option exercise prices were set below market prices on the date of grant. To the extent stock awards were forfeited prior to vesting, the corresponding previously recognized expense was reversed as an offset to operating expenses.

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123R, "*Share-Based Payment*" (SFAS 123R). SFAS 123R replaced SFAS No. 123, "*Accounting for Stock-Based Compensation*" (SFAS 123) and superseded APB 25. VeriSign elected the modified prospective application method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. For stock-based awards granted on or after January 1, 2006, the Company will amortize stock-based compensation expense on a straight-line basis over the requisite service period, which is the vesting period. Estimated compensation for grants that were outstanding as of the effective date will be recognized over the remaining service period using the compensation cost estimated for the SFAS 123 pro forma disclosures.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

VeriSign recognized incremental stock-based compensation expense of $33.8 million during 2006 as a result of the adoption of SFAS 123R. See Note 13, "Stock-Based Compensation" for further information regarding stock- based compensation assumptions and expenses. The FASB Staff Position No. 123R-3 ("FSP 123R-3"), "*Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*", provides an elective method for calculating the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R. FSP No. 123R-3 provides that an entity may make a one-time election to adopt the transition method. An entity may take up to one year from its initial adoption of SFAS 123R to make the election. During the second quarter ended June 30, 2006, VeriSign elected the short-cut transition method described in FSP 123R-3, and analyzed its effect on the Company's consolidated financial statements for the periods presented. The election of the transition method did not have a material impact on VeriSign's consolidated financial statements.

The following table illustrates the effect on net income and net income per share on VeriSign's consolidated statement of income if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	Year Ended December 31,	
	2005	2004
	(In thousands, except per share data)	
	Restated (1)	Restated (1)
Net income, as reported	$ 428,978	$ 152,820
Deduct: Credit for stock-based compensation, net of tax	(7,611)	—
Add: Amortization of stock-based compensation, net of tax	—	46,437
Deduct: Stock-based compensation determined under the fair value method for all awards, net of tax	(125,777)	(151,423)
Pro forma net income	$ 295,590	$ 47,834
Earnings per share:		
Basic:		
As reported	$ 1.67	$ 0.61
Pro forma stock-based compensation	(0.52)	(0.42)
Pro forma net income per share	$ 1.15	$ 0.19
Diluted:		
As reported	$ 1.63	$ 0.60
Pro forma stock-based compensation	(0.50)	(0.41)
Pro forma net income per share	$ 1.13	$ 0.19

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Concentration of Credit Risk

Financial instruments that potentially subject VeriSign to significant concentrations of credit risk consist principally of cash, cash equivalents, short-term investments and accounts receivable. VeriSign maintains its cash, cash equivalents and investments in marketable securities 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. In addition, the portfolio of investments in marketable securities conforms to VeriSign's policy regarding concentration of investments, maximum maturity and quality of investment. Concentration of credit risk with respect to accounts receivable is limited by the diversity of the customer base and geographic dispersion. VeriSign also performs ongoing credit evaluations of its customers and generally requires no collateral. VeriSign maintains an allowance for potential credit losses on its accounts receivable. The following table summarizes the changes in the allowance for doubtful accounts:

	2006	2005	2004
		(In thousands)	
Allowance for doubtful accounts:			
Balance, beginning of year	$11,559	$10,708	$13,405
Add: (recovery) charges to costs and expenses	(1,165)	1,041	472
Less: write-offs, net of recoveries and other adjustments	(2,311)	(190)	(3,169)
Balance, end of year	$ 8,083	$11,559	$10,708

Recently Issued Accounting Pronouncement

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159"), "*The Fair Value Option for Financial Assets or Financial Liabilities*," which provides companies with an option to report selected financial assets and liabilities at fair value. The objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of Statement No. 157 "*Fair Value Measurements*" (SFAS 157). The Company is currently evaluating the effect of SFAS 159, and the impact it will have on our financial position and results of operations.

In September 2006, the FASB issued SFAS 157, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. Earlier adoption is permitted, provided the company has not yet issued financial statements, including for interim periods, for that fiscal year. The Company is currently evaluating the effect of SFAS No. 157, and the impact it will have on its financial position and results of operations.

In September 2006, the Securities and Exchange Commission released Staff Accounting Bulletin No. 108 ("SAB 108"), "*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*", which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108

provides transition guidance for correcting errors and requires registrants to quantify misstatements using both the balance-sheet and income-statement approaches and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative factors. In the year of adoption only, if the effect of prior periods uncorrected misstatement is determined to be material, under SAB 108 a registrant is allowed to record the effect as a cumulative-effect adjustment to beginning-of-year retained earnings. SAB 108 does not change the requirements within SFAS No. 154, "*Accounting Changes and Error Corrections*" for the correction of an error on financial statements. Further, SAB 108 does not change the Staff's previous guidance in SAB No. 99, "*Materiality*", on evaluating the materiality of misstatements. The Company was required to adopt SAB 108 in its current fiscal year. The adoption of SAB 108 did not have a material impact on its financial position and results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "*Accounting for Uncertainty in Income Taxes*". FIN 48 defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. The recently issued literature also provides guidance on the recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. The Company is required to adopt FIN 48 in the first quarter of 2007. The differences between the amounts recognized in the financial statements prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of the Company's accumulated deficit.

In June 2006, the FASB issued EITF 06-3, "*How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement*". EITF 06-3 provides guidance on an entity's disclosure of its accounting policy regarding the gross or net presentation of certain taxes and provides that if taxes included in gross revenues are significant, a company should disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of EITF 06-3 are those that are imposed on and concurrent with a specific revenue-producing transaction. The guidance is effective for interim and annual periods beginning after December 15, 2006. The Company evaluated the effect of EITF 06-3, and does not believe that it will have a material impact on its financial position and results of operations.

Note 2. Restatement of Consolidated Financial Statements

VeriSign is restating its consolidated balance sheet as of December 31, 2005, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for each of the fiscal years ended December 31, 2005 and December 31, 2004.

The Company is also restating the unaudited quarterly financial information and financial statements for interim periods of 2005, and the unaudited condensed financial statements for the three months ended March 31, 2006. The decision to restate was based on the results of an independent review into our stock option accounting that was conducted under the direction of an ad hoc group of VeriSign's independent directors who had not served on the Company's Compensation Committee before 2005 ("Ad Hoc Group"), with the assistance of independent outside counsel, Cleary Gottlieb Steen & Hamilton LLP ("Cleary Gottlieb"). In addition to Cleary Gottlieb, the Ad Hoc Group was assisted in its review by independent forensic accountants (collectively the "Review Team"). As part of the restatement, the Company has also made adjustments to its consolidated financial statements for the years ended December 31, 2005 and 2004 to correct errors identified but which were not material to our financial statements for these fiscal years.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Previously filed annual reports on Form 10-K and quarterly reports on Form 10-Q affected by the restatements have not been amended and should not be relied upon.

On June 27, 2006, the Company announced that it had received a grand jury subpoena from the U.S. Attorney for the Northern District of California requesting documents relating to VeriSign's stock option grants and practices dating back to January 1, 1995, and had received an informal request for information from the Securities and Exchange Commission ("SEC") related to VeriSign's stock option grants and practices. On February 9, 2007, the Company subsequently received a formal order of investigation from the SEC.

On November 21, 2006, VeriSign announced that the Ad Hoc Group had determined the need to restate VeriSign's historical financial statements to record additional non-cash, stock-based compensation expense related to past stock option grants.

On March 30, 2007, we requested guidance from the Office of the Chief Accountant of the SEC (the "OCA") concerning certain accounting issues relating to the restatement of our historical financials and the Review. On June 25, 2007, the OCA and the Company concluded their discussions regarding these accounting issues.

The Ad Hoc Group with the assistance of Cleary Gottleib reviewed the facts and circumstances of the timing of VeriSign's historical stock option grants for the period from January 1998 through May 2006. The Company announced on January 31, 2007 that the Ad Hoc Group's Review was substantially completed and that, based on a review of the totality of evidence and the applicable law, the Review did not find intentional wrongdoing by any current member of the senior management team or the former CEO. The Ad Hoc Group's Review concluded that the Company failed to implement appropriate processes and controls for granting, accounting for, and reporting stock option grants and that corporate records in certain circumstances were incomplete or inaccurate.

The Review Team examined all grants to Section 16 officers and directors during the relevant period, as well as 7 annual performance grants to rank and file employees and 179 acquisition, new hire and promotion, and other grants to rank and file employees on 239 dates from January 1998 through January 2006.

The Review Team identified 8,164 stock option grants made on 41 dates during the relevant period for which measurement dates were incorrectly determined. The measurement dates required revision because the stated date either preceded or was subsequent to the proper measurement date and the stock price on the stated date was generally lower than the price on the proper measurement date. In several instances, the Review Team also determined that the stock price assigned on the initial grant dates was subsequently modified, without being given the required accounting and disclosure treatment.

As part of the restatement, the grants during the relevant period were organized into categories based on grant type and process by which the grant was finalized. The evidence related to each category of grant was analyzed including, but not limited to, electronic and physical documents, document metadata, and witness interviews. Based on the relevant facts and circumstances, and consistent with the accounting literature and recent guidance from the SEC, the controlling accounting standards were applied to determine, for every grant within each category, the proper measurement date. If the measurement date was not the originally assigned grant date, accounting adjustments were made as required, resulting in stock-based compensation expense and related income tax effects.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Measurement Date Hierarchy

The Company has adopted the following framework for determining the measurement dates of its stock option grants and has applied this framework to each grant based on the facts, circumstances and availability of documentation.

- The Company reviewed the date of the minutes of the Board of Directors or Compensation Committee meetings for grants made at such meetings when the number of options and exercise price for each recipient had been clearly approved. Where the Review Team determined that the meeting date was not the measurement date, the Review Team determined the actual date of approval of the grant via other documentary evidence and interviews.
- When a grant was approved by unanimous written consent ("UWC"), the measurement date was the date of the Compensation Committee's approval of the UWC as established by available evidence, such as receipt of signature pages of the UWC, contemporaneous telephone and/or e-mail communications.
- If a grant was approved by the CEO under authority delegated by the Compensation Committee, the measurement date was the date on which the CEO communicated approval to the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.
- If a grant was approved by the CEO based on the mistaken belief that he had delegated authority to do so (de facto or "substantive" authority), the measurement date was the date on which the CEO communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price.
- In the event the date on which the CEO communicated approval was not evident from the approval forms, the measurement date was the date on which other available evidence, such as the surrounding e-mail communications, established the date the CEO approved the grant.
- In the event the date of CEO approval could not be established by reviewing other available evidence, such as e-mails, the measurement date was the date on which the number of options and exercise price were entered into the Company's option tracking database (Equity Edge).
- Except for grants to Section 16 officers which require Compensation Committee approval, for new hire grants and promotion grants, prior to March 13, 1998, the measurement date was the date the Compensation Committee approved the grant (as described above). For new hire grants and promotion grants after March 13, 1998 and prior to September 2000 and after September 30, 2002, the measurement date was the 15th day or the last day of the month (or the prior business day if that day was not a business day) following the actual and documented start date or promotion date of the respective employee receiving the grant. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval. For new hire grants and promotion grants in the period September 1, 2000 through September 30, 2002, the measurement date was the date on which the CEO communicated approval to either the Human Resources Department, the Compensation Committee or the respective employees indicating final approval of both the number of options and exercise price. If that date could not be determined, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge.

After determining the measurement date through the steps in the above Measurement Date Hierarchy, the Company then determined if there were any changes to the individual recipients, exercise prices or amount of shares granted after such measurement date. If there were no changes following such measurement date, then that

date would be used. If the Company identified changes following such measurement date, then the Company would evaluate whether the changes should delay the measurement date for the entire list of grants on that date, result in a repricing, or result in separate accounting for specific grants.

Director Grants

Required Granting Actions: Grants to directors under the 1998 Director Plan (the "Director Plan") were automatic and non-discretionary; the Director Plan did not require the CEO, the Board or the Compensation Committee to review or approve director grants. Each new director received an initial grant of a specified number of options on the date of his or her appointment and annually on the anniversary of the initial grant to be priced on the appointment or anniversary date, respectively. Directors serving before the Director Plan was adopted received an annual grant on the anniversary of their previous grant.

Method for Determining Proper Measurement Dates: For the initial grant, the measurement date was the date the director was appointed to the Board, as reflected in Board minutes. In the absence of Board minutes, the measurement date was the date specified in the proxy statement or, if not clear, the date of the first Board meeting attended by the new director. For anniversary grants, the measurement date was the annual anniversary of the initial grant (or the next business day if such date was not a business day).

Executive Grants

Required Granting Actions: The Compensation Committee is required to approve all grants to executive officers. For grants to the former CEO, the Review Team concluded that, in all but three cases (including the February 2002 grant described below), the Compensation Committee or the Board of Directors approved the grant on the stated grant date, resulting in a correct measurement date.

Method for Determining Proper Measurement Dates: For grants other than the February/May 2002 grant described below, including the other two grants to the former CEO referred to above, please refer to the Measurement Date Hierarchy above.

Acquisition Grants

Required Granting Actions: CEO authorization required. The Board of Directors implicitly delegated to the CEO authority to approve grants to employees from acquisitions when the Board approved an acquisition.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Annual Refresh Grants

Required Granting Actions: The Compensation Committee was required to approve all annual refresh grants through and including the 2004 annual refresh grant. In 2005, the Compensation Committee delegated to the CEO the authority to approve rank and file annual refresh grants.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

Extended Grants

Required Granting Actions: The Compensation Committee or the Board of Directors is required to approve all extensions of grants.

Method for Determining Proper Measurement Dates: Extended grants are a modification of a previous award. Available documentation was used to establish the modification date and to measure the additional compensation charge.

Retention and Off-Cycle Grants

Required Granting Actions: The Compensation Committee is required to approve all retention and off-cycle grants.

Method for Determining Proper Measurement Dates: Refer to the Documentation Hierarchy above. For the February/May 2002 retention grant described below, the former CEO approved the grants to rank and file employees.

New Hire and Promotion Grants

Required Granting Actions: New hire grants and promotion grants made after March 13, 1998 and prior to September 2000 and those made after September 30, 2002 were automatic and did not require the CEO, the Board or the Compensation Committee review or approval. Prior to March 13, 1998, the Compensation Committee was required to approve all new hire and promotion grants. New hire grants and promotion grants made in the period September 1, 2000 through September 30, 2002 required CEO approval.

Method for Determining Proper Measurement Dates: Refer to the Measurement Date Hierarchy above.

The 8,164 grants previously identified as having incorrectly determined measurement dates were classified into the following six categories: (1) 27 grants on 11 dates to persons elected or appointed as members of the Board of Directors (“Director Grants”); (2) 33 grants to executive officers (“Executive Grants”); (3) 2,908 grants to employees issued after an acquisition, newly hired employees and promoted employees under the new hire and promotion grants program described below (“New Hire and Promotion Grants Program”), and other grants to a large number of non-executives; (4) 4,226 grants made in broad-based awards to large numbers of employees, usually on an annual basis (“Annual Refresh Grants”); (5) 964 off-cycle performance grants; and (6) 6 grants whereby the expiration dates were extended (“Extended Grants”). All references to the number of option shares, option exercise prices, and share prices have been adjusted for all subsequent stock splits.

As discussed below, it was determined that the originally assigned grant dates for 8,164 grants were not ascribed the proper measurement dates for accounting purposes. Accordingly, after accounting for forfeitures, stock-based compensation expense of $171.4 million on a pre-tax basis was recognized over the respective awards’ vesting terms for the periods from 1998 to 2006. The adjustments made to reflect the proper measurement dates for accounting purposes were determined by category as follows:

Director Grants: 64 director grants were made on 36 dates during the relevant period. Of the 64 grants, there were 27 grants to directors for which it was determined that the originally determined grant dates preceded or succeeded the measurement dates, 11 grants were in excess of plan parameters, and some of the dates were selected in hindsight based on an advantageous share price. Of the 27 grants with measurement date issues, 26 of

the grants involved periods of 5 days or less and resulted in a stock-based compensation expense of less than $100,000 in the aggregate. Revisions to measurement dates for director grants were made where the wrong date was selected based on the requirements of the Director Plan and where incorrect start dates were used for the date the director joined the Board of Directors. The excess grants have been historically honored by the Company. As a result, $0.3 million of stock-based compensation expense was recognized.

Executive Officer Grants: It was determined that for 33 of the grants to executive officers, the originally determined grant dates preceded the measurement dates or the grant dates and exercise prices were subsequently changed. Some of these dates were selected in hindsight based on an advantageous share price. As the stock prices on the originally determined grant dates were lower than the stock prices on the proper measurement date, $28.1 million of stock-based compensation expense was recognized. The revised measurement dates for various executive officer grants were based on Compensation Committee meeting dates, signed UWCs, delayed CEO approval, and for one date the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. The authority for 21 grants, which have been historically honored by the Company, is based on the CEO's presumed authority.

New Hire and Promotion Grants Program: The Company concluded that the new hire and promotion grants made pursuant to the New Hire and Promotion Grants Program within the pre-established guidelines did not require an adjustment, with the exception of the grants made from September 1, 2000 to September 30, 2002. For the 1,728 grants made during that time period, management concluded that the measurement dates occurred only on the dates of the CEO approval. Due to practical difficulties in ascertaining the actual dates of the CEO approval for many new hire and promotion grants in that time period, the measurement date was based on the date on which the number of options and exercise price were entered into Equity Edge. The incremental stock-based compensation expense associated with the New Hire and Promotion Grants during the relevant period was $11.9 million.

Acquisition Grants: After the consummation of certain acquisitions, the Company granted stock options to employees of the acquired entities. It was determined that the measurement dates for 1,180 option grants required revision because the stated grant dates preceded the proper measurement dates and the approval authority was based on CEO approval. Some of these dates were chosen in hindsight based on an advantageous share price. Of the 1,180 grants, 1,048 grants were extinguished as part of the Company's exchange program which commenced in November 2002. Due to issues associated with the measurement dates for the acquisition grants, $36.2 million of additional stock-based compensation expense was recognized during the relevant period.

Annual Refresh Grants: During the relevant period, 3,782 broad-based grants were made to employees under an annual program (the "Refresh Grants") for which the originally assigned grant dates were not the proper measurement dates. Some of these dates were chosen in hindsight based on an advantageous share price, and the authority for some of the Refresh Grants was the CEO's presumed authority. For one of the annual Refresh Grants which occurred in August 2000, there was conflicting documentation and inconclusive evidence with respect to the measurement date. It was determined that the most appropriate measurement date, due to the lack of affirmative evidence otherwise, was the date on which the number of options and exercise price were entered into Equity Edge, and based on that date, $19.2 million of stock-based compensation expense was recognized in the period 2000 to 2002. These grants were extinguished in December 2002 as part of the Company's exchange program which commenced in November 2002. The Company did not approve or process any stock option grants to existing employees during the period of the tender offer or agree or imply that it would compensate employees for any increases in the market price during the tender period. The Review also determined that the annual refresh grants for the years 1999, 2001, 2004, and a portion of the 2003 grant had a measurement date that was

later than the date that was originally used. In these cases, where the measurement dates were revised, the authority for the grants varied and included new dates based on UWCs by the Compensation Committee or approvals by the CEO. Where approval was not determinable based on the above, the Company utilized the date on which the number of options and exercise price were entered into Equity Edge. Due to the errors in measurement dates associated with the annual refresh grants, stock-based compensation expense of $55.1 million was recognized.

Off-Cycle Performance Grants: There were 964 performance grants made to employees on March 15, 2001 and October 1, 2003. These dates were chosen in hindsight based on an advantageous share price, and the authority for these grants was the CEO's de facto authority. The revised measurement dates were based on the dates of the UWC for the March 15, 2001 grant and e-mail correspondence for the October 1, 2003 grant. Due to the errors in measurement dates associated with the off-cycle performance grants, stock-based compensation expense of $5.6 million was recognized.

Extended Grants: During the relevant period, there were 6 stock option extensions (including one to the former CEO described below) whereby an option was extended beyond its expiration or termination date and for which a compensation charge had not been recorded. As a result, $2.1 million of stock-based compensation expense was recognized.

The former CEO received certain options from Network Solutions, Inc. ("NSI") in his capacity as a NSI director prior to VeriSign's acquisition of NSI. Upon receiving legal advice, management extended the term of those options beyond their original expiration date. The former CEO exercised those options on May 24, 2002. The Ad Hoc Group reviewed the extension of these options and determined that the legal advice was incorrect and that the options should not have been extended. Upon learning of this determination in January 2007, the former CEO voluntarily paid $174,425 to VeriSign, reflecting the after-tax net profit he received from the exercise of those options.

2002 Retention Grants: Between February and May 2002, the Compensation Committee considered special option grants as a retention incentive for executive officers and other executives and key employees, since in many cases the exercise prices of options previously granted to these individuals were significantly above the then-current market price for shares of VeriSign's common stock. These retention grants are summarized as follows:

Grants to Executive Officers and Other Executives: The Company determined that 68 grants of options for a total of 4,631,000 shares to executive officers and other executives were finalized on April 10, 2002 rather than the stated grant date of February 21, 2002. The Review Team was unable, after review of detailed documentation, including multiple draft versions of the February 12, 2002 Compensation Committee minutes, approval forms (which were undated) and email correspondence, to affirmatively determine when the grants to executive officers and other executives were approved. In accordance with the Company's measurement date hierarchy for grants described above, the Company determined that April 10, 2002 was the correct measurement date because that was the date that other grants, including certain executive grants, were entered into Equity Edge. The grant price as of the measurement date was $23.74, the closing market price of the Company's stock on April 10, 2002. Because the stated exercise price of the grants was set based on the closing market price on February 21, 2002 of $22.71 and preceded the measurement date, an incremental $1.3 million of stock-based compensation expense was recognized.

The Company also determined that the Compensation Committee repriced 1,870,000 of these options on May 24, 2002, with an exercise price of $10.08, the closing market price of the Company's stock on May 24,

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

2002. The Company determined that these grants were repriced based on a UWC of the Compensation Committee. The accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and the Company did not properly disclose the circumstances of these grants. In accordance with FIN 44 and after applying variable accounting, the Company recognized incremental stock-based compensation expense of approximately $15.8 million, net of reversals, for the periods between 2002 and 2006.

Grants to Employees: Broad-based employee grants were also considered during the February to May 2002 period. The Review Team determined that the CEO, under his presumed authority, approved 305 broad-based employee grants on or about March 20, 2002 with a grant price of $26.42, the closing market price of the Company's stock on that date. These awards were communicated shortly thereafter to the employees. The Company determined that March 20, 2002 was a definitive measurement date for the awards to the employees.

The grants to employees previously approved by the CEO on March 20, 2002 were submitted for approval to the Compensation Committee as evidenced in a UWC dated May 24, 2002. The Compensation Committee approved the 305 employee grants with an exercise price of $10.08, the market value of the Company's common stock on May 24, 2002. Therefore the employee awards were re-priced on that date. Although the awards had been communicated to the employees and disclosed in the Company's Form 10-Q for the first quarter of 2002, the accounting impact of the repricing was not recorded at the time of the Compensation Committee approval and the Company did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately $6.6 million, net of reversals of additional stock-based compensation expense, has been recorded for the periods between 2002 and 2006.

Retention Grants to our former CEO: In the February 12, 2002 Compensation Committee meeting, the Committee considered the number and vesting period of a proposed option award to the CEO. The Review Team found multiple draft versions of the minutes for the February 12, 2002 meeting of the Compensation Committee and concluded that the signed minutes were inaccurate. Attendees at the meeting have different recollections of the business conducted. One draft, unapproved version of those minutes, stated the number of options to be awarded to the CEO was 1,200,000, while the signed version of the minutes approved by the members of the Compensation Committee in late May 2002 stated that the number of options to be awarded was 600,000. Both versions of the minutes stated that the grant date and the exercise price was February 21, 2002 and $22.71. The minutes of a Board meeting held on February 12, 2002, after the Compensation Committee meeting, also indicate that the CEO was awarded 1,200,000 options at the February 12, 2002 Compensation Committee meeting.

The Company has determined that the measurement date for the 1,200,000 options to the CEO was February 12, 2002 with a grant price of $26.31, the closing market price of the Company's stock on that date, and that the options were repriced on February 21, 2002 with a grant price of $22.71, the closing market price of the Company's stock on that date. Subsequently, 600,000 options of the 1,200,000 options were repriced on May 24, 2002 with a grant price of $10.08, the closing market price of the Company's stock on that date. The accounting impact of the repricings was not recorded at the time of the Compensation Committee approval and the Company did not properly disclose the circumstances of these grants. As a result of the repricing, and after applying variable accounting, approximately $7.5 million, net of reversals, of additional stock-based compensation expense has been recorded for the periods between 2002 and 2006.

Actions Taken by the Board with respect to Grants: As part of the Review, the Board of Directors confirmed all option grants (including those to our former CEO and CFO) that the Review Team concluded had authority issues as legally binding and enforceable obligations of the Company as of the date of such grant. In addition, the Board of Directors has decided to modify the following grants to the former CEO and CFO in 2007 and no reversal of compensation expense was recorded for these negative modifications in the financial statements.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Former CEO: An option grant to the former CEO of 100,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CEO: The February 2002 option grant to the former CEO of 600,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $26.31.

Former CFO: An option grant to the CFO of 25,000 shares originally dated December 29, 2000 at an exercise price of $74.188 was modified to a new exercise price of $127.31.

Former CFO: An option grant to the CFO of 125,000 shares originally dated August 1, 2000 at an exercise price of $151.25 was modified to a new exercise price of $165.22.

Former CFO: An option grant to the CFO of 40,000 shares originally dated March 15, 2001 at an exercise price of $34.438 was modified to a new exercise price of $42.26. The CFO's 409A tax election described below modified 1,667 of these options and the Board of Directors determined to modify the remaining 38,333 options.

Former CFO: A grant to the CFO of 90,000 shares originally dated September 6, 2001 at an exercise price of $34.16 was modified to a new exercise price of $38.30. The CFO's 409A tax election described below modified 11,250 of these options and the Board of Directors determined to modify the remaining 78,750 options.

Former CFO: The February 2002 option grant to the CFO of 100,000 shares originally dated February 21, 2002 at an exercise price of $22.71 was modified to a new exercise price of $23.74.

Other: The Company and the Review Team also determined that the former CEO received an option grant in October 1998 for 100,000 shares (95,928 non-qualified stock options ("NQSOs") and 4,072 incentive stock options ("ISOs")), which split to options for 200,000 shares in May 1999 and then split again to options for 400,000 shares in November 1999 when the Company announced a stock split during those respective periods. The account statements and monthly reporting statements for November 1 and December 1, 2000 showed that the former CEO held options for 400,000 shares at the split-adjusted price of $7.67. However, the Ad Hoc Group determined that sometime between December 1, 2000 and January 1, 2001, the Company erroneously changed the former CEO's options to reflect the pre-split amount of 100,000 shares instead of 400,000 shares, but at the post-split price of $7.67. The error was never subsequently corrected. Therefore, the former CEO did not receive the benefit of the additional 300,000 options arising from the two stock splits, which expired in 2005. Based on a determination by the Board of Directors after the Ad Hoc Group's Review in May 2007, the Company has agreed to pay the former CEO $5,459,430, reflecting the gain he would have realized from the exercise of these options prior to their expiration, based on the weighted-average price of stock options exercised by the former CEO in August 2005.

The other principal factual findings of the Review's report included the following:

- The human resources, accounting, and legal departments failed to implement appropriate processes and controls. During 2000 through 2003, the option grant process was characterized by a high degree of informality and relatively little oversight.
- The Review found no evidence that accounting personnel were aware of the deficient practices used in selecting grant dates.
- The Review found instances of incomplete and inaccurate corporate records, including two sets of Committee minutes that were inaccurate.

- The Review found no evidence of fictitious individuals being granted options.
- Options found to be misdated, have a date chosen in hindsight based on an advantageous share price, repriced, or unauthorized with a stated exercise price lower than the share price at the actual approval date will result in adverse tax consequences to the recipients and the Company.
- In light of the Review's other findings, the Company's disclosures related to option grants were inaccurate in some respects.

Based on the results of the Review, the Company has recorded additional non-cash stock-based compensation expense (benefit) net of related income tax effects related to past stock option grants of $1.5 million for the first quarter ended March 31, 2006, ($21.6 million) and $36.9 million in fiscal years 2005 and 2004, respectively. These adjustments were recorded based on the evidence and findings from the Ad Hoc Group's review, including analysis of the measurement dates for the 8,164 stock option grants made on 41 dates during the relevant period that the Review determined were incorrect.

The incremental impact from recognizing stock-based compensation expense resulting from the Ad Hoc Group's Review of past stock option grants is as follows (in thousands):

Fiscal Year	As Restated	As Previously Reported	Pre-Tax Expense (Income) Adjustments	After Tax (Income) Expense Adjustments
1998	$ 1,288	$ 1,280	$ 8	$ 8
1999	7,057	104	6,953	6,953
2000	24,814	1,722	23,092	23,092
2001	42,500	7,803	34,697	34,697
2002	70,066	18,956	51,110	51,110
2003	35,010	7,389	27,621	27,621
Total 1998 – 2003 impact	180,735	37,254	143,481	143,481
2004	46,835	3,136	43,699	36,873
2005	(10,588)(2)	6,312	(17,670)	(21,560)
2006	66,285	64,438	1,847(1)	1,532(1)
Total (1)	$ 283,267	$ 111,140	$ 171,357	$ 160,326

(1) Pre-tax expense adjustments are through March 31, 2006 and represents amounts being reported pursuant to FAS 123R whereas amounts for all other years represent amounts being reported pursuant to APB 25.
(2) Includes $0.8 million of other stock-based compensation adjustments that were unrelated to past stock option grants.

Additionally, the pro forma expense under SFAS 123 in Note 1 in the Notes to Consolidated Financial Statements of this Form 10-K has been restated to reflect the impact of these adjustments for the years ended December 31, 2005 and December 31, 2004.

Tax Implications

VeriSign evaluated the impact of the restatements on its global tax provision and has determined that a portion of the tax benefit relating to stock-based compensation expense formerly associated with stock option deductions is attributable to continuing operations. VeriSign identified deferred tax assets totaling $16.3 million at December 31, 2005 which reflect the benefit of tax deductions from future employee stock option exercises.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

VeriSign has not realized this or any other deferred tax asset relating to taxing jurisdictions within the United States as of December 31, 2005. See Note 14 of Notes to Consolidated Financial Statements regarding VeriSign's realization of United States-based deferred tax assets.

VeriSign also believes that it should not have taken a tax deduction under Internal Revenue Code (IRC) Section 162(m) in prior years for stock option related amounts pertaining to certain executives. Section 162(m) limits the deductibility of compensation above certain thresholds. As a result, VeriSign's tax net operating losses associated with the stock option intra-period allocation have decreased by $12.6 million. VeriSign continues to apply a valuation allowance to its tax net operating losses relating to stock options exercised prior to the adoption of SFAS 123R, "*Share-Based Payment*". Pursuant to Footnote 82 of SFAS 123R, VeriSign recognizes financial statement benefit of these tax net operating losses when such losses reduce cash taxes paid.

Section 409A of the Internal Revenue Code ("Section 409A") imposes significant penalties on individual income taxpayers who were granted stock options that were unvested as of December 31, 2004 and that have an exercise price of less than the fair market value of the stock on the date of grant ("Affected Options"). These tax consequences include income tax at vesting, an additional 20% tax and interest charges. In addition, the issuer of Affected Options must comply with certain reporting and withholding obligations under Section 409A.

These adverse tax consequences may be avoided for unexercised Affected Options if the exercise price of the Affected Option is adjusted to reflect the fair market value at the time the option was granted (as such measurement date is determined for financial reporting purposes). Under Treasury regulations, Affected Options held by an executive officer or directors of VeriSign had to be amended on or before December 31, 2006 to avoid the adverse tax consequences of Section 409A; holders of Affected Options who are not executive officers or directors of VeriSign have until December 31, 2007 to amend their Affected Options to avoid the adverse tax consequences of Section 409A.

Other Matters

As part of the restatement, the Company made other adjustments to previously issued financial statements back to 2002. These adjustments include corrections to revenue, expenses, other income and related tax adjustments. The expenses mentioned below are in addition to the recognition of additional stock compensation expense resulting from the stock option investigation.

As part of the Company's stock option investigation, the Company was required to record additional payroll tax expense for the periods affected by the restatement. Although the statute for such taxes is closed through 2003, the Company recorded the additional payroll tax as if the statute were open, and then reversed the accrual for payroll tax when the statute closed. The Company reduced payroll tax expense by $4.0 million and $0.8 million in 2004 and 2005, respectively.

As part of the 2003 restructuring activities, the Company had one significant leased property for which real estate taxes and utilities costs were not properly accounted for at the time of the restructuring. The adjustment resulted in an increase in accrued restructuring costs of $3.8 million in 2003. Approximately $1.5 million of this adjustment was released in 2004 as part of the building was subleased to a third party and $2.3 million was released in 2005 when the remainder of the space was assumed by another tenant directly with the landlord.

During 2004, the Company adjusted the interest amortization on the note receivable from Network Solutions. This item was the result of adjusting the interest rate on the loan to a market rate. It was determined

that this adjustment would have increased other income in the fourth quarter of 2003 by $1.9 million. The Company originally booked the additional $1.9 million in 2004, which has since been reversed.

As a part of VeriSign's internal control processes during 2006, the Company detected an error related to the accounting for software maintenance amortization for various software license arrangements acquired from vendors. As a result of this error, the Company increased software maintenance expenses by $203,000 in 2004, $2.5 million in 2005 and $1.2 million in the first quarter of 2006.

During 2006, the Company detected two errors related to the accounting at the Company's Jamba subsidiary in Berlin, Germany. The first error relates to the accounting for insurance revenues recorded after Jamba was acquired. The Company had not properly accounted for insurance renewal premiums on contracts that were renewed after the acquisition. The second error relates to the timing of certain revenues, which were booked in incorrect periods. The combined impact of these errors increased revenues $2.3 million in 2004, $3.1 million in 2005 and $284,000 in the first quarter of 2006.

In the first quarter of 2006, the Company reversed $1.1 million of revenue to account for billed services that were not delivered under contractual terms.

The following table presents the impact of the other adjustments that are not related to the stock option investigation for the periods presented:

	Twelve Months Ended		Three Months Ended
	December 31, 2004	December 31, 2005	March 31, 2006
	(in thousands, except per share data)		
Increase (decrease) in revenues	$ 2,289	$ 3,080	$ (786)
Increase (decrease) in costs	(4,526)	213	936
(Decrease) increase in other income	(1,175)	(295)	79
Tax (benefit) expense	2,172	1,615	110
Change in net income (loss)	$ 3,468	$ 957	$ (1,753)
Change in net income (loss) per share, basic and diluted	$ 0.01	$ —	$ (0.01)

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table presents the impact of the financial statement adjustments on the Company's previously reported consolidated balance sheet as of December 31, 2005:

	Previously Reported	Adjustments	As Restated
		(In thousands, except share data)	
ASSETS			
Current assets:			
Cash and cash equivalents	$ 476,826	$ —	$ 476,826
Short-term investments	378,006	—	378,006
Accounts receivable, net	271,883	7,883	279,766
Prepaid expenses and other current assets	80,079	(2,071)	78,008
Deferred tax assets	16,186	(279)	15,907
Current assets of discontinued operations	5,295		5,295
Total current assets	1,228,275	5,533(A)	1,233,808
Property and equipment, net	553,036	5,236	558,272
Goodwill	1,071,910	(2,947)	1,068,963
Other intangible assets, net	225,302	—	225,302
Restricted cash and investments	50,972	—	50,972
Long-term note receivable	26,419	—	26,419
Other assets, net	16,985	—	16,985
Total long-term assets	1,944,624	2,289(B)	1,946,913
Total assets	$ 3,172,899	$ 7,822	$ 3,180,721
LIABILITIES AND STOCK HOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 555,458	$ 12,390	$ 567,848
Accrued restructuring costs	7,440	—	7,440
Deferred revenue	368,413	3,153	371,566
Current liabilities of discontinued operations	6,822	—	6,822
Total current liabilities	938,133	15,543(C)	953,676
Long-term deferred revenue	127,175	—	127,175
Long-term accrued restructuring costs	10,876	—	10,876
Other long-term liabilities	4,995	—	4,995
Long-term deferred tax liabilities	18,560	512	19,072
Total long-term liabilities	161,606	512	162,118
Total liabilities	1,099,739	16,055	1,115,794
Commitments and contingencies			
Minority interest in subsidiaries	41,485	—	41,485
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	246	—	246
Additional paid-in capital	23,205,261	163,199	23,368,460
Unearned compensation	(13,911)	(10,288)	(24,199)
Accumulated deficit	(21,147,368)	(161,144)	(21,308,512)
Accumulated other comprehensive loss	(12,553)	—	(12,553)
Total stockholders' equity	2,031,675	(8,233)(D)	2,023,442
Total liabilities and stockholders' equity	$ 3,172,899	$ 7,822	$ 3,180,721

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

(A) Adjustment to accounts receivable due to the error related to not accounting for insurance revenues after Jamba was acquired. Adjustment to prepaid and other assets was due to the error related to not accounting for software maintenance contracts correctly.
(B) The increase in fixed assets was due to the error with the software maintenance contracts. The increase in goodwill was a result of the understatement of deferred compensation for a 2005 acquisition.
(C) Accounts payable and accrued liabilities increased primarily due to the restatement entries impact from a decrease in income taxes payable which was offset by an increase due to additional liabilities related to the correction of the error with the software maintenance contracts.
(D) The increase to additional paid-in-capital was primarily due to the impact of prior period changes to stock-based compensation expenses. The increase to accumulated deficit was primarily due to the impact of prior period changes to stock-based compensation expenses. Please see the “Consolidated Statement of Stockholders’ Equity” for details on prior period adjustments.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table presents the impact of the financial statement adjustments on the Company's previously reported consolidated statement of income for year ended December 31, 2005:

	Previously Reported	Adjustments	As Restated
		(In thousands, except share data)	
Revenues	$1,609,494	$ 3,080(A)	$1,612,574
Costs and expenses:			
Cost of revenues	512,225	318	512,543
Sales and marketing	480,543	(944)	479,599
Research and development	95,339	255	95,594
General and administrative	194,597	(14,489)	180,108
Restructuring, impairment and other charges (reversals), net	21,053	(2,350)	18,703
Amortization of other intangible assets	101,638	—	101,638
Acquired in-process research and development	7,670	—	7,670
Total costs and expenses	1,413,065	(17,210)(B)	1,395,855
Operating income from continuing operations	196,429	20,290	216,719
Other income (expense):			
Minority interest	(4,702)	—	(4,702)
Other income, net	51,506	(295)(C)	51,211
Total other income, net	46,804	(295)	46,509
Income from continuing operations before income taxes	243,233	19,995	263,228
Income tax expense	104,655	(3,642)	101,013
Net income from continuing operations	138,578	23,637	162,215
Discontinued operations:			
Net income from discontinued operations, net of tax	16,102	88	16,190
Gain on sale of discontinued operations, net of tax	251,781	(1,208)	250,573
Net income from discontinued operations	267,883	(1,120)(D)	266,763
Net income	$ 406,461	$ 22,517	$ 428,978
Basic net income per share from:			
Continuing operations	$ 0.54	$ 0.09	$ 0.63
Discontinued operations	1.04	—	1.04
Net income	$ 1.58	$ 0.09	$ 1.67
Diluted net income per share from:			
Continuing operations	$ 0.53	$ 0.09	$ 0.62
Discontinued operations	1.01	—	1.01
Net income	$ 1.54	$ 0.09	$ 1.63
Shares used in per share computation:			
Basic	257,369	(1)	257,368
Diluted	264,513	(824)	263,689

(A) Recognition of previously unrecognized revenue relating to Jamba business in EMEA.
(B) Recognition of $17.7 million in stock-based compensation benefit relating to the stock option investigation. The Company also reversed a restructuring charge that was improperly recorded in 2005. That charge was properly recorded in 2003.
(C) Primarily due to foreign exchange loss on unrecognized Jamba revenue in EMEA
(D) Stock option benefit relating to stock option investigation that was allocated to discontinued operations. Gain on sale was adjusted due to change in effective tax rate for discontinued operations for 2005.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table present the impact of the financial statement adjustments on the Company's previously reported consolidated statement of income for years ended December 31, 2004:

	Previously Reported	Adjustments	As Restated
		(In thousands, except share data)	
Revenues	$1,118,306	$ 2,289(A)	$1,120,595
Costs and expenses:			
Cost of revenues	436,016	1,856	437,872
Sales and marketing	241,747	4,912	246,659
Research and development	60,405	3,284	63,689
General and administrative	164,029	29,898	193,927
Restructuring, impairment and other charges (reversals), net	24,780	(1,423)	23,357
Amortization of other intangible assets	79,440	—	79,440
Total costs and expenses	1,006,417	38,527(B)	1,044,944
Operating income from continuing operations	111,889	(36,238)	75,651
Other income (expense):			
Minority interest	(2,618)	—	(2,618)
Other income, net	84,695	(1,175)(C)	83,520
Total other income, net	82,077	(1,175)	80,902
Income from continuing operations before income taxes	193,966	(37,413)	156,553
Income tax expense	20,365	819	21,184
Net income from continuing operations	173,601	(38,232)	135,369
Net income from discontinued operations, net of tax	12,624	4,827(D)	17,451
Net income	$ 186,225	$ (33,405)	$ 152,820
Basic net income per share from:			
Continuing operations	$ 0.69	$ (0.15)	$ 0.54
Discontinued operations	0.05	0.02	0.07
Net income	$ 0.74	$ (0.13)	$ 0.61
Diluted net income per share from:			
Continuing operations	$ 0.67	$ (0.14)	$ 0.53
Discontinued operations	0.05	0.02	0.07
Net income	$ 0.72	$ (0.12)	$ 0.60
Shares used in per share computation:			
Basic	250,564	—	250,564
Diluted	258,154	(2,740)	255,414

(A) Recognition of previously unrecognized revenue relating to the Jamba business in Europe.
(B) Recognition of $43.7 million of additional stock-based compensation expense relating to the stock option investigation. The Company also reversed a restructuring charge that was improperly recorded in 2004. That charge was properly recorded in 2003.
(C) Primarily due to correcting the gain on a receivable relating to NSI that was improperly recorded in 2004 and properly recorded in 2003.
(D) Stock-based compensation expense relating to the stock option investigation allocated to discontinued operations.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table presents the impact of the financial statement adjustments on the Company's previously reported consolidated statement of cash flows for the year ended December 31, 2005:

	Previously Reported	Adjustments	As Restated
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 406,461	$ 22,517	$ 428,978
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of discontinued operations	(251,781)	1,208	(250,573)
Depreciation and amortization of property and equipment	89,309	—	89,309
Amortization of other intangible assets	101,638	—	101,638
Acquired in-process research and development	7,670	—	7,670
Provision for doubtful accounts	1,041	—	1,041
Restructuring, impairment and other charges (reversals), net	22,658	(3,955)	18,703
Net gain on sale and impairment of investments	(11,310)	—	(11,310)
Minority interest	4,702	—	4,702
Tax benefit associated with stock options	60,778	(8,814)	51,964
Deferred income taxes	(9,890)	1,577	(8,313)
Amortization of unearned compensation	6,312	(16,900)	(10,588)
Loss on disposal of property and equipment	186	—	186
Changes in operating assets and liabilities, excluding effects of acquisitions:		—	
Accounts receivable	(63,819)	(3,712)	(67,531)
Prepaid expenses and other current assets	(26,279)	1,868	(24,411)
Accounts payable and accrued liabilities	100,315	(24,817)(A)	75,498
Deferred revenue	72,796	1,363	74,159
Net cash provided by operating activities	510,787	(29,665)	481,122
Cash flows from investing activities:			
Net proceeds from sale of discontinued operations	367,222	—	367,222
Purchases of investments	(276,869)	—	(276,869)
Proceeds from maturities and sales of investments	313,845	—	313,845
Purchases of property and equipment	(140,499)	29,665(A)	(110,834)
Payments received on long term note receivable	15,990	—	15,990
Cash paid for business combinations, net of cash acquired	(161,334)	—	(161,334)
Other assets	(4,424)	—	(4,424)
Net cash provided by investing activities	113,931	29,665	143,596
Cash flows from financing activities:			
Proceeds from issuance of common stock from option exercises and employee stock purchase plan	80,454	—	80,454
Repurchase of common stock	(548,630)	—	(548,630)
Proceeds from sale of consolidated subsidiary stock	863	—	863
Repayment of long term liabilities	(2,200)	—	(2,200)
Net cash used in financing activities	(469,513)	—	(469,513)
Effect of exchange rate changes on cash and cash equivalents	(7,186)	—	(7,186)
Net increase in cash and cash equivalents	148,019	—	148,019
Cash and cash equivalents of at beginning of year	330,641	—	330,641
Cash and cash equivalents at end of year	478,660	—	478,660
Cash and cash equivalents included in discontinued operations	(1,834)	—	(1,834)
Cash and cash equivalents of continuing operations at the end of the year	$ 476,826	$ —	$ 476,826
Cash flows from discontinued operations:			
Net cash provided by operating activities	$ 18,574	$ —	$ 18,574
Net cash provided by discontinued operations	$ 18,574	$ —	$ 18,574
Supplemental cash flow disclosures:			
Non-cash investing and financing activities:			
Issuance of restricted stock and restricted stock units	$ 5,388	$ (773)	$ 4,615
Issuance of common stock for business combinations	$ 288,411	$ —	$ 288,411
Unrealized loss on investments	$ (3,154)	$ —	$ (3,154)
Cash paid for income taxes	$ 26,440	$ —	$ 26,440

(A) The Company reduced its cash effect of property and equipment purchases based on accruals outstanding at year end.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table presents the impact of the financial statement adjustments on the Company's previously reported consolidated statement of cash flows for the year ended December 31, 2004:

	Previously Reported	Adjustments	As Restated
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 186,225	$ (33,405)	$ 152,820
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	85,641	—	85,641
Amortization of other intangible assets	79,440	—	79,440
Provision for doubtful accounts	689	—	689
Restructuring, impairment and other charges (reversals), net	19,954	3,403	23,357
Net loss on sale and impairment of investments	8,200	1,931	10,131
Gain on sale of VeriSign Japan stock	(74,925)	—	(74,925)
Minority interest	2,618	—	2,618
Tax benefit associated with stock options	4,748	(4,787)	(39)
Deferred income taxes	(8,390)	(1,303)	(9,693)
Amortization of unearned compensation	3,136	43,699	46,835
Changes in operating assets and liabilities, excluding effects of acquisitions:			
Accounts receivable	(65,822)	(4,172)	(69,994)
Prepaid expenses and other current assets	9,596	203	9,799
Accounts payable and accrued liabilities	44,911	(7,358)	37,553
Deferred revenue	69,317	1,789	71,106
Net cash provided by operating activities	365,338	—	365,338
Cash flows from investing activities:			
Net proceeds from sale of discontinued operations	—	—	—
Purchases of investments	(1,083,203)	—	(1,083,203)
Proceeds from maturities and sales of investments	1,067,258	—	1,067,258
Purchases of property and equipment	(92,532)	—	(92,532)
Proceeds from sale of VeriSign Japan stock	78,317	—	78,317
Cash paid for business combinations, net of cash acquired	(253,776)	—	(253,776)
Other assets	(927)	—	(927)
Net cash used in investing activities	(284,863)		(284,863)
Cash flows from financing activities:			
Proceeds from issuance of common stock from option exercises and employee stock purchase plan	62,426	—	62,426
Repurchase of common stock	(113,257)	—	(113,257)
Proceeds from sale of consolidated subsidiary stock	850	—	850
Repayment of long term liabilities	(4,491)	—	(4,491)
Net cash used in financing activities	(54,472)	—	(54,472)
Effect of exchange rate changes on cash and cash equivalents	3,045	—	3,045
Net increase in cash and cash equivalents	29,048	—	29,048
Cash and cash equivalents of at beginning of year	301,593		301,593
Cash and cash equivalents at end of year	330,641	—	330,641
Cash and cash equivalents included in discontinued operations	(1,799)	—	(1,799)
Cash and cash equivalents of continuing operations at the end of the year	$ 328,842	$ —	$ 328,842
Cash flows from discontinued operations:			
Net cash provided by operating activities	$ 16,045	$ —	$ 16,045
Net cash used in investing activities	(1,530)	—	(1,530)
Net cash provided by discontinued operations	$ 14,515	$ —	$ 14,515
Supplemental cash flow disclosures:			
Non-cash investing and financing activities:			
Issuance of restricted stock and restricted stock units	$ 4,172	$ —	$ 4,172
Issuance of common stock for business combinations	$ 165,641	$ —	$ 165,641
Unrealized loss on investments	$ (3,513)	$ —	$ (3,513)
Cash paid for income taxes	$ 26,497	$ —	$ 26,497

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table presents the cumulative adjustments of each component of stockholders' equity at the end of each fiscal year:

Fiscal Year	Common Stock	Additional Paid-in Capital	Unearned Compensation	Accumulated Deficit	Other Comprehensive Income	Net Impact to Stock holders Equity
			(In thousands)			
1998	$ —	$ 189	$ (181)	$ (8)	$ —	$ —
1999	—	57,422	(50,469)	(6,953)	—	—
2000	—	67,520	(44,428)	(26,645)	—	(3,553)
2001	—	33,468	1,230	(35,631)	—	(933)
2002	—	(14,248)	68,045	(54,120)	—	(323)
2003	—	10,792	14,142	(26,899)	—	(1,965)
Total 1998-2003 Adjustments	—	155,143	(11,661)	(150,256)	—	(6,774)
2004	—	44,670	(5,761)	(33,405)	—	5,504
2005	—	(36,614)	7,134	22,517	—	(6,963)
Total Adjustments	$ —	$163,199	$ (10,288)	$ (161,144)	$ —	$(8,233)

Note 3. Business Combinations

2006 Acquisitions:

inCode

On November 30, 2006, VeriSign completed its acquisition of inCode Telecom Group, Inc. ("inCode"), a San Diego, California-based wireless and technology consulting company. VeriSign's purchase price of $41.8 million consisted of approximately $40.2 million in cash consideration and $1.6 million in direct transaction costs. Immediately upon closing, VeriSign paid $21.7 million of inCode's outstanding principal debt and assumed liabilities. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. inCode's results of operations have been included in the consolidated financial statements from the date of acquisition. As a result of the acquisition of inCode, VeriSign recorded goodwill of $27.8 million and other intangible assets of $39.6 million, which have been assigned to the Communication Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to inCode's strategic consulting services that will give VeriSign customers a competitive edge in bringing advanced mobility solutions to market. None of the goodwill for inCode is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of inCode is 7.1 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of inCode was as follows:

	November 30, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 22,487	—
Long-term assets	11,173	—
Goodwill	27,800	—
Customer relationships	23,800	10
Existing technology	400	3
Non-compete agreement	13,500	3
Trade name	600	1
Backlog	1,300	1
Total assets acquired	101,060	
Liabilities assumed	(59,224)	
Net assets acquired	$ 41,836	

GeoTrust

On September 1, 2006, VeriSign completed its acquisition of GeoTrust, Inc. (“GeoTrust”), a Needham, Massachusetts-based privately held provider of digital certificates and identity verification solutions. VeriSign’s purchase price of $127.4 million consisted of approximately $125.3 million in cash consideration and $2.1 million in direct transaction costs. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. GeoTrust’s results of operations have been included in the consolidated financial statements from the date of acquisition. As a result of the acquisition of GeoTrust, VeriSign recorded goodwill of $100.1 million and other intangible assets of $29.5 million, which have been assigned to the Internet Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to better serve the reseller channel with technologies and services that are specifically tailored to individual needs. None of the goodwill for GeoTrust is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of GeoTrust is 5.4 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process research and development acquired in the GeoTrust acquisition consisted primarily of research and development efforts required to develop the acquired in-process technology.

VeriSign determined the fair value of the acquired in-process research and development by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects. The in-process research and development is expensed upon acquisition because they have no future alternative uses.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of GeoTrust was as follows:

	September 1, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 7,819	—
Long-term assets	24,635	—
Goodwill	100,081	—
Customer relationships	12,450	6
Existing technology	6,940	5
Non-compete agreement	3,100	3
In-process research and development	1,200	—
Trade name	5,800	6
Total assets acquired	162,025	
Liabilities assumed	(34,602)	
Net assets acquired	$ 127,423	

m-Qube

On May 1, 2006, VeriSign completed its acquisition of m-Qube, Inc. (“m-Qube”), a Watertown, Massachusetts-based privately held mobile channel enabler that helps companies develop, deliver and bill for mobile content, applications and messaging services. VeriSign’s purchase price of $269.2 million for all of the outstanding capital stock and vested options of m-Qube consisted of approximately $266.0 million in cash consideration and $2.4 million in direct transaction costs. VeriSign also assumed $0.8 million of unvested stock options of m-Qube. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. m-Qube’s results of operations have been included in the consolidated financial statements from the date of acquisition. m-Qube’s results of operations for periods prior to the date of acquisition were not material when compared with VeriSign’s consolidated results. As a result of the acquisition of m-Qube, VeriSign recorded goodwill of $160.0 million and other intangible assets of $98.2 million, which have been assigned to the Communications Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to provide an end-to-end technology platform, carrier relationships and value-added services to consumer facing companies and their service providers to use wireless broadband as a content delivery, marketing and communications channel. None of the goodwill for m-Qube is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of m-Qube is 5.3 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process research and development acquired in the m-Qube acquisition consisted primarily of research and development efforts required for the completion of all planning, design, development, and test activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance.

VeriSign determined the fair value of the acquired in-process research and development by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects. The in-process research and development is expensed upon acquisition because they have no future alternative uses.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of m-Qube was as follows:

	May 1, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 76,061	—
Long-term assets	4,304	—
Goodwill	159,978	—
Carrier relationships	36,300	7
Existing technology	35,700	5
Non-compete agreement	10,600	2
Content provider relationship	8,000	5
In-process research and development	4,600	—
Trade name	3,000	1
Total assets acquired	338,543	
Liabilities assumed	(69,353)	
Net assets acquired	$ 269,190	

Kontiki

On March 14, 2006, VeriSign completed its acquisition of Kontiki, Inc. (“Kontiki”), a Sunnyvale, California-based provider of broadband content services. VeriSign’s purchase price of $59.6 million for all of the outstanding capital stock and vested options of Kontiki consisted of approximately $57.1 million in cash consideration and $2.3 million in direct transaction costs. VeriSign also assumed $0.2 million of unvested stock options of Kontiki. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. Kontiki’s results of operations have been included in the consolidated financial statements from the date of acquisition. As a result of the acquisition of Kontiki, VeriSign recorded goodwill of $23.9 million and other intangible assets of $33.5 million, which have been assigned to the Communications Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to expedite large file downloads on the Internet. None of the goodwill for Kontiki is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of Kontiki is 6.4 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process research and development acquired in the Kontiki acquisition consisted primarily of research and development efforts required for the completion of all planning, design, development, and test activities that

are necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance.

VeriSign determined the fair value of the acquired in-process research and development by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects. The in-process research and development is expensed upon acquisition because they have no future alternative uses.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of Kontiki was as follows:

	March 14, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 3,368	—
Long-term assets	1,312	—
Goodwill	23,898	—
Customer relationships	6,100	8
Existing technology	7,000	7
Core technology	3,000	7
In-process research and development	10,000	—
Non-compete agreement	1,600	2
Trade name	5,400	5
Customer contracts	400	1
Total assets acquired	62,078	
Liabilities assumed	(2,433)	
Net assets acquired	$ 59,645	

3united Mobile Solutions

On February 28, 2006, VeriSign completed its acquisition of 3united Mobile Solutions ag (“3united”), a Vienna, Austria-based provider of wireless application services. VeriSign’s purchase price of $71.2 million for approximately 99.8% of the outstanding capital stock of 3united consisted of approximately $70.1 million in cash consideration, and $1.1 million in direct transaction costs. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. 3united’s results of operations have been included in the consolidated financial statements from the date of acquisition. As a result of the acquisition of 3united, VeriSign recorded goodwill of $48.3 million and other intangible assets of $26.7 million, which have been assigned to the Communications Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to bundle different applications to engage and drive consumers to higher value services such as content, chat or mCommerce. Under Austrian tax law a portion of the goodwill is deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of 3united is 6.6 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of 3united was as follows:

	February 28, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 8,365	—
Long-term assets	372	—
Goodwill	48,316	—
Customer relationships	5,050	7
Existing technology	9,720	6
Core technology	8,200	8
Development contracts	2,810	6
Non-compete agreement	450	2
Trade name	160	1
Order backlog	340	1
Total assets acquired	83,783	
Liabilities assumed	(12,606)	
Net assets acquired	$ 71,177	

CallVision

On January 24, 2006, VeriSign completed its acquisition of CallVision, Inc. ("CallVision"), a Seattle, Washington-based privately held provider of online analysis applications for mobile communications customers. VeriSign's purchase price of $38.7 million for all of the outstanding capital stock and vested options of CallVision consisted of approximately $38.2 million in cash consideration and $0.4 million in direct transaction costs. VeriSign also assumed $0.1 million of unvested stock options of CallVision. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. CallVision's results of operations have been included in the consolidated financial statements from the date of acquisition. As a result of the acquisition of CallVision, VeriSign recorded goodwill of $18.0 million and other intangible assets of $12.5 million, which have been assigned to the Communications Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the ability to provide online customer self-service with a single view of billing across multiple systems and vendors. None of the goodwill for CallVision is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of CallVision is 6.3 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process research and development acquired in the CallVision acquisition consisted primarily of research and development efforts required for the completion of all planning, design, development, and test activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance.

VeriSign determined the fair value of the acquired in-process research and development by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of

the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects. The in-process research and development is expensed upon acquisition because they have no future alternative uses.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of CallVision was as follows:

	January 24, 2006 (In thousands)	Weighted Average Amortization Period (Years)
Current assets	$ 10,737	—
Long-term assets	1,045	—
Goodwill	18,015	—
Customer relationships	4,700	8
Existing technology	2,290	4
Core technology	2,600	8
Non-compete agreement	620	2
In-process research and development	500	—
Customer contracts	1,800	4
Total assets acquired	42,307	
Liabilities assumed	(3,600)	
Net assets acquired	$ 38,707	

Other Acquisitions

In addition to the above, VeriSign also acquired two other companies during 2006 for an aggregate purchase price of approximately $25.4 million. These acquisitions were not material on an individual basis or in the aggregate.

All of the Company's 2006 acquisitions results of operations for periods prior to the date of acquisition were not material on an individual basis or in the aggregate when compared with VeriSign's consolidated results.

2005 Acquisitions:

Retail Solutions International

On October 17, 2005, VeriSign completed its acquisition of Retail Solutions International, Inc. ("RSI"), a Lincoln, Rhode Island-based privately held provider of operational point-of-sale data to the retail industry. VeriSign's purchase price of $25.2 million for all of the outstanding capital stock and vested options of RSI consisted of approximately $23.2 million in cash consideration and $0.4 million in direct transaction costs. VeriSign also assumed unvested stock options of RSI with a fair value of $1.6 million. The acquisition has been accounted for as a purchase of a business and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. RSI's results of operations have been included in the consolidated financial statements from the date of acquisition. As a result of the acquisition of RSI, VeriSign recorded goodwill of $17.1 million and other

intangible assets of $6.4 million, which have been assigned to the Internet Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to increase the scope of services VeriSign offers to retail supply chain participants and enhances the infrastructure VeriSign has been developing in the RFID/EPC and pharmaceutical supply chain markets to deliver real time, relevant data for decision making. None of the goodwill for RSI is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of RSI is 5.3 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process research and development acquired in the RSI acquisition consisted primarily of research and development efforts required for the completion of all planning, design, development, and test activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance.

VeriSign determined the fair value of the acquired in-process research and development by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects. The in-process research and development was expensed upon acquisition because they had not yet reached technological feasibility and had no future alternative uses.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of RSI was as follows:

	October 17, 2005 (In thousands)	Amortization Period (Years)
Current assets	$ 2,540	—
Long-term assets	637	—
Goodwill	17,144	—
Customer relationships	2,870	7
Core technology	1,480	5
Existing technology	1,260	3
Non-compete agreement	400	2
In-process research and development	270	—
Trade name	80	5
Data content	40	2
Total assets acquired	26,721	
Liabilities assumed	(1,512)	
Net assets acquired	$ 25,209	

Moreover Technologies

On October 4, 2005, VeriSign completed its acquisition of Moreover Technologies, Inc. (“Moreover”), a San Francisco, California-based privately held wholesale aggregator of real-time content for Web sites, search engines and enterprise customers. VeriSign’s purchase price of $29.7 million for all of the outstanding capital stock of Moreover consisted of approximately $28.7 million in cash consideration and $1.0 million in direct

transaction costs. The acquisition has been accounted for as a purchase of a business and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. Moreover's results of operations have been included in the consolidated financial statements from the date of acquisition. As a result of the acquisition of Moreover, VeriSign recorded goodwill of $13.9 million and other intangible assets of $11.7 million, which have been assigned to the Internet Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to offer bloggers, publishers, enterprises and Web portals a more intelligent and scalable, real-time content platform. None of the goodwill for Moreover is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of Moreover is 5.5 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process research and development acquired in the Moreover acquisition consisted primarily of research and development required for the completion of all planning, design, development, and test activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance.

VeriSign determined the fair value of the acquired in-process research and development by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects. The in-process research and development was expensed upon acquisition because they had not yet reached technological feasibility and had no future alternative uses.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of Moreover was as follows:

	October 4, 2005 (In thousands)	Amortization Period (Years)
Current assets	$ 7,513	—
Long-term assets	220	—
Goodwill	13,943	—
Customer relationships	3,900	9
Existing Technology	3,300	4
Non-compete agreement	1,900	2
In-process research and development	1,300	—
Content source database	560	5
Content relationships	440	5
Trade Name	260	1
Total assets acquired	33,336	
Liabilities assumed	(3,591)	
Net assets acquired	$ 29,745	

siteRock

On October 3, 2005, VeriSign Japan K.K. ("VSJ") completed its acquisition of siteRock K.K. ("siteRock"), a Tokyo, Japan-based privately held remote network monitoring and outage managing and handling firm. VSJ

paid approximately $53.3 million in cash for all of the outstanding capital stock and certain transaction related expenses of siteRock. The acquisition has been accounted for as a purchase of a business by VSJ and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. siteRock's results of operations have been included in the consolidated financial statements from the date of acquisition. As a result of the acquisition of siteRock, VSJ recorded goodwill of $36.4 million and other intangible assets of $11.8 million. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated strategic fit with VSJ's existing business and will create service and consulting offerings, that offer managed security services. None of the goodwill for siteRock is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of siteRock is approximately 4.5 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

The allocation of the purchase price to the net assets acquired based on the estimated fair value of siteRock was as follows:

	October 3, 2005 (In thousands)	Amortization Period (Years)
Current assets	$ 4,600	—
Long-term assets	500	—
Goodwill	36,400	—
Customer relationships	7,000	5
Non-compete agreement	300	3
Existing Technology	4,300	4
Trade Name	200	2
Assets acquired	$ 53,300	

iDefense

On July 13, 2005, VeriSign completed its acquisition of iDefense, Inc. ("iDefense"), a Reston, Virginia-based privately held company. iDefense is a leading security intelligence services company providing detailed intelligence on network-based threats, vulnerabilities and malicious code. VeriSign paid approximately $37.8 million in cash for all the outstanding capital stock, vested stock options and certain transaction related expenses of iDefense and assumed unvested stock options. The acquisition has been accounted for as a purchase of a business and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. iDefense's results of operations have been included in the consolidated financial statements from its date of acquisition. As a result of the acquisition of iDefense, VeriSign recorded goodwill of $34.7 million and other intangible assets of $7.5 million, which have been assigned to the Internet Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to provide "intelligence" services to VeriSign's customer base. None of the goodwill for iDefense is expected to be deductible for tax purposes. The overall weighted average life of the identified amortizable assets acquired in the purchase of iDefense is 5.6 years. These identified other intangible assets will be amortized on a straight line basis over their useful lives.

The acquired in-process research and development was written off upon acquisition and consisted primarily of research and development related to the efforts required to develop the acquired in process technology.

VeriSign determined the fair value of the acquired in-process technology by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of iDefense was as follows:

	July 13, 2005 (In thousands)	Amortization Period (Years)
Current assets	$ 657	—
Long-term assets	368	—
Goodwill	34,696	—
Content	700	2
Customer relationships	2,500	7
Non-compete agreement	200	2
Existing Technology	700	2
In-process research and development	1,800	—
Trade Name	1,600	7
Total assets acquired	43,221	
Liabilities assumed	(5,408)	
Net assets acquired	$ 37,813	

LightSurf Technologies

On April 6, 2005, VeriSign completed its acquisition of LightSurf Technologies, Inc. (“LightSurf”), a Santa Cruz, California-based privately held provider of multimedia messaging and interoperability solutions for the wireless market. VeriSign paid approximately $275.4 million in common stock for all of the outstanding capital stock, warrants, vested stock options and certain transaction-related expenses and assumed unvested stock options. The acquisition has been accounted for as a purchase of a business and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. LightSurf’s results of operations have been included in the consolidated financial statements from its date of acquisition. As a result of the acquisition of LightSurf, VeriSign recorded goodwill of $218.6 million and other intangible assets of $44.4 million, which have been assigned to the Communications Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to offer carriers a comprehensive wireless data utility by combining LightSurf’s current capabilities with VeriSign’s existing communications services platforms. None of the goodwill for LightSurf is expected to be deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of LightSurf is 3.2 years. These other identified intangible assets will be amortized on a straight-line basis over their useful lives.

The in-process technology acquired in the LightSurf acquisition consisted primarily of research and development efforts required for the completion of all planning, design, development, and test activities that are necessary to establish that the product or service can be produced to meet its design specifications including features, functions, and performance.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

VeriSign determined the fair value of the acquired in-process technology by estimating the projected cash flows related to the project or service and future revenues to be earned upon commercialization of the service. VeriSign discounted the resulting cash flows back to their net present values. VeriSign based the net cash flows from such projects on its analysis of the respective markets and estimates of revenues and operating profits related to these projects.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of LightSurf was as follows:

	April 6, 2005 (In thousands) As Restated (1)	Amortization Period (Years)
Current assets	$ 19,677	—
Long-term assets	7,225	—
Goodwill (2)	218,591	—
Customer relationships	9,000	5
Non-compete agreement	1,700	2.5
Technology in place	29,400	3 – 4
In-process research and development	4,300	—
Total assets acquired	289,893	
Liabilities assumed	(14,475)	
Net assets acquired	$ 275,418	

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.
(2) As a result of the restatement we decreased LightSurf’s goodwill balance by $3.8 million to record additional deferred compensation expense at the time of purchase.

Other Acquisitions

In addition to the above, VeriSign also acquired one other company in 2005 for a purchase price of approximately $15.0 million. The acquisition was not material on an individual basis.

All of the Company’s 2005 acquisitions results of operations for periods prior to the date of acquisition were not material on an individual basis or in the aggregate when compared with VeriSign’s consolidated results.

2004 Acquisitions

Jamba

In June 2004, VeriSign completed its acquisition of Jamba, a privately held provider of content services. VeriSign’s purchase price of $266.2 million for all the outstanding shares of capital stock of Jamba consisted of approximately $178.0 million in cash consideration, approximately $5.9 million in direct transaction costs, and the remainder in VeriSign common stock. The acquisition has been accounted for as a purchase of a business and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. Jamba’s results of operations have been included in the consolidated financial statements from its date of acquisition. As a result of the acquisition of Jamba, VeriSign recorded goodwill of $187.8 million and other intangible assets of $83.9 million,

which have been assigned to the Communications Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. The goodwill in this transaction is attributable to the anticipated ability to offer carriers a comprehensive wireless data utility by combining Jamba's current capabilities with VeriSign's existing communications services platforms. None of the goodwill for Jamba is deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of Jamba is 4.2 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

The allocation of the purchase price to the assets acquired and liabilities assumed based on the estimated fair value of Jamba was as follows:

	June 3, 2004 (In thousands)	Amortization Period (Years)
Current assets	$ 56,220	—
Long-term assets	1,014	—
Goodwill	187,777	—
Carrier relationships	27,700	6
Subscription base	25,110	2
Non-compete agreements	10,520	2
Trade name	17,760	6
Technology in place	2,570	3
Internally developed content	210	3
Total assets acquired	328,881	
Current liabilities	(29,233)	
Deferred income tax liabilities	(33,493)	
Total liabilities assumed	(62,726)	
Net assets acquired	$ 266,155	

Guardent

In February 2004, VeriSign completed its acquisition of Guardent, a privately held provider of managed security services. VeriSign paid approximately $141.2 million for all the outstanding shares of capital stock of Guardent, of which approximately $65 million was in cash and the remainder in VeriSign common stock. The acquisition has been accounted for as a purchase of a business and, accordingly, the total purchase price has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. Guardent's results of operations have been included in the consolidated financial statements from its date of acquisition. As a result of the acquisition of Guardent, VeriSign recorded goodwill of $114.1 million and other intangible assets of $22.2 million, which have been assigned to the Internet Services Group segment. The goodwill represents the excess value over both tangible and intangible assets acquired. VeriSign attributes the goodwill in this transaction to management's belief that the acquisition is a strategic fit with its existing business and will create an unmatched breadth of service and consulting offerings, delivered from a global infrastructure that is highly scalable and offers reliable, state-of-the-art managed security services. None of the goodwill for Guardent is deductible for tax purposes. The overall weighted-average life of the identified amortizable assets acquired in the purchase of Guardent is 4.5 years. These identified other intangible assets will be amortized on a straight-line basis over their useful lives.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	February 27, 2004 (In thousands)	Amortization Period (Years)
Current assets	$ 5,139	—
Property and equipment, net	4,735	—
Other long-term assets	1,096	—
Goodwill	114,069	—
Customer contracts and relationship	13,200	5 – 6
Non-compete agreement	5,700	3
Technology in place	3,200	1 – 3
Backlog	100	1
Total assets acquired	147,239	
Total liabilities assumed	(6,017)	
Net assets acquired	$ 141,222	

All of the Company's 2004 acquisitions results of operations for periods prior to the date of acquisition were not material on an individual basis or in the aggregate when compared with VeriSign's consolidated results.

Note 4. Discontinued Operations

On November 18, 2005, the Company completed the sale of certain assets related to its payment gateway business pursuant to an Asset Purchase Agreement, dated October 10, 2005 (the "Agreement"), among PayPal, Inc., PayPal International Limited (collectively, "PayPal"), a wholly owned subsidiary of eBay Inc. Under the Agreement, PayPal acquired certain assets related to VeriSign's payment gateway business and assumed certain liabilities related thereto for $370 million in cash. The payment gateway business was part of the Internet Services Group segment.

The Company has determined that the disposed payment gateway business should be accounted for as discontinued operation in accordance with SFAS No.144. Consequently, the results of operations of the payment gateway business have been excluded from the Company's results from continuing operations for all periods presented and have instead been presented as discontinued operations.

In connection with the sale of the payment gateway business, the Company entered into a Transitional Service Agreement ("TSA") with PayPal to provide certain transitional network and customer support services. The related fees were recorded as a direct reduction to the respective costs and expenses included in discontinued operations. The expected cash flows under the TSA do not represent a significant continuation of the direct cash flows of the disposed payment gateway business. In April 2006, PayPal elected to terminate the customer support services provided by VeriSign under the TSA. In September 2006, PayPal elected to terminate the billing services, production services and other transitional services provided under the TSA.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table represents revenues from the disposed payment gateway business and the components of earnings from discontinued operations for the periods presented:

	Year Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
		(In thousands)	
Revenues	$ (89)	$ 51,672	$ 48,149
Income from disposed payment gateway business	$1,045	$ 24,218	$ 19,193
Income tax expense	—	8,028	1,742
Operating income from disposed payment gateway business, net of taxes	1,045	16,190	17,451
Gain on sale of payment gateway business, net of taxes of $124,249 (2)	—	250,573	—
Net income from discontinued operations	$1,045	$ 266,763	$ 17,451

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.
(2) The gain on sale of the payment gateway business was reduced due to a change in the effective tax rate that resulted as part of the restatement.

The following table presents the calculation of the gain on the sale of the payment gateway business:

	Year Ended December 31, 2005 As Restated (1) (In thousands)
Proceeds from sale	$ 370,000
Transaction costs	2,778
Net proceeds	367,222
Net liabilities assumed by PayPal	7,600
Gain on sale before income taxes	374,822
Income tax expense	124,249
Gain on sale of discontinued operations, net of tax	$ 250,573

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

The following table presents the carrying amounts of major classes of assets and liabilities relating to the payment gateway business at December 31, 2006 and 2005:

	December 31,	
	2006	2005
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 600	$1,834
Accounts receivable, net	711	3,461
Total current assets of discontinued operations	$1,311	$5,295
Liabilities:		
Accounts payable and accrued liabilities	$ 600	$6,822
Total current liabilities of discontinued operations	$ 600	$6,822

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Note 5. Sale of Domain Name Registrar Business

On November 25, 2003, VeriSign completed the sale of its Network Solutions domain name registrar business to Pivotal Private Equity. The Company received $97.6 million of consideration, consisting of $57.6 million in cash and a $40 million senior subordinated note that bears interest at 7% per annum for the first three years and 9% per annum thereafter and matures five years from the date of closing. During 2005, the Company received a payment from Network Solutions in the amount of $20.0 million, which included $14.0 million to reduce the principal balance of the note receivable, $3.8 million of interest income related to the note receivable and a dividend payment of $2.2 million recorded in other income.

During the first quarter of 2006, Network Solutions repaid in full all amounts outstanding under the Secured Senior Promissory Note dated November 25, 2003. In addition, Network Solutions redeemed VeriSign's 15% equity interest in Network Solutions. VeriSign received total payments from Network Solutions in the amount of $47.8 million, which included $26.0 million to reduce the principal balance of the note receivable, $0.1 million of interest income related to the note receivable and the difference of $21.7 million was recorded as a gain on investment in other income. As a result of the redemption of the membership interests, the Company no longer owns equity interests in any Internet domain name registrars.

Note 6. Restructuring, Impairments and Other Charges (Reversals), net

Below is a comparison of the restructuring, impairments and other charges (reversals), net for the periods presented:

	Year Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
		(In thousands)	
2002 and 2003 Restructuring Plan (reversals) charges	$(6,421)	$ (2,928)	$ 3,285
Impairments and other charges	1,950	21,631	20,072
Total restructuring, impairments and other charges (reversals), net	$(4,471)	$ 18,703	$ 23,357

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

2003 Restructuring Plan

In November 2003, VeriSign announced a restructuring initiative related to the sale of its Network Solutions business and the realignment of other business units. The restructuring plan resulted in reductions in workforce, abandonment of excess facilities, disposals of property and equipment and other charges.

2002 Restructuring Plan

In April 2002, VeriSign announced plans to restructure its operations to rationalize, integrate and align resources. This restructuring plan included workforce reductions, abandonment of excess facilities, write-off of abandoned property and equipment and other charges.

To date, VeriSign has recorded $161.0 million in restructuring charges under its 2002 and 2003 plans.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table sets forth the consolidated restructuring and other charges (reversals) associated with the restructuring plans for the periods presented:

	Year Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
		(In thousands)	
Workforce reduction	$ (107)	$ (787)	$ 1,046
Excess facilities	(6,300)	(2,882)	1,538
Exit costs	(13)	(75)	486
Subtotal	(6,420)	(3,744)	3,070
Impairments and other (reversals) charges	(1)	816	215
Total net restructuring, impairments and other (reversals) charges	$(6,421)	$ (2,928)	$ 3,285

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

Workforce reduction. During 2006 and 2005, VeriSign adjusted the workforce reduction charges relating primarily to severance and fringe benefits. The Company recorded workforce reduction charges of $1.0 million in connection with workforce reduction of approximately 35 employees during 2004.

Excess facilities. In 2006, VeriSign recorded a net reversal of approximately $6.3 million primarily due to an unexpected early termination agreement of an existing facility in which the Company had previously estimated a significant vacancy period in its projection of sublease income. During 2005, VeriSign recorded reversals of $2.9 million to its excess facilities primarily in connection with a decision to utilize and build a facility that VeriSign had treated as abandoned under its 2003 restructuring plan and for which it had previously recorded a restructuring charge. As part of the restatement, VeriSign recorded a $2.3 million reversal in 2005 to correct a charge that was incorrectly expensed in 2005. The 2005 correction was properly expensed in 2003.

Exit costs. VeriSign recorded other exit costs primarily relating to the realignment of its Communications Services Group segment.

Impairments and other charges

During 2006, VeriSign wrote-off approximately $2.0 million of other intangible assets specifically related to abandoned technology acquired for a specific customer. During 2005, VeriSign recorded an impairment of approximately $21.6 million relating to the abandonment of the development efforts related to an internally developed software project. During 2004, VeriSign recorded approximately $20.1 million in charges primarily relating to an impairment of obsolete telecommunications computer software and other equipment.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

As of December 31, 2006, the accrued liability associated with the 2002 and 2003 restructuring plan was $4.8 million and consisted of the following:

	Accrued Restructuring Costs at December 31, 2005 Restated	Reversals and Adjustments to Restructuring Charges	Non-Cash Additions to the Accrual	Cash Payments	Accrued Restructuring Costs at December 31, 2006
			(In thousands)		
Workforce reduction	$ 107	$ (107)	$ —	$ —	$ —
Excess facilities	18,054	(6,300)	18	(7,159)	4,613
Exit costs	134	(13)	21	—	142
Other charges	21	(1)	—	(20)	—
Total restructuring charges (reversals)	$ 18,316	$ (6,421)	$ 39	$ (7,179)	$ 4,755
Included in current portion of accrued restructuring costs	$ 7,440				$ 3,818
Included in long-term accrued restructuring costs	$ 10,876				$ 937

Cash payments totaling approximately $4.6 million related to the abandonment of excess facilities under both restructuring plans will be paid over the respective lease terms, the longest of which extends through April 2008. The future cash payments related to lease terminations due to the abandonment of excess facilities is expected to be as follows:

	Contractual Lease Payments	Anticipated Sublease Income	Net
		(In thousands)	
2007	$ 3,715	$ (39)	$ 3,676
2008	937	—	937
	$ 4,652	$ (39)	$ 4,613

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Note 7. Cash, Cash Equivalents, Investments and Restricted Cash

VeriSign's cash equivalents, short-term investments and restricted investments have been classified as available-for-sale. The following tables summarize VeriSign's cash, cash equivalents, short and long-term investments and restricted cash and investments as of December 31, 2006 and 2005:

	December 31, 2006			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
		(In thousands)		
Classified as current assets:				
Cash	$488,271	$ —	$ —	$488,271
Commercial paper	7,223	1	—	7,224
Corporate bonds and notes	83,507	1	(580)	82,928
Money market funds	5,690	—	—	5,690
U.S. government and agency securities	30,356	—	(238)	30,118
Municipal bonds	5,399	—	(36)	5,363
Asset-backed securities	81,185	—	(939)	80,246
	701,631	2	(1,793)	699,840
Included in cash and cash equivalents				$501,184
Included in short-term investments				$198,656
Classified as long-term assets:				
Equity securities of non-public companies	11,235	—	—	11,235
Corporate bonds and notes	11,312	2	(73)	11,241
Money market funds	442	—	—	442
Commercial Paper	757	—	—	757
U.S. government and agency securities	10,206	17	(32)	10,191
Asset-backed securities	22,476	18	(124)	22,370
Certificates of deposit	4,436	—	—	4,436
	60,864	37	(229)	60,672
Included in restricted cash and investments				$ 49,437
Included in other assets, net				$ 11,235

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

	December 31, 2005			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
		(In thousands)		
Classified as current assets:				
Cash	$451,830	$ —	$ —	$451,830
Commercial paper	14,843	7	—	14,850
Corporate bonds and notes	127,952	—	(1,625)	126,327
Money market funds	157	—	—	157
U.S. government and agency securities	119,002	4	(1,055)	117,951
Municipal bonds	6,277	—	(100)	6,177
Asset-backed securities	139,515	—	(1,975)	137,540
	859,576	11	(4,755)	854,832
Included in cash and cash equivalents				$476,826
Included in short-term investments				$378,006
Classified as long-term assets:				
Equity securities of non-public companies	6,722	—	—	6,722
Corporate bonds and notes	13,738	—	(216)	13,522
Money market funds	64	—	—	64
U.S. government and agency securities	9,071	2	(95)	8,978
Asset-backed securities	22,745	—	(309)	22,436
Certificates of deposit	5,972	—	—	5,972
	58,312	2	(620)	57,694
Included in restricted cash and investments				$ 50,972
Included in other assets, net				$ 6,722

Gross realized losses on investments totaled $0.4 million in 2006 consisting of the impairment and sale of certain public and non-public equity investments. Gross realized gains on investments were $23.2 million in 2006.

Gross realized losses on investments totaled $0.8 million in 2005 consisting of the impairment and sale of certain public and non-public equity investments. Gross realized gains on investments were $12.1 million in 2005.

Gross realized losses on investments totaled $12.6 million in 2004 consisting of the impairment and sale of certain public and non-public equity investments. Gross realized gains on investments were $4.4 million in 2004.

Unrealized gains and losses on available-for-sale investments are included in accumulated other comprehensive loss in the balance sheets. The unrealized losses on the Company's investments were caused primarily by interest rate increases. In addition, the contractual terms of these securities do not permit the issuer to call, prepay or otherwise settle the securities at prices less than the stated par value of the security. Because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2006. All investments with unrealized losses at December 31, 2005 had been in a loss position for

less than 12 months. Gross unrealized gains and losses on our available-for-sale investments at December 31, 2006 and 2005 were as follows:

	2006	2005
	(In thousands)	
Gross unrealized gains	$ 39	$ 13
Gross unrealized losses	(2,022)	(5,375)
Net unrealized losses	$(1,983)	$(5,362)

The following table summarizes the fair value and gross unrealized losses related to 164 available-for-sale investments, aggregated by type of investment and length of time that individual securities have been held, as well as were in an unrealized loss position, which is measured and determined at each fiscal year end:

	Securities held for 12 months or less, in a loss position at December 31, 2006		Securities held for 12 months or more, in a loss position at December 31, 2006		Total in a loss position	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In thousands)					
Corporate bonds and notes	$ 61,615	$ (437)	$ 31,067	$ (217)	$ 92,682	$ (654)
U.S. government and agency securities	20,545	(139)	14,977	(130)	35,522	(269)
Municipal bonds	—	—	5,363	(36)	5,363	(36)
Asset-backed securities	64,117	(766)	31,628	(297)	95,745	(1,063)
	$ 146,277	$ (1,342)	$ 83,035	$ (680)	$229,312	$ (2,022)

The following table summarizes the available-for-sale investments as of December 31, 2006, classified by the maturity date of the investment:

	Carrying Value	Estimated Fair Value
	(In thousands)	
Due within one year	$211,624	$ 210,106
Due within two years	45,929	45,464
Due within three years	1,000	1,000
Total available-for-sale investments	$258,553	$ 256,570

Restricted Cash and Investments

As of December 31, 2006, restricted cash and investments include $45.0 million related to a trust established during 2004 for VeriSign's director and officer liability self-insurance coverage. As of December 31, 2006 and December 31, 2005, VeriSign has pledged approximately $4.4 million and $6.0 million, respectively, as collateral for standby letters of credit that guarantee certain of its contractual obligations, primarily relating to its real estate lease agreements, the longest of which is expected to mature in 2014.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Note 8. Goodwill and Other Intangible Assets

The following table summarizes the changes in the carrying amount of goodwill as allocated to the Company's operating segments for the years ended December 31, 2006 and 2005:

	Internet Services Group As Restated (1)	Communications Services Group As Restated (1)	Total As Restated (1)
		(In thousands)	
December 31, 2004 (2)	$ 190,245	$ 536,000	$ 726,245
LightSurf acquisition (2)	—	218,591	218,591
iDefense acquisition	34,696	—	34,696
siteRock acquisition	36,400	—	36,400
Moreover acquisition	13,943	—	13,943
RSI acquisition	17,144	—	17,144
Other acquisitions and adjustments (3) (4)	11,632	10,312	21,944
December 31, 2005	304,060	764,903	1,068,963
CallVision acquisition	—	18,015	18,015
3united acquisition	—	48,316	48,316
Kontiki acquisition	—	23,898	23,898
m-Qube acquisition	—	159,978	159,978
GeoTrust acquisition	100,081	—	100,081
inCode acquisition	—	27,800	27,800
Other acquisitions and adjustments (3) (4)	11,651	(9,209)	2,442
December 31, 2006	$ 415,792	$ 1,033,701	$ 1,449,493

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

(2) VeriSign restated goodwill for the Internet Services Group by $818,000 for 2004. VeriSign restated the acquired goodwill for the LightSurf acquisition for 2005. The goodwill was increased by $3.8 million to record additional unearned compensation for the understatement of expense related to assumed stock options.

(3) Other acquisitions consist of companies that were considered not material on an individual basis or in the aggregate at the time of purchase. In 2006, VeriSign acquired two companies with an aggregate goodwill of $18.9 million. In 2005, VeriSign acquired one company with $13.7 million in goodwill. These companies were allocated to the Internet Services Group.

(4) VeriSign makes certain goodwill adjustments after the initial purchase to acquired companies for income tax adjustments, adjustments for vested stock options, foreign exchange fluctuations and other additions or reductions that were determined after the initial purchase.

There were no impairment charges for goodwill and other intangible assets from the annual impairment tests conducted as of June 30, 2006, 2005 and 2004.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

VeriSign's other intangible assets are comprised of:

	As of December 31, 2006			
	Gross Carrying Value	Accumulated Amortization and Impairment	Net Carrying Value	Weighted-Average Remaining Life
	(Dollars in thousands)			
Customer relationships	$ 459,088	$ (331,279)	$ 127,809	4.6 years
Technology in place	237,238	(138,866)	98,372	4.2 years
Carrier relationships	64,000	(15,345)	48,655	5.4 years
Non-compete agreement	40,196	(13,785)	26,411	2.2 years
Trade name	34,557	(11,480)	23,077	4.0 years
Other	11,250	(2,144)	9,106	3.7 years
Total other intangible assets	$ 846,329	$ (512,899)	$ 333,430	4.3 years

	As of December 31, 2005			
	Gross Carrying Value	Accumulated Amortization and Impairment	Net Carrying Value	Weighted-Average Remaining Life
	(Dollars in thousands)			
Customer relationships	$ 421,707	$ (293,312)	$ 128,395	2.7 years
Technology in place	166,355	(114,650)	51,705	2.8 years
Carrier relationships	27,700	(7,271)	20,429	4.4 years
Non-compete agreement	20,828	(12,679)	8,149	1.2 years
Trade name	19,870	(4,856)	15,014	4.6 years
Other	1,950	(340)	1,610	3.4 years
Total other intangible assets	$ 658,410	$ (433,108)	$ 225,302	3.0 years

Fully amortized other intangible assets are not included in the above tables.

Estimated future amortization expense related to other intangible assets at December 31, 2006 is as follows:

	(In thousands)
2007	$ 124,327
2008	62,464
2009	53,905
2010	37,734
2011	23,125
Thereafter	31,875
	$ 333,430

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Note 9. Other Balance Sheet Items

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	December 31, 2006	December 31, 2005 As Restated (1)
	(In thousands)	
Prepaid expenses	$ 73,416	$ 55,836
Other current assets	63,846	22,172
Securities litigation receivable (2)	80,000	—
Prepaid expenses and other current assets	$217,262	$ 78,008

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.
(2) VeriSign recorded an $80.0 million receivable from liability insurers for the Company and its directors and officers in connection with the settlement of the Securities Litigation and Derivative Litigation.

Property and Equipment

The following table presents detail of property and equipment:

	December 31, 2006	December 31, 2005 As Restated (1)
	(In thousands)	
Land	$ 222,750	$ 222,516
Buildings	88,532	74,466
Computer equipment and purchased software	699,576	573,536
Office equipment, furniture and fixtures	29,682	26,831
Leasehold improvements	90,263	84,469
	1,130,803	981,818
Less accumulated depreciation and amortization	(525,511)	(423,546)
Property and equipment, net	$ 605,292	$ 558,272

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31,	
	2006	2005 As Restated (1)
	(In thousands)	
Accounts payable	$ 34,085	$ 68,293
Employee compensation	109,875	89,871
Customer deposits	73,845	27,822
Taxes payable and other tax liabilities	226,342	229,770
Other accrued liabilities	175,317	152,092
Securities litigation payable (2)	80,000	—
	$699,464	$ 567,848

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.
(2) VeriSign recorded the $80.0 million payable to account for the settlement of the Securities Litigation and Derivative Litigation. Under terms of the settlement, liability insurers for the Company and its directors and officers will pay $80.0 in settlement of the lawsuits.

Long-Term Liabilities

In November 1999, VeriSign entered into an agreement for the management and administration of the Tuvalu country code top-level domain, *.tv*, with the Government of Tuvalu for payments of future royalties. Future royalty payment obligations will amount to $4.0 million. The current portion of $2.0 million is due in 2007 and the long-term portion of $2.0 million matures in 2008. Additionally, VeriSign has approximately $2.6 million of other long-term liabilities which mature over the next two years. The current portion of long-term liabilities payable is included in accounts payable and accrued liabilities and the non-current portion is included in other long-term liabilities in the accompanying consolidated balance sheets.

Note 10. Credit Facility

On June 7, 2006, VeriSign entered into a credit agreement (the "Credit Agreement") with a syndicate of banks and other financial institutions related to a $500 million senior unsecured revolving credit facility (the "Facility"), under which VeriSign, or certain designated subsidiaries may be borrowers. As of December 31, 2006, $199.0 million was borrowed under the Facility.

Loans bear interest at a rate per annum equal to, at the election of VeriSign, the Adjusted LIBOR Rate, plus a margin of between 0.50% and 1.025%, depending on VeriSign's ratio of funded indebtedness to EBITDA as calculated pursuant to the Credit Agreement (the "Leverage Ratio"), or the higher of the prime rate, as announced from time to time by Bank of America, N.A., and the Federal Funds rate plus 0.50%. If the Company elects the Adjusted LIBOR Rate, interest is payable at maturity. If the Company elects the higher of the prime rate and the Federal Funds rate plus 0.50%, interest is paid quarterly. In addition, VeriSign is required to pay the lenders under the Credit Agreement a commitment fee at a rate per annum of between 0.125% and 0.225%, depending on the Leverage Ratio, payable quarterly in arrears.

The Credit Agreement contains certain affirmative and negative covenants. Affirmative covenants include, among others, financial and other reporting obligations, maintenance of existence, payment of obligations, maintenance of properties, maintenance of insurance, compliance with laws, maintenance of books and records, and maintenance of approvals and authorizations. Negative covenants include, among others, limitations on incurrence of liens, limitations on investments, limitations on incurrence of additional indebtedness, limitations on mergers and acquisitions, limitations on asset sales, limitations on dividends, share redemptions and other restricted payments, limitations on changing its business, limitations on entering into certain types of burdensome agreements and limitations on transactions with affiliates. The Credit Agreement includes two financial covenants, including maintaining the ratio of consolidated EBITDA to consolidated interest charges above 2.50:1.00 for any four fiscal quarters, and maintaining the Leverage Ratio below 3.00:1.00 at any time during any period of four fiscal quarters. At December 31, 2006, the interest rate on the outstanding balance of the Facility was 5.86%.

The Facility terminates on June 7, 2011 at which time outstanding borrowings under the Facility are due. VeriSign may optionally prepay loans under the Credit Agreement other than Competitive Bid Loans at any time, without penalty, subject to reimbursement of certain costs in the case of LIBOR borrowings.

Note 11. Stockholders' Equity

Preferred Stock

VeriSign is authorized to issue up to 5,000,000 shares of preferred stock. As of December 31, 2006, no shares of preferred stock had been issued. In connection with its stockholder rights plan, VeriSign authorized 3 million shares of Series A Junior Participating Preferred Stock, par value $0.001 per share. In the event of liquidation, each preferred share will be entitled to a $1.00 preference, and thereafter the holders of the preferred shares will be entitled to an aggregate payment of 100 times the aggregate payment made per common share. Each preferred share will have 100 votes, voting together with the common shares. Finally, in the event of any merger, consolidation or other transaction in which common shares are exchanged, each preferred share will be entitled to receive 100 times the amount received per common share. These rights are protected by customary anti-dilution provisions.

Stock Repurchase Programs

To facilitate the stock repurchase program, designed to return value to the stockholders and minimize dilution from stock issuances, VeriSign repurchases shares in the open market and from time to time enters into structured stock repurchase agreements with third parties.

In 2001, VeriSign and the Board of Directors authorized the repurchase of up to $350 million of the Company's common stock in open market, negotiated or block transactions. This stock repurchase program was completed in the third quarter of 2005. In 2005, the Board of Directors of VeriSign authorized a new stock repurchase program to repurchase up to $500 million of the Company's common stock in open market, negotiated or block transactions. This stock repurchase was completed in the second quarter of 2006. On May 16, 2006, the Board of Directors of VeriSign authorized a new $1 billion stock repurchase program to purchase shares of VeriSign's common stock on the open market, or in negotiated or block trades. As of December 31, 2006, the Company has approximately $984.7 million available under the 2006 stock repurchase program.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The table sets forth the total amount of shares repurchased and net purchase price for the years presented:

	Year Ended December 31,		
	2006	2005	2004
		(In thousands)	
Shares repurchased	6,490	22,817	4,474
Aggregate purchase price	$ 135,000	$ 548,630	$ 113,257

From the inception of the stock purchase program in 2001 to December 31, 2006, a total of 35.3 million shares have been repurchased for a net purchase price of approximately $865.3 million.

Stockholder Rights Plan

On September 24, 2002, the Board of Directors of VeriSign declared a dividend of one stock purchase right (“Right”) for each outstanding share of VeriSign common stock. The dividend was paid to stockholders of record on October 4, 2002 (“Record Date”). In addition, one Right shall be issued with each common share that becomes outstanding (i) between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are defined in the Rights Agreement) or (ii) following the Distribution Date and prior to the Redemption Date or Final Expiration Date, pursuant to the exercise of stock options or under any employee plan or arrangement or upon the exercise, conversion or exchange of other securities of VeriSign, which options or securities were outstanding prior to the Distribution Date. The Rights will become exercisable only upon the occurrence of certain events specified in the Rights Agreement (“Rights Agreement”), including the acquisition of 20% of VeriSign’s outstanding common stock by a person or group. Each Right entitles the registered holder, other than an “acquiring person”, under specified circumstances, to purchase from VeriSign one one-hundredth of a share of VeriSign Series A Junior Participating Preferred Stock, par value $0.001 per share (“Preferred Share”), at a price of $55.00 per one one-hundredth of a Preferred Share, subject to adjustment. Preferred Shares purchasable upon exercise of the Rights will not be redeemable. In addition, each Right entitles the registered holder, other than an “acquiring person”, under specified circumstances, to purchase from VeriSign that number of shares of VeriSign common stock having a market value of two times the exercise price of the Right. In February 2006, VeriSign’s Board of Directors reviewed the stockholder rights plan and determined that it continues to be in the best interest of VeriSign and its stockholders. No cash dividends have been declared or paid on VeriSign’s common stock since inception.

Note 12. Calculation of Net Income Per Share

In accordance with SFAS No. 128, “*Earnings per Share*”, the Company computes basic income per share by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per share reflects the dilution of potential common shares outstanding such as stock options and unvested restricted stock awards during the period using the treasury stock method.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The following table presents the computation of basic and diluted net income per share:

	Year Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
	(In thousands, except per share data)		
Net income:			
Net income from continuing operations	$377,970	$ 162,215	$ 135,369
Net income from discontinued operations, net of tax	1,045	16,190	17,451
Gain on sale of discontinued operations, net of tax	—	250,573	—
Net income	$379,015	$ 428,978	$ 152,820
Weighted-average shares:			
Weighted-average common shares outstanding	244,421	257,368	250,564
Diluted weighted-average common shares outstanding:			
Stock options	2,344	6,064	4,564
Unvested restricted stock and restricted stock units	111	69	76
Other	197	188	210
Shares used to compute diluted net income per share	247,073	263,689	255,414
Net income per share:			
Basic:			
Net income from continuing operations	$ 1.55	$ 0.63	$ 0.54
Net income from discontinued operations	—	0.06	0.07
Gain on sale of discontinued operations	—	0.98	—
Net Income	$ 1.55	$ 1.67	$ 0.61
Diluted:			
Net income from continuing operations	$ 1.53	$ 0.62	$ 0.53
Net income from discontinued operations	—	0.06	0.07
Gain on sale of discontinued operations	—	0.95	—
Net Income	$ 1.53	$ 1.63	$ 0.60

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

Weighted-average potential common shares do not include stock options with an exercise price that exceeded the average fair market value of VeriSign’s common stock for the period. The following table sets forth the weighted-average potential common shares that were excluded from the computation of diluted net income per share because their effect would have been anti-dilutive:

	Year Ended December 31,		
	2006	2005 As Restated (1)	2004 As Restated (1)
		(In thousands, except per share data)	
Weighted-average stock options outstanding	25,632	13,737	12,224
Weighted-average exercise price	$ 36.46	$ 57.54	$ 69.30

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Note 13. Stock-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS 123R. See Note 1 for a description of VeriSign's adoption of SFAS 123R.

Stock Option Plans

The majority of VeriSign's stock-based compensation expense relates to stock options. Historically, stock options have been granted to broad groups of employees at most levels on a discretionary basis. In the second quarter of 2006, the Compensation Committee, in consultation with other members of the Company's Board of Directors, resolved to grant restricted stock units ("RSUs") instead of stock options to employees below the director level. Employees at or above the director level continue to be eligible to receive stock options as well as RSUs. As of December 31, 2006, a total of 58,304,920 shares of common stock were reserved for issuance upon the exercise of stock options and for the future grant of stock options or awards under VeriSign's equity incentive plans.

On May 26, 2006, the stockholders of VeriSign approved the 2006 Equity Incentive Plan ("2006 Plan"). The 2006 Plan replaces VeriSign's 1998 Directors Plan, 1998 Equity Incentive Plan, and 2001 Stock Incentive Plan. The 2006 Plan authorizes the award of incentive stock options to employees and non-qualified stock options, restricted stock awards, restricted stock units, stock bonus awards, stock appreciation rights and performance shares to eligible employees, officers, directors, consultants, independent contractors and advisors. Options may be granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant. The 2006 Plan is administered by the Compensation Committee of the Board of Directors which may delegate to a committee of one or more members of VeriSign's Board of Directors or VeriSign's officers the ability to grant awards and take certain other actions with respect to participants who are not executive officers or non-employee directors. All options have a term of not greater than 10 years from the date of grant. Options issued generally vest 25% on the first anniversary date and ratably over the following 12 quarters. A restricted stock unit is an award covering a number of shares of VeriSign common stock that may be settled in cash or by issuance of those shares, which may consist of restricted stock. Restricted stock units will generally vest in four installments with 25% of the shares vesting on each anniversary of the date of grant over 4 years. The Compensation Committee of the Board of Directors, however, may authorize grants with a different vesting schedule in the future. 27,000,000 shares were authorized and reserved for issuance under the 2006 Plan.

The 2001 Stock Incentive Plan ("2001 Plan") was terminated upon approval of the 2006 Plan. Options to purchase common stock granted under the 2001 Plan remain outstanding and subject to the vesting and exercise terms of the original grant. The 2001 Plan authorized the award of non-qualified stock options and restricted stock awards to eligible employees, officers who are not subject to Section 16 reporting requirements, contractors and consultants. As of December 31, 2006, no restricted stock awards have been made under the 2001 Plan. Options were granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant. All options were granted at the discretion of the Board and have a term not greater than 10 years from the date of grant. Options issued generally vest 25% on the first anniversary date and ratably over the following 12 quarters. No further options can be granted under the 2001 Plan.

The 1998 Equity Incentive Plan ("1998 Plan") was terminated upon approval of the 2006 Plan. Options to purchase common stock granted under the 1998 Plan remain outstanding and subject to the vesting and exercise terms of the original grant. The 1998 Plan authorized the award of options, restricted stock awards, restricted stock units and stock bonuses. Options were granted at an exercise price not less than 100% of the fair market value of VeriSign's common stock on the date of grant for incentive stock options and 85% of the fair market

value for non-qualified stock options. All options were granted at the discretion of the Board 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. Restricted stock awards and restricted stock units entitle the recipient to receive, at VeriSign's discretion, shares or cash upon vesting. No further options can be granted under the 1998 Plan.

The 1998 Directors Plan ("Directors Plan") was terminated upon the approval of the 2006 Plan. Options to purchase common stock granted under the Directors Plan remain outstanding and subject to the vesting and exercise terms of the original grant. Members of the Board who were not employees of VeriSign, or of any parent, subsidiary or affiliate of VeriSign, were eligible to participate in the Directors Plan. The option grants under the Directors Plan were automatic and non-discretionary, and the exercise price of the options was 100% of the fair market value of the common stock on the date of the grant. Each eligible director was initially granted an option to purchase 25,000 shares on the date he or she first became a director ("Initial Grant"). On each anniversary of a director's Initial Grant or most recent grant if he or she was ineligible to receive an Initial Grant, each eligible director was automatically granted an additional option to purchase 12,500 shares of common stock if the director had served continuously as a director since the date of the Initial Grant or most recent grant. The term of the options under the Directors Plan is ten years and options vest as to 6.25% of the shares each quarter after the date of the grant, provided the optionee remains a director of VeriSign.

The 1995 Stock Option Plan and the 1997 Stock Option Plan ("1995 and 1997 Plans") were terminated concurrent with VeriSign's initial public offering in 1998. Options to purchase common stock granted under the 1995 and 1997 Plans remain outstanding and subject to the vesting and exercise terms of the original grant. All shares that remained available for future issuance under the 1995 and 1997 Plans at the time of their termination were transferred to the 1998 Equity Incentive Plan. No further options can be granted under the 1995 and 1997 Plans. Options granted under the 1995 and 1997 Plans are subject to terms substantially similar to those described below with respect to options granted under the 1998 Equity Incentive Plan.

In connection with its acquisitions in 2005 and 2006, VeriSign assumed some of the acquired companies' stock options. Options assumed generally have terms of seven to ten years and generally vest over a four-year period, as set forth in the applicable option agreement.

1998 Employee Stock Purchase Plan

As of December 31, 2006, VeriSign has reserved 17,589,449 shares for issuance under the 1998 Employee Stock Purchase Plan ("Purchase Plan"). Eligible employees may purchase common stock through payroll deductions by electing to have between 2% and 15% of their compensation withheld. Each participant is granted an option to purchase common stock on the first day of each 24-month offering period and this option is automatically exercised on the last day of each six-month purchase period during the offering period. The purchase price for the common stock under the Purchase Plan is 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period or the last day of the applicable purchase period. Offering periods begin on February 1 and August 1 of each year. On January 1 of each year, the number of shares available for grant under the Purchase Plan will automatically be increased by an amount equal to 1% of the outstanding common shares on the immediately preceding December 31.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Stock-based Compensation

On March 29, 2005, the SEC published Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views on a variety of matters relating to stock-based payments. SAB 107 requires stock-based compensation to be classified in the same expense line items as cash compensation. The following table sets forth the total stock-based compensation recognized for the periods presented:

	Year Ended December 31,		
	2006	2005 Restated	2004 Restated
	(In thousands, except per share data)		
Stock-based compensation:			
Cost of revenue	$ 14,750	$ 982	$ 2,395
Sales and marketing	15,210	173	7,248
Research and development	10,406	1,328	4,809
General and administrative	25,482	(12,950)	31,655
Total stock-based compensation	65,848	(10,467)	46,107
Tax (benefit) expense associated with stock-based compensation expense	(17,647)	3,946	—
Net effect of stock-based compensation expense (benefit) on net income	$ 48,201	$ (6,521)	$46,107
Net effect of stock-based compensation expense (benefit) on net income per share:			
Basic	$ 0.20	$ (0.03)	$ 0.18
Diluted	$ 0.20	$ (0.02)	$ 0.18

On August 9, 2006, the Company suspended stock option exercises (the "Restriction") because it was unable to file its Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. Under various stock option plans, option holders must exercise their vested stock options within a certain time period following termination of employment (typically, thirty (30), sixty (60) or ninety (90) days, depending on the plan). Due to the Restriction, certain terminated employees have been unable to exercise their stock options prior to the expiration of this time period following termination of employment. As a result, VeriSign's Board of Directors approved the following: (i) if the period to exercise the participant's stock options upon termination of employment has expired prior to the expiration of the Restriction, then such participant's period to exercise his/her stock options upon termination of employment as set forth in the applicable plan is extended by an additional forty five (45) days after the date the Restriction expires; and (ii) if the period remaining to exercise the participant's stock options is less than forty five (45) days after the Restriction expires, then such participant's period to exercise his/her stock options upon termination of employment as set forth in the applicable plan is extended by an additional forty five (45) days minus the days remaining to exercise his/her stock options after the date the Restriction expires. During the third quarter of 2006, VeriSign recognized $2.2 million of stock-based compensation expense in connection with this extension of time for option exercise in accordance with SFAS 123R.

Prior to the adoption of SFAS 123R, the Company presented unearned compensation as a separate component of stockholders' equity. In accordance with the provisions of SFAS 123R, on January 1, 2006 VeriSign reclassified the balance in unearned compensation to additional paid-in capital on its balance sheet.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

As of December 31, 2006, total unrecognized compensation cost related to unvested stock options and restricted stock awards was $94.1 million and $37.7 million, respectively, and is expected to be recognized over a weighted-average period of 2.8 years and 3.5 years, respectively. Stock-based compensation cost capitalized for internally developed software was $1.5 million for the twelve months ended December 31, 2006.

VeriSign currently uses the Black-Scholes option pricing model to determine the fair value of stock options and Purchase Plan options. The determination of the fair value of stock-based payment awards using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. The following table sets forth the weighted-average assumptions used to estimate the fair value of the stock options and Purchase Plan options for the periods presented:

	Year Ended December 31,		
	2006	2005	2004
Stock options:			
Volatility	39%	56%	82%
Risk-free interest rate	4.82%	3.91%	2.81%
Expected term	3.4 years	3.1 years	2.9 years
Dividend yield	zero	zero	zero
Employee Stock Purchase Plan options:			
Volatility	33%	55%	53%
Risk-free interest rate	5.09%	2.51%	2.22%
Expected term	1.25 years	1.25 years	1.25 years
Dividend yield	zero	zero	zero

Under SFAS 123R, VeriSign's expected volatility is based on the combination of historical volatility of the Company's common stock over the period commensurate with the expected life of the options and the mean historical implied volatility from traded options. The risk-free interest rates are derived from the average U.S. Treasury constant maturity rates during the period, which approximate the rate in effect at the time of grant for the respective expected term. The expected terms are based on the observed and expected time to post-vesting exercise and/or cancellation of options. VeriSign does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero. Under SFAS 123R, VeriSign estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation expense only for those awards that are expected to vest.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

General Option Information

The following table summarizes stock option activity for the periods presented:

	Year Ended December 31,					
	2006		2005		2004	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	35,638,232	$ 31.51	32,878,169	$ 33.74	31,999,664	$ 36.87
Assumed in business combinations	846,953	1.99	1,645,508	3.71	687,659	4.79
Granted	7,387,257	20.50	10,053,156	25.95	9,156,123	20.20
Exercised	(2,466,900)	12.40	(5,343,504)	11.48	(4,391,205)	11.04
Forfeited	(3,859,952)	41.27	(2,919,635)	35.84	(3,971,347)	46.19
Expired	(1,903,419)	39.25	(675,462)	126.32	(602,725)	44.62
Outstanding at end of period	35,642,171	28.38	35,638,232	31.51	32,878,169	33.74
Exercisable at end of period	24,474,024	32.69	26,404,992	41.36	17,085,569	48.19
Weighted-average fair value of options granted during the period		$ 6.87		$ 10.80		$ 11.91
Total intrinsic value of options exercised during the period (in thousands)		$ 26,197		$ 78,731		$ 49,580

The following table summarizes information about stock options outstanding as of December 31, 2006:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price
$ 0.09–$ 9.99	1,914,213	3.78 years	$ 4.00	1,430,222	$ 4.41
$ 10.00–$ 13.78	3,045,990	2.59 years	11.74	2,623,293	11.56
$ 13.79	2,238,991	2.16 years	13.79	2,170,684	13.79
$ 13.80–$ 19.99	8,797,254	3.51 years	17.46	3,060,440	17.06
$ 20.00–$ 24.99	5,961,132	4.06 years	22.78	1,744,606	22.63
$ 25.00–$ 29.99	8,088,030	4.00 years	26.69	7,848,218	26.72
$ 30.00–$ 39.99	1,959,936	1.81 years	33.91	1,959,936	33.91
$ 40.00–$ 59.99	1,517,759	0.92 years	54.69	1,517,759	54.69
$ 60.00–$ 99.99	634,302	0.87 years	81.64	634,302	81.64
$100.00–$253.00	1,484,564	0.57 years	155.51	1,484,564	155.51
	35,642,171	3.19 years	28.38	24,474,024	32.69

Intrinsic value is calculated as the difference between the market value as of December 29, 2006 and the exercise price of the shares. The closing price of VeriSign's stock was $24.05 on December 29, 2006, as reported by the NASDAQ Global Select Market. The aggregate intrinsic value of stock options outstanding and stock

options exercisable with an exercise price below $24.05 as of December 31, 2006 was $164.6 million and $107.0 million, respectively. The weighted-average remaining contractual live for stock options exercisable at December 31, 2006 was 2.66 years.

The following table summarizes unvested restricted stock award activity for the periods presented:

	Year Ended December 31,					
	2006		2005		2004	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Unvested at beginning of period	322,433	$ 27.97	275,000	$ 22.20	150,000	$ 12.88
Granted	1,958,052	18.98	222,683	25.26	125,000	33.38
Released	(49,811)	29.27	(166,250)	14.88	—	—
Forfeited	(123,347)	20.80	(9,000)	26.40	—	—
	2,107,327	20.01	322,433	27.97	275,000	22.20

Upon exercise of stock options or vesting of restricted stock awards, VeriSign will issue common stock. To cover the minimum statutory tax withholding requirements, the Company will place a sufficient portion of vested restricted stock awards into treasury and make a cash payment to the Internal Revenue Service and state tax authorities to cover the applicable withholding taxes.

Stock Option Acceleration

On December 29, 2005, VeriSign's Board of Directors approved the acceleration of the vesting of unvested and "out-of-the-money" stock options that had an exercise price per share in excess of $24.99, all of which were previously granted under VeriSign's stock option plans and that were outstanding on December 29, 2005. Options to purchase approximately 8.8 million shares of common stock or 47% of the total outstanding unvested options on December 29, 2005 were subject to the acceleration. The options accelerated included certain options previously granted to executive officers and directors of VeriSign.

The acceleration was accompanied by restrictions imposed on any shares purchased through the exercise of accelerated options. Those restrictions will prevent the sale of any such shares prior to the date such shares would have originally vested had the optionee been employed on such date (whether or not the optionee is actually an employee at that time).

The purpose of the accelerated vesting was to enable the Company to reduce compensation expense associated with these options in future periods, beginning with the first quarter of 2006, in its consolidated financial statements, pursuant to SFAS 123R. The acceleration of the vesting of these options did not result in a charge to expenses in 2005. At the time of the acceleration, VeriSign estimated that the acceleration reduced stock-based compensation expense it otherwise would have been required to record by approximately $27.7 million in 2006.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Note 14. Income Taxes

Income from continuing operations before income taxes is categorized geographically as follows:

	Year Ended December 31,		
	2006	2005 As Restated (In thousands)	2004 As Restated
Income from continuing operations:			
United States	$ 146,794	$ 111,061	$ 119,275
Foreign	(10,109)	152,167	37,278
Total income from continuing operations	$ 136,685	$ 263,228	$ 156,553

The provision for income taxes consisted of the following:

	Year Ended December 31,		
	2006	2005 As Restated (In thousands)	2004 As Restated
Continuing operations:			
Current:			
Federal	$ 5,656	$ (1,758)	$ (40)
State	3,865	13	(1,091)
Foreign, including foreign withholding tax	41,531	59,183	31,192
	51,052	57,438	30,061
Deferred:			
Federal	(244,367)	—	—
State	(33,077)	—	—
Foreign	(8,708)	(8,312)	(9,492)
	(286,152)	(8,312)	(9,492)
Income tax (benefit) expense	(235,100)	49,126	20,569
Charge (benefit) in lieu of taxes attributable to employee stock option plans	(7,833)	51,887	—
Charge in lieu of taxes resulting from initial recognition of acquired tax benefits that are allocated to reduce goodwill related to the acquired entity	1,648	—	615
	$(241,285)	$ 101,013	21,184
Discontinued operations:			
Current:			
Federal	$ —	$ 116,927	$ 1,742
State	—	15,350	
	$ —	132,277	$ 1,742

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

The difference between income tax expense (benefit) and the amount resulting from applying the federal statutory rate of 35% to net income from continuing operations before income taxes is attributable to the following:

	Year Ended December 31,		
	2006	2005 As Restated	2004 As Restated
		(In thousands)	
Income tax expense at federal statutory rate	$ 47,840	$ 92,130	$ 54,794
State taxes, net of federal benefit	(28,259)	4,097	(1,481)
Differences between statutory rate and foreign effective tax rate	3,355	(250)	12,505
Tax associated with intercompany prepaid royalty	35,000	—	—
Non-deductible stock compensation	7,161	(4,382)	10,602
Change in federal valuation allowance	(200,555)	15,529	(44,570)
Research and experimentation credit	(6,329)	(4,332)	(12,333)
Benefit from capital loss IRS relief	(104,623)	—	—
Other	5,125	(1,779)	1,667
	$(241,285)	$ 101,013	$ 21,184

The tax effects of temporary differences that give rise to significant portions of VeriSign's deferred tax assets and liabilities are as follows:

	December 31,	
	2006	2005 As Restated
		(In thousands)
Deferred tax assets:		
Net operating loss carryforwards	$ 49,682(a)	$ 110,642
Deductible goodwill and intangible assets	143,017	158,115
Tax credit carryforwards	17,975(a)	12,620
Property and equipment	15,707	8,656
Deferred revenue, accruals and reserves	123,849	135,710
Capital loss carryforwards and investments with differences in book and tax basis	51,970	55,794
Other	6,560	6,179
Total deferred tax assets	408,760	487,716
Valuation allowance	(60,636)	(432,994)
Net deferred tax assets	348,124	54,722
Deferred tax liabilities:		
Deferred revenue, accruals and reserves	(5,222)	(1,522)
Non-deductible acquired intangibles	(105,168)	(56,181)
Other	(905)	(184)
Total deferred tax liabilities	(111,295)	(57,887)
Total net deferred tax assets (liabilities)	$ 236,829	$ (3,165)

(a) Upon adoption of SFAS 123R, the Company adopted a policy of not including the net operating losses and research credit balances relating to options exercised prior to the adoption of SFAS 123R in the above table. There was no effect to tax expense or additional paid-in capital upon the adoption of this policy; however, the effect on total deferred tax assets and the related valuation allowance in the above table was a decrease of $181.9 million from 2005 to 2006.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

In previous fiscal years, VeriSign provided a tax valuation allowance on its federal and state deferred tax assets based on its evaluation that realizability of such assets was not “more likely than not”. The Company continuously evaluated additional facts representing positive and negative evidence in the determination of the realizability of the deferred tax assets. Such deferred tax assets consisted primarily of net operating loss carryforwards, temporary differences on tax-deductible goodwill and intangibles, and temporary differences on deferred revenue. In the quarter ended June 30, 2006, based on new positive evidence including projected future taxable income from operating activities, the Company determined that it is more likely than not that the deferred assets would be realized. Accordingly, the Company released its valuation allowance of $236.4 million from its deferred tax assets resulting in a benefit to deferred tax expense in its statement of income. The $236.4 million benefit consisted of a federal benefit of $207.2 million and a state benefit of $29.2 million.

VeriSign continues to assess the future realization of net deferred tax assets and believe that it is more likely than not that the tax effects of deferred tax liabilities and projected future taxable income from operating activities will be sufficient to support future realization of net deferred tax assets.

However, VeriSign continues to apply a valuation allowance on certain deferred tax assets which we did not believe are more likely than not that they would be realized. The Company continues to apply a valuation allowance on the deferred tax assets relating to capital loss carryforwards and to impaired investments, due to the limited carryforward period and character of such tax attributes and foreign net operating losses due to uncertainty of their realization. The amount of these deferred tax asset which continue to be subject to a valuation allowance was $60.6 million as of December 31, 2006 and increased by approximately $7.4 million for the year ended December 31, 2006.

As of December 31, 2006, the Company had federal net operating loss carryforwards of approximately $433.2 million, state net operating loss carryforwards of approximately $473.6 million, including federal and state net operating loss related to the tax benefit from the exercise of employee stock awards of $460.5 million and $265.3 million respectively, when recognized, will result in a benefit to additional paid-in capital of $172.1 million. As of December 31, 2006, the Company had foreign net operating loss carryforwards of approximately $32.3 million.

If VeriSign is not able to use them, the federal net operating loss carryforwards will expire in 2011 through 2026 and the state net operating loss carryforwards will expire in 2007 through 2024. Most of the Company’s foreign net operating loss carryforwards do not expire, but could be subject to future restrictions based on changes in the business or ownership of the foreign subsidiary.

As of December 31, 2006, VeriSign had federal research and experimentation tax credits available for future years of approximately $30.4 million, state research and experimentation tax credits available for future years of approximately $12.6 million. Included in these amounts are $7.9 million of federal, and $4.5 million of state research credit carryforwards generated from stock option exercises prior to the adoption of SFAS 123R. The future utilization of these attributes will result in recognition of the asset and a benefit to additional paid-in capital. The federal research and experimentation tax credits will expire, if not utilized, in 2011 through 2026. State research and experimentation tax credits carry forward indefinitely until utilized.

The Tax Reform Act of 1986 imposes substantial restrictions on the utilization of net operating losses and tax credits in the event of a corporation’s ownership change, as defined in the Internal Revenue Code. VeriSign experienced cumulative changes in ownership of greater than 50% in 2003 and 2002. These changes in ownership resulted in the imposition of an annual limitation on its ability to utilize certain U.S. federal and state

net operating loss carryforwards of $232.9 million and $116.5 million, respectively. Losses not utilized due to these limitations can be carried forward, but are subject to the expiration dates described above.

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries. The amount of such earnings included in consolidated retained earnings at December 31, 2006 was $121.7 million. These earnings have been permanently reinvested and VeriSign does not plan to initiate any action that would precipitate the payment of income taxes thereon. It is not practicable to estimate the amount of additional tax that might be payable on the foreign earnings.

In the quarter ended June 30, 2006, the Company was granted relief by the IRS for an uncertainty regarding a tax benefit resulting from a prior divestiture. As a result, the Company benefited income tax expense $113.4 million, increased its deferred tax asset for net operating losses from continuing operations $51.8 million, and reduced income taxes payable $61.6 million. Also in the quarter ended June 30, 2006, the Company was granted relief by the IRS for an uncertainty regarding its ability to carry forward $191.4 million of net operating loss carryforwards generated from stock option deductions in the year ended December 31, 2000. The relief resulted in an increase to deferred tax assets and an increase to the valuation allowance in the amount of $66.7 million. When the net operating loss is utilized, the benefit will result in an addition to additional paid-in capital.

On March 19, 2007, the IRS commenced an examination of the Company's federal tax returns for the year ended December 31, 2004. The Company currently believes this examination will not have a material impact on its financial statements; however the examination is still in progress.

Note 15. Commitments and Contingencies

Leases

VeriSign leases a portion of its facilities under operating leases that extend through 2014 and subleases a portion of its office space to third parties. The minimum lease payments under non-cancelable operating leases and the future minimum contractual sublease income as of December 31, 2006 are as follows:

	Operating Lease Payments	Sublease Income	Net Lease Payments
		(In thousands)	
2007	$ 30,727	$ (314)	$ 30,413
2008	25,065	(140)	24,925
2009	19,561	(11)	19,550
2010	16,901	(11)	16,890
2011	10,171	(4)	10,167
Thereafter	5,463	—	5,463
Total	$ 107,888	$ (480)	$ 107,408

Future operating lease payments include payments related to leases on excess facilities included in VeriSign's restructuring plans.

Net rental expense under operating leases was $29.2 million in 2006, $20.7 million in 2005 and $16.3 million in 2004. VeriSign has subleased offices to various companies under non-cancelable operating leases. VeriSign received payments of $616,000 in 2006, $3.6 million in 2005 and $4.3 million in 2004.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Purchase Obligations and Contractual Agreements

The following table represents the minimum payments required by VeriSign under certain purchase obligations and the contractual agreement with ICANN:

	Purchase Obligations	ICANN Agreement
2007	$ 73,611	$ 7,000
2008	23,466	10,000
2009	1,564	12,000
2010	767	12,000
2011	250	12,000
Thereafter	250	11,000
Total minimum payments	$ 99,908	$ 64,000

VeriSign enters into certain purchase obligations with various vendors. The Company's significant purchase obligations for 2007 are a $33.0 million contract for the construction of our new data facility in Delaware, which is expected to be completed in 2007, and $25.5 million with various telecommunication providers.

In 2006, the Company entered into a contractual agreement with Internet Corporation for Assigned Names and Numbers ("ICANN") to be the sole registry operator for domain names in the *.com* top-level domain through November 30, 2012. The new agreement introduced a fixed, registry level fee that VeriSign would have to pay to ICANN beginning in 2007. Beginning in 2009, the agreement provides for contingent payments upon meeting certain volume criteria that could amount to $20.5 million through the end of the contract.

Legal Proceedings

On September 7, 2001, NetMoneyIN, an Arizona corporation, filed a complaint alleging patent infringement against VeriSign and several other previously-named defendants in the United States District Court for the District of Arizona asserting infringement of U.S. patent Nos. 5,822,737 and 5,963,917. NetMoneyIN amended its complaint on October 15, 2002, alleging infringement by VeriSign and several other defendants of a third U.S. patent (No. 6,381,584) in addition to the two patents previously asserted. On August 27, 2003, NetMoneyIN filed a third amended complaint alleging direct infringement of the same three patents by VeriSign and several other previously-named defendants. NetMoneyIN dropped its claim of active inducement of infringement by VeriSign. Some of the other current defendants include IBM, BA Merchant Services, Wells Fargo Bank, Cardservice International, InfoSpace, E-Commerce Exchange and Paymentech. VeriSign filed an answer denying any infringement and asserting that the three asserted patents are invalid and later filed an amended answer asserting, in addition, that the asserted patents are unenforceable due to inequitable conduct before the U.S. Patent and Trademark Office. The complaint alleged that VeriSign's Payflow payment products and services directly infringe certain claims of NetMoneyIN's three patents and requested the Court to enter judgment in favor of NetMoneyIN, a permanent injunction against the defendants' alleged infringing activities, an order requiring defendants to provide an accounting for NetMoneyIN's damages, to pay NetMoneyIN such damages and three times that amount for any willful infringers, and an order awarding NetMoneyIN attorney fees and costs. NetMoneyIN has withdrawn its allegations of infringement of the '584 patent and the Court has dismissed with prejudice all claims of infringement of the '584 patent. In its ruling on the claim construction issues, the Court found four of the five claims asserted against VeriSign, claims 1, 13 and 14 of the '737 patent and claim 1 of the '917 patent, invalid. NetMoneyIN may file an appeal after a final judgment seeking to overturn this ruling. Thus,

only claim 23 of the ‘737 patent remains in the case. The Court granted the defendants’ motion to strike certain of the Plaintiff’s assertions of infringement, including all charges of infringement under the so-called “doctrine of equivalents.” The Court recently granted the defendants’ motion for summary judgment of no inducement and no contributory infringement. Fact and expert witness discovery are completed. On September 29, 2006, VeriSign filed a Motion for Summary Judgment on Non-Infringement. On October 20, 2006, VeriSign filed a Motion for Summary Judgment on Invalidity. On November 1, 2006, NetMoneyIN filed a Motion for Summary Judgment on Infringement. On July 9, 2007, the Court is scheduled to hear oral argument on the pending motions for summary judgment. While we cannot predict the outcome of this lawsuit, VeriSign believes that the allegations are without merit.

Beginning in May of 2002, several class action complaints were filed against VeriSign and certain of its current and former officers and directors in the United States District Court for the Northern District of California. These actions were consolidated under the heading In re VeriSign, Inc. Securities Litigation, Case No. C-02-2270 JW (HRL), on July 26, 2002. The consolidated action seeks unspecified damages for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, on behalf of a class of persons who purchased VeriSign stock from January 25, 2001 through April 25, 2002. An amended consolidated complaint was filed on November 8, 2002. On April 14, 2003, the court granted in part and denied in part the defendants’ motion to dismiss the amended and consolidated complaint. On May 5, 2004, plaintiffs filed a second amended complaint that was substantially identical to the amended consolidated complaint except that it purported to add a claim under Sections 11 and 15 of the Securities Act of 1933 on behalf of a subclass of persons who acquired shares of VeriSign pursuant to the registration statement and prospectus filed October 10, 2001 and amended October 26, 2001 for the acquisition of Illuminet Holdings, Inc. by VeriSign. Plaintiffs’ second amended class action complaint was dismissed by the court on November 2, 2005 for failure to adequately plead loss causation. Plaintiffs were given leave to file an amended complaint. Plaintiffs filed a third amended class action Complaint on December 22, 2005. Defendants filed a motion to dismiss the third amended complaint. On April 6, 2006, that motion was granted in part and denied in part. Plaintiffs filed a fourth amended complaint on May 12, 2006. Plaintiffs’ request for reconsideration of the April 6, 2006 order was granted on June 5, 2006. Plaintiffs filed a fifth amended complaint on June 30, 2006. VeriSign moved to dismiss the fifth amended complaint. Parallel derivative actions have also been filed against certain of VeriSign’s current and former officers and directors in state courts in California and Delaware. VeriSign is named as a nominal defendant in these actions. Several of these derivative actions were filed in Santa Clara County Superior Court of California and these actions have since been consolidated under the heading In re VeriSign, Inc. Derivative Litigation, Case No. CV 807719.

The consolidated derivative action seeks unspecified damages for alleged breaches of fiduciary duty and violations of the California Corporations Code. Defendants’ demurrer to these claims was granted with leave to amend on February 4, 2003. Plaintiffs have indicated their intention to file an amended complaint. Another derivative action was filed in the Court of Chancery New Castle County, Delaware, Case No. 19700-NC, alleging similar breaches of fiduciary duty. Defendants’ motion to dismiss these claims was granted by the Court of Chancery with prejudice on September 30, 2003.

On April 24, 2007, the District Court entered Final Judgment and Order dismissing the Securities Litigation with prejudice based on final approval of the parties settlement of the Securities Litigation and the Derivative Litigation. On May 15, 2007, the State Court entered a final Stipulation and Proposed of Dismissal with Prejudice of the Derivative Litigation. Under the terms of the settlement, liability insurers for the Company and its directors and officers paid $80 million in settlement of the lawsuits, within applicable insurance limits. The time for appeal in both matters has now passed.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

On August 27, 2004, VeriSign filed a lawsuit against ICANN in the Superior Court of the State of California Los Angeles County. The lawsuit alleges that ICANN breached its *.com* Registry Agreement with VeriSign, including, without limitation, by overstepping its contractual authority and improperly attempting to regulate our business. The complaint seeks, among other things, specific performance of the *.com* Registry Agreement, an injunction prohibiting ICANN from improperly regulating VeriSign, and monetary damages. On November 12, 2004, ICANN filed an answer denying VeriSign's claims and a cross-complaint against VeriSign for declaratory relief and breach of the .com Registry Agreement, alleging that VeriSign's introduction of new services breached the .com Agreement. ICANN seeks a declaration from the court that it has acted in compliance with the parties' contractual obligations with regard to the .com registry; that VeriSign has breached the parties' agreement through VeriSign's actions with respect to, among other things, SiteFinder; and that ICANN has the right to terminate the *.com* registry agreement if VeriSign offers "Registry Services" without ICANN's approval, including among others SiteFinder. On December 28, 2004, VeriSign filed an answer denying the claims in ICANN's cross-complaint and a cross-complaint against ICANN for breach of contract, violation of the unfair competition laws, and declaratory relief, alleging, among other things, that ICANN's accreditation of "thread" registrars is improper and causes direct injury to VeriSign. On February 14, 2005, ICANN filed an answer to VeriSign's cross-complaint denying VeriSign's allegations.

On or about November 12, 2004, ICANN filed a Request for Arbitration before the International Chamber of Commerce International Court of Arbitration (the "ICC") alleging that VeriSign violated its 2001 *.net* Registry Agreement with ICANN when, among other things, VeriSign operated the SiteFinder service without ICANN approval. ICANN seeks a declaration from the ICC that it has acted in compliance with the parties' contractual obligations with regard to the .net registry; that VeriSign has breached the parties' agreement through VeriSign's actions with respect to, among other things, SiteFinder; and that ICANN has the right to terminate the .net registry agreement if VeriSign offers "Registry Services" without ICANN's approval, including among others SiteFinder. ICANN also seeks a declaration that, in evaluating VeriSign's bid to become the "successor" registry operator for the .net top level domain after the term of the 2001 agreement expires on or about June 30, 2005, ICANN is entitled to consider VeriSign's alleged breaches of the existing agreement. VeriSign cannot predict the outcome of this action or the affect this lawsuit will have on our relationship with ICANN.

On January 18, 2005, VeriSign filed a request for arbitration before the ICC against ICANN regarding the process by which ICANN solicited and reviewed bids from companies, including VeriSign, to become the "successor" registry operator for the .net top level domain after the 2001 Registry Agreement expired on or about June 30, 2005. VeriSign alleges that the "request for proposal" ("RFP") process constitutes a breach of the 2001 .net registry agreement because, among other things, the RFP process fails to constitute an open and transparent process by which ICANN can reasonably select the best qualified successor to operate the .net registry and does not constitute a valid "consensus policy" as defined in the 2001 .net agreement. ICANN has not yet responded to our arbitration request. On June 8, 2005, ICANN announced that it had selected VeriSign as the "successor" registry operator for the .net top level domain, and ICANN and VeriSign have entered into a contract to confirm that selection. VeriSign anticipates that its selection as the .net registry operator will resolve its request for arbitration.

In October 2005, the Company and ICANN announced a proposed settlement of the various claims between them. The settlement was conditioned upon, among other things, approval of the agreement by the United States Department of Commerce. On November 29, 2006, the United States Department of Commerce approved the new .com Registry Agreement. With that approval, the settlement is finalized and implemented. Accordingly, pending litigation with ICANN was dismissed.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

On February 14, 2005, Southeast Texas Medical Associates, LLP filed a putative class action lawsuit in the Superior Court of California, alleging violations of the unfair competition laws, breach of express warranty and unjust enrichment relating to our Secure Site Pro SSL certificates. The complaint is brought on behalf of a class of persons who purchased the Secure Site Pro certificate from February 2001 to present. On April 17, 2006, the class was certified and class notice was issued on May 21, 2007. VeriSign disputes these claims. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit.

On March 8, 2005, plaintiff Charles Ford filed a putative class action lawsuit in the Superior Court of California, County of San Diego, alleging fraud, negligent misrepresentation, false advertising, and violations of the California Consumers Legal Remedies Act and unfair competition laws relating to marketing and advertising of mobile phone “ringtones” and other content by VeriSign’s subsidiaries, Jamster International Sarl and Jamba! GmbH. The complaint is brought on behalf of classes of persons who responded to advertising by sending a text message on their mobile phones or registered over the Internet to purchase ringtone or other content. On April 18, 2005, VeriSign removed the action to the federal district court for the Southern District of California. VeriSign disputes the claims in this action. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit.

On April 11, 2005, Prism Technologies, LLC filed a complaint against VeriSign in the U.S. District Court for the District of Delaware alleging that VeriSign’s “Go Secure suite of application and related hardware and software products and its Unified Authentication solution and related hardware and software products, including the VeriSign Identity Protection (“VIP”) product” infringe U.S. Patent No. 6,516,416, entitled “Subscription Access System for Use With an Untrusted Network.” Prism Technologies seeks judgment in favor of Prism Technologies, a permanent injunction from infringement, damages in an amount not less than a reasonable royalty, attorneys’ fees and costs. Prism Technologies has also named RSA Security, Inc., Netegrity, Inc. Computer Associates International, Inc and Johnson & Johnson as co-defendants. VeriSign responded on June 6, 2005 by filing a counterclaim for declaratory relief and an answer denying any infringement and asserting that the patent is invalid. On November 9, 2006, the Court held a Markman claim construction hearing. On February 9, 2007, Plaintiff withdrew its claim against Go Secure, leaving claims against Unified Authentication and VIP. On April 2, 2007, the Court issued a ruling from the Markman claim construction hearing. On April 13, 2007, the Court granted Defendants’ Motion for Leave to File Amended Answers and Counterclaims to add an inequitable conduct defense. On April 23, 2007, on the basis of the Markman claim construction ruling, the Court entered a stipulated Final Judgment of Non-Infringement, dismissing all claims and counterclaims in the case. On April 27, 2007, Plaintiff filed a Notice of Appeal to the Federal Circuit Court of Appeals. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On June 2, 2005, the Company received an access letter from the U.S. Federal Trade Commission for information to determine whether VeriSign, using the trade name Jamster, was engaging in unfair or deceptive acts or practices in violation of Section 5 of the Federal Trade Commission Act in its advertising, offering and billing for content services and products. The Company also received civil investigative demands from the Illinois State Attorney General (dated June 30, 2005) and from the Florida State Attorney General (dated October 6, 2005). Each of these letters requested information related to the marketing of Jamster ringtone and other downloadable content services.

In August 2005 and October 2005, respectively, VeriSign received two additional similar putative class action lawsuits, one in state court in Arkansas (short title, Page v. VeriSign), alleging claims for fraud, unjust enrichment, and violation of the Arkansas Deceptive Trade Practices Act, and one in federal district court for the

Southern District of California (short title, Herrington v. VeriSign), alleging claims for fraud, negligence and negligent misrepresentation, unjust enrichment, quantum meruit, breach of contract, breach of warranty, false advertising, and unfair competition. These lawsuits relate to the marketing and advertising of mobile phone "ringtones" and other mobile phone content by VeriSign and its subsidiary Jamster International Sarl. VeriSign disputes the claims in these actions. On April 14, 2006 the Judicial Panel on Multidistrict Litigation coordinated and consolidated pretrial proceedings in the Ford, Page, and Herrington actions (short title, In Re Jamster Marketing Litigation). On June 16, 2006, the Judicial Panel on Multidistrict Litigation conditionally transferred one additional similar putative class action lawsuit, alleging violations of the Illinois Consumer Fraud Act and Illinois Automatic Contract Renewal Act (short title, Harmon v. VeriSign), from the federal district court for the Northern District of Illinois to the federal district court for the Southern District of California, where it will be coordinated with the Ford matter for pretrial proceedings. Similarly, on September 14, 2006, the Judicial Panel on Multidistrict Litigation conditionally transferred another similar putative class action lawsuit, alleging violations of Florida's Deceptive and Unfair Trade Practices Act (short title, Edwards v. VeriSign), from the federal district court for the Southern District of Florida to the federal district court for the Southern District of California, where it will likely be coordinated with the Ford matter for pretrial proceedings. While we cannot predict the outcome of these matters, VeriSign believes the allegations are without merit.

On February 24, 2006, GEMA, the German music authors collecting society, submitted an application to the Schiedsstelle, an arbitration board responsible for copyright matters at the German Patent and Copyright Office, requesting arbitration of GEMA's claim for alleged underpaid royalties in connection with Jamba GmbH's sale of ringtones as downloadable content for mobile phones. Jamba is a wholly owned subsidiary of VeriSign, Inc. Jamba pays royalties to GEMA on a "per download" basis for ringtones. GEMA claims that Jamba should also pay royalties for all GEMA-represented ringtones made available to Jamba customers, regardless of whether or not the content represented by GEMA has been downloaded by a Jamba customer. On April 11, 2006, the Schiedsstelle notified Jamba! that it will conduct an arbitration of GEMA's claim. Jamba submitted a response to GEMA's application on May 22, 2006. GEMA submitted an answer to Jamba's response on August 6, 2006. Jamba submitted a reply to GEMA's answer on or about October 23, 2006. Arbitration has not yet been scheduled. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit.

On June 26, 2006, VeriSign received a grand jury subpoena from the U.S. Attorney for the Northern District of California requesting documents relating to VeriSign's stock option grants and practices. VeriSign also received an informal inquiry from the Securities and Exchange Commission ("SEC") requesting documents related to VeriSign's stock option grants and practices. On February 9, 2007, VeriSign received a formal order of investigation from the SEC. VeriSign is cooperating fully with the U.S. Attorney's investigation and the SEC investigation.

On July 6, 2006, a stockholder derivative complaint (Parnes v. Bidzos, et al., and VeriSign) was filed against the Company, as a nominal defendant, and certain of its current and former directors and executive officers related to certain historical stock option grants. The complaint seeks unspecified damages on behalf of VeriSign, constructive trust and other equitable relief. Two other derivative actions were filed, one in federal court (Port Authority v. Bidzos, et al., and VeriSign), and one in state court (Port Authority v. Bidzos, et al., and VeriSign) on August 14, 2006. VeriSign is named as a nominal defendant in these actions. The federal actions have been consolidated and plaintiffs filed a consolidated complaint on November 20, 2006. Motions to dismiss the consolidated federal court complaint were heard on May 23, 2007. Motions to stay the state court action are pending. On May 15, 2007, a putative class action (Mykityshyn v. Bidzos, et al., and VeriSign) was filed in state court naming the Company and certain current and former officers and directors, alleging false representations

and disclosure failures regarding certain historical stock option grants. The plaintiff purports to represent all individuals who owned VeriSign common stock between April 3, 2002 and August 9, 2006. The complaint seeks rescission of amendments to the 1998 and 2006 Option Plans and the cancellation of shares added to the 1998 Option Plan. The complaint also seeks to enjoin defendants from granting any stock options and from allowing the exercise of any currently outstanding options granted under the 1998 and 2006 Option Plans. The complaint seeks an unspecified amount of compensatory damages, costs and attorneys fees. The matter was removed to federal court on June 25, 2007. VeriSign and the individual defendants dispute all of these claims.

On November 7, 2006, a judgment was entered against VeriSign by an Italian trial court in the matter of Penco v. VeriSign, Inc., for Euro 5.8 million plus fees arising from a lawsuit brought by a former consultant who claimed to be owed commissions. VeriSign was granted a stay on execution of the judgment. VeriSign has appealed the lower court's ruling on the merits and the hearing on the appeal is likely to be scheduled in May 2008. VeriSign believes the claims are without merit.

On November 30, 2006, Freedom Wireless, Inc. filed a complaint against VeriSign and other defendants alleging that VeriSign infringes certain patents by making, using, selling or supplying products, methods or services relating to supplying prepaid wireless telephone services to telecommunications companies. VeriSign filed an answer to the complaint on January 25, 2007. The lawsuit is pending in the United States District Court for the Eastern District of Texas. No scheduling conference has been set. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On January 31, 2007, VeriSign and News Corporation finalized a joint venture giving News Corporation a controlling interest in VeriSign's wholly owned Jamba subsidiary. Accordingly, effective January 31, 2007, VeriSign transferred to the joint venture direction and control of all litigation relating to Jamba! GmbH and Jamster International Sarl. Litigation and other legal matters covered by that transfer include, but are not limited to, In Re Jamster Marketing Litigation (Ford, Page, Herrington, Harmon and Edwards), the Federal Trade Commission access letter, the Illinois Attorney General Civil Investigative Demand, the Florida Attorney General Subpoena Duces Tecum, and the GEMA application for arbitration.

On May 31, 2007, plaintiffs Karen Herbert, et al., on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show "Deal or No Deal" to incur premium text message charges in order to participate in an interactive television promotion called "Lucky Case Game." The lawsuit is pending in the United States District Court for the Central District of California, Western Division. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On June 5, 2007, plaintiffs Cheryl Bentley, et al., on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc., m-Qube, Inc., and other defendants alleging that defendants collectively operate an illegal lottery under the laws of multiple states by allowing viewers of the NBC television show "The Apprentice" to incur premium text message charges in order to participate in an interactive television promotion called "Get Rich With Trump." The lawsuit is pending in the United States District Court for the Central District of California, Western Division. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

On June 7, 2007, plaintiffs Michael and Michele Hardin, on behalf of themselves and a nationwide class of consumers, filed a complaint against VeriSign, Inc. and other defendants alleging that defendants collectively operate various "gambling games" in violation of Georgia state law. Plaintiffs allege that interactive television promotions contained in various broadcasts, including NBC's "Deal or No Deal," wrongly permit participants to incur premium text message charges in order to participate in the promotions to win a prize. The lawsuit is pending in the United States District Court for the Northern District of Georgia, Gainesville Division. While we cannot predict the outcome of this matter, VeriSign believes that the allegations are without merit and intends to vigorously defend against them.

VeriSign is involved in various other investigations, claims and lawsuits arising in the normal conduct of its business, none of which, in our opinion will harm its business. VeriSign cannot assure that it will prevail in any litigation. Regardless of the outcome, any litigation may require VeriSign to incur significant litigation expense and may result in significant diversion of management attention.

Indemnification

VeriSign enters into indemnification agreements with many of its customers and certain other business partners in the ordinary course of business. These agreements include provisions for indemnifying the customer, or business partner, applicable, against claims brought by third-parties that allege a VeriSign product infringes a patent, copyright or trademark, misappropriates a trade secret, or violates other proprietary rights of that third-party. These indemnification obligations are generally subject to limits as specified in the agreement. It is not possible to estimate the maximum potential amount of future payments VeriSign could be required to make under these indemnification agreements. To date, VeriSign has not incurred significant costs to defend lawsuits or settle claims related to indemnification agreements. VeriSign has not recorded any liabilities for these indemnification agreements at December 31, 2006 or 2005.

At the Company's discretion and in the ordinary course of business, VeriSign subcontracts the performance of certain services. VeriSign enters into indemnification agreements that indemnify customers against certain losses caused by the Company's employees and subcontractors. These indemnification obligations are generally subject to limits as specified in the agreement. It is not possible to estimate the maximum potential amount of future payments VeriSign could be required to make under these indemnification agreements. The Company maintains insurance policies that may enable VeriSign to recover a portion of any such claim. VeriSign has not recorded any liabilities for these indemnification agreements at December 31, 2006 or 2005.

Note 16. Segment Information

Description of Segments

VeriSign operates its business in two reportable segments: the Internet Services Group and the Communications Services Group.

VeriSign is currently organized into two reportable service-based segments: the Internet Services Group and the Communications Services Group. The Internet Services Group consists of the Security Services business and the Information Services business. The Security Services business provides products and services that protect online and network interactions, enabling companies to manage reputational, operational and compliance risks. The Information Services business is the authoritative directory provider of all *.com*, *.net*, *.cc*, and *.tv* domain names, and also provides other value added services, including intelligent supply chain services, real-time

publisher services and digital brand management services. The Communications Services Group provides communications services, such as connectivity and interoperability services and intelligent database services; commerce services, such as billing and operational support system services, mobile commerce, self-care and analytics services; and content services, such as digital content and messaging services.

The segments were determined based primarily on how the chief operating decision maker ("CODM") views and evaluates VeriSign's operations. VeriSign's Chief Executive Officer has been identified as the CODM as defined by SFAS No. 131, "*Disclosures About Segments of an Enterprise and Related Information.*" Other factors, including customer base, homogeneity of products, technology and delivery channels, were also considered in determining the reportable segments. Additionally, the performance of the Internet Services Group and the Communications Services Group is the measure used by the CODM for purposes of making decisions about allocating resources between the segments.

The accounting policies used to derive reportable segment results are generally the same as those described in Note 1.

The following table reflects the results of VeriSign's reportable segments:

	Internet Services Group As Restated (1)	Communications Services Group As Restated (1)	Unallocated Corporate Expenses As Restated (1)	Total Consolidated Revenues As Restated (1)
Year ended December 31, 2006:				
Revenues	$ 758,763	$ 816,486	$ —	$ 1,575,249
Cost of revenues	162,228	368,576	49,935	580,739
Gross margin	$ 596,535	$ 447,910	$ (49,935)	$ 994,510
Gross margin %	79%	55%		63%
Year ended December 31, 2005:				
Revenues	$ 633,784	$ 978,790	$ —	$ 1,612,574
Cost of revenues	131,589	344,322	36,632	512,543
Gross margin	$ 502,195	$ 634,468	$ (36,632)	$ 1,100,031
Gross margin %	79%	65%		68%
Year ended December 31, 2004:				
Revenues	$ 515,999	$ 604,596	$ —	$ 1,120,595
Cost of revenues	117,094	292,483	28,295	437,872
Gross margin	$ 398,905	$ 312,113	$ (28,295)	$ 682,723
Gross margin %	77%	52%		61%

(1) See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to Consolidated Financial Statements.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

Geographic Information

The following table shows a comparison of revenues by geographic region for each year presented:

	Year Ended December 31,		
	2006 As Restated	2005 As Restated (In thousands)	2004 As Restated
Americas:			
United States	$ 1,104,594	$ 1,012,448	$ 796,124
Other (1)	40,119	25,214	19,734
Total Americas	1,144,713	1,037,662	815,858
EMEA (2)	312,886	476,305	239,598
APAC (3)	117,650	98,607	65,139
Total revenues	$ 1,575,249	$ 1,612,574	$ 1,120,595

(1) Canada, Latin America and South America
(2) Europe, the Middle East and Africa (“EMEA”)
(3) Australia, Japan and Asia Pacific (“APAC”)

VeriSign operates in the United States, Europe, Japan, Australia, Brazil, South Africa and India. In general, revenues are attributed to the country in which the contract originated. However, revenues from all digital certificates issued from the Mountain View, California facility and domain names issued from the Dulles, Virginia facility are attributed to the United States because it is impracticable to determine the country of origin.

The following table shows a comparison of property and equipment, net of accumulated depreciation by geographic region for each year:

	December 31,	
	2006	2005 As Restated (In thousands)
Americas:		
United States	$575,321	$ 534,648
Other	1,599	670
Total Americas	576,920	535,318
EMEA	11,780	8,389
APAC	16,592	14,565
Property and equipment, net	$605,292	$ 558,272

Assets are not tracked by segment and the chief operating decision maker does not evaluate segment performance based on asset utilization.

Major Customers

No customer accounted for 10% or more of consolidated revenues or accounts receivable in 2006, 2005 or 2004.

Note 17. Equity Investments

The following table shows a comparison of revenue recognized from customers in which VeriSign holds an equity investment, including International Affiliates:

	Year Ended December 31,		
	2006	2005	2004
		(In thousands)	
Network Solutions	$ —	$39,725	$43,548
Equity Investments	509	—	385
International Affiliates	2,983	9,338	7,752
Total revenues recognized from customers in which VeriSign holds an equity investment	$3,492	$49,063	$51,685

As of December 31, 2006, VeriSign no longer has an investment in Network Solutions. VeriSign had $1.5 million and $0.7 million of trade receivables from Network Solutions at December 31, 2005 and 2004, respectively. VeriSign had $4.7 million, $10.7 million and $9.2 million in trade receivables from International Affiliates at December 31, 2006, 2005 and 2004, respectively.

Note 18. Other Income

The following table presents the components of other income, net for periods presented:

	Year Ended December 31,		
	2006	2005	2004
		As Restated (1)	As Restated (1)
		(In thousands)	
Interest income	$27,537	$ 30,041	$ 18,325
Interest Expense	(7,838)	—	—
Net gain (loss) on sale of investments, net of impairments	21,258	11,310	(10,131)
Gain on sale of VeriSign Japan stock	—	—	74,925
Other, net	2,783	9,860	401
Total other income, net	$43,740	$ 51,211	$ 83,520

(1) See Note 2, “Restatement of Consolidated Financial Statements,” of the Notes to Consolidated Financial Statements.

Interest income is derived principally from the investment of VeriSign’s surplus cash balances. Interest expense is derived principally from interest payments for VeriSign’s outstanding balance from its credit facility. During 2006, VeriSign recorded a $21.7 million gain on the sale of the remaining equity stake in Network Solutions. During 2005, VeriSign recognized a gain of $8.2 million on the sale of an equity investment that was previously impaired. During 2004, VeriSign sold 18,000 ordinary shares of its Tokyo-based, majority owned consolidated subsidiary, VeriSign Japan K.K., representing a gain of approximately $74.9 million related to the sale. Other, net primarily consists of foreign exchange rate gains and losses and in 2005 it includes approximately $6.0 million of other income related to a litigation settlement with a telecommunication carrier.

Note 19. Subsequent Events

In January 2007, VeriSign initiated a restructuring plan to execute a company-wide reorganization replacing the previous business unit structure with a new combined worldwide sales and services team, and an integrated development and products organization. The restructuring plan included workforce reductions, abandonment of excess facilities, disposals of property and equipment, and other charges. In the first quarter of 2007, VeriSign recorded approximately $26.9 million in restructuring charges.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

DECEMBER 31, 2006, 2005 AND 2004

As of January 2007, the Company suspended the purchase of shares under its Purchase Plan because it was not current in its financial reporting under applicable regulations of the SEC. The Company refunded payroll withholdings from employees in February 2007 for the offering period ended January 31, 2007. As of the date of this report, no further payroll withholdings were made in 2007.

On January 31, 2007, VeriSign finalized two joint venture agreements with Fox Entertainment ("Fox"), a subsidiary of News Corporation, to provide mobile entertainment to consumers on a global basis. Under the terms of the agreements, Fox owns a 51% interest and VeriSign owns a 49% interest in the joint ventures. One of the joint ventures, Netherlands Mobile Holdings, C.V., is based in the Netherlands, and the other is based in the United States. VeriSign contributed its wholly-owned subsidiary Jamba to the Netherlands joint venture and Fox contributed its Fox Mobile Entertainment assets to the U.S.-based joint venture. Fox paid VeriSign approximately $192.4 million in cash for its contribution of the Jamba subsidiary and VeriSign paid Fox approximately $4.9 million in cash for its contribution of Fox Mobile Entertainment assets.

In the first quarter of 2007, VeriSign decided to sell our wholly-owned Jamba Services GmbH subsidiary. In accordance with SFAS No. 144, the associated assets and liabilities of Jamba Services GmbH will be classified as held for sale and its operations will be reported as discontinued operations in the first quarter of 2007.

On May 27, 2007, Stratton D. Sclavos, the Company's former President, Chief Executive Officer, Chairman of the Board of Directors and member of the Board of Directors of the Company resigned from his positions. Effective May 27, 2007, the Company's Board of Directors appointed William A. Roper, Jr., to replace Mr. Sclavos as President and Chief Executive Officer, and elected Edward A. Mueller as Chairman of the Board of Directors.

As of the date of the filing of this report, VeriSign was not in compliance with certain covenants under its Credit Agreement related to the Facility that requires the Company to deliver specified financial statements, compliance certificates and certain other documents to its Lenders. The required Lenders under the Facility have waived VeriSign's compliance with these requirements through July 13, 2007. The outstanding balance of $199 million was paid in full on February 28, 2007.

On July 10, 2007, Dana Evan, our then-current Executive Vice President, Finance and Administration and Chief Financial Officer resigned from her position with VeriSign.

On July 5, 2007 and July 12, 2007, the Board of Directors appointed Albert E. Clement as Chief Accounting Officer and Executive Vice President, Finance and Chief Financial Officer, respectively of the Company.

As required under Item 15—Exhibits and Financial Statement Schedules, the exhibits filed as part of this report are provided in this separate section. The exhibits included in this section are as follows:

Exhibit Number	Exhibit Description
10.24	Employment Offer Letter between the Registrant and Rodney A. McCowan dated October 4, 2006
10.25	Employment Offer Letter between the Registrant and John M. Donovan dated November 20, 2006
10.26	2006 *.com* Registry Agreement between VeriSign and ICANN
10.27	Amendment No. Thirty (30) to Cooperative Agreement - Special Awards Conditions NCR-92-18742, between the Registrant and U.S. Department of Commerce
21.01	Subsidiaries of the Registrant
23.01	Consent of Independent Registered Public Accounting Firm
31.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)
31.02	Certification of Executive Vice President of Finance and Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)
32.01	Certification of President and Chief Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)**
32.02	Certification of Executive Vice President of Finance and Chief Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)**

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

EXHIBIT 10.24

October 4, 2006

Rodney A. McCowan

Dear Rodney:

On behalf of VeriSign, Inc. I am pleased to offer you a regular full-time position of **Senior Vice President, Human Resources reporting** to **Stratton Sclavos**. The details of the offer are as follows:

Annual Salary: **$360,000.00** (Paid Bi-Weekly)

Hiring Bonus: **$50,000.00 (grossed up for taxes)**
Should you voluntarily terminate from VeriSign for any reason within one year of your hire date, you will be required to repay VeriSign **$50,000.00** on a pro-rated basis.

Stock Options and Restricted Stock Units: I will recommend to the Board of Directors that you be granted stock options to purchase **110,000** shares of Common Stock of VeriSign, Inc., such grant to be subject to terms and conditions of the VeriSign, Inc. 2006 Equity Incentive Plan. The exercise price of the options will be based on the fair market value on the date of grant. You will be eligible to exercise up to twenty-five percent (25%) of your total shares one year from the date of grant, provided that you are employed by VeriSign, Inc. or one of its direct or indirect subsidiaries at that time. Each subsequent quarter (3 months) an additional 6.25% of your total shares will become eligible to exercise provided that you are employed by VeriSign, Inc. or one of its direct or indirect subsidiaries at that time. Additionally, I will recommend to the Board of Directors that you be granted **15,000** restricted stock units of VeriSign, Inc., such grant to be subject to the terms and conditions of the VeriSign, Inc. 2006 Equity Incentive Plan. This award will fully vest over a period of four years from the date of the award with 25% vesting after on each annual anniversary of the grant date provided that you are employed by VeriSign, Inc. or one of its direct or indirect subsidiaries at that time. We recommend that you consult with your tax advisor regarding tax treatment of restricted stock units and stock options.

Annual Bonus: You are eligible to participate in the 2006 VeriSign Bonus Plan. Your targeted bonus percentage for the 2006 Bonus plan is **60%** of your base salary. Eligibility for payment under this plan is governed by the terms and conditions of the VeriSign Bonus Plan Document.

Benefits: Your medical and insurance benefits will be commensurate with those of other employees. The full package of benefits is attached. New employees receive 18 days of paid time off per year. VeriSign also observes 11 paid holidays per year. ***Please Note: Your benefits information for 2005 will be mailed to your home shortly after your date of hire.***

This offer is contingent upon your signing the Company's Confidentiality Agreements included with this offer and upon successful clearance of your background check. It is also contingent upon providing evidence of your legal right to work in the United States as required by the Immigration and Naturalization Service. This offer is for employment on an at will basis, which means that this relationship can be terminated at any time by either party.

To accept this offer, please sign below and return the original offer letter plus the additional enclosed documents in the return envelope and keep a copy of the offer letter for your records. This offer will expire on **October 10, 2005. Please contact Andrea Peifer at (650) 426-4663 if you have any questions.**

Our New Hire Orientation Meetings are conducted every Monday at 487 East Middlefield Road in Mountain View. The meeting time is approximately two hours and begins at 9:00 A.M. Please check with your recruiter to see when your New Hire Orientation will be conducted. When you arrive, please let the VeriSign receptionist know that you are there for orientation.

Our goal is to continue to transform communication and commerce by driving simplicity, innovation, and confidence into all electronic interactions worldwide. We are confident we will achieve this goal thanks to our committed group of industry partners throughout the world and most importantly to our employees—our most valued and respected asset. We hope you will join our team and help to contribute to our goal!

Sincerely,

/s/ Stratton D. Sclavos
Stratton Sclavos
Chairman of the Board, President, and CEO

Accepted: /s/ Rodney A. McCowan Date: 10/10/06

Start Date: 10/30/06

EXHIBIT 10.25

November 20, 2006

John Donovan

Dear John:

On behalf of VeriSign, Inc. ("VeriSign"), I am pleased to confirm your regular full-time position of Executive Vice President, Worldwide Sales and Services reporting to Stratton Sclavos. This offer of employment with VeriSign is contingent upon the closing of the acquisition (the "Acquisition") of inCode Telecom Group, Inc. (the "Company") by VeriSign pursuant to the terms and conditions of that certain Agreement and Plan of Merger to be entered into by and among VeriSign, Diego Acquisition Corporation, the Company and John Donovan, as Representative (the "Merger Agreement").

The details of your compensation package are as follows:

Annual Base Salary: $450,000 (Paid Bi-Weekly), minus applicable withholdings and deductions

Stock Options: I will recommend to the VeriSign Board of Directors that you be granted Non Qualified Stock Option to purchase 200,000 shares of Common Stock. If granted, the price of shares will be based on the fair market value on the date of grant. You will be eligible to exercise up to twenty-five percent (25%) of your total shares one year from the date of grant. Each subsequent quarter (3 months) an additional 6.25% of your total shares will become eligible to exercise while VeriSign employs you.

Restricted Stock Units: I will recommend to the VeriSign Board of Directors that you be awarded 25,000 Restricted Stock Units (the "Units"). If awarded, the Units will be 100% vested four years from the date of the award with 25% of the Units vesting on the yearly anniversary date of the award.

Annual Bonus: You are eligible to participate in the 2007 VeriSign Bonus Plan (the "Bonus Plan"). Your targeted bonus percentage for the Bonus Plan is 60% of your annual base salary. Eligibility for payment under the Bonus Plan is governed by the terms and conditions thereof.

Relocation: VeriSign will provide a maximum of $1,500,000, minus applicable withholdings and deductions, in relocation benefits. A separate relocation agreement will be provided which will explain in further detail the conditions which must be met for you to receive relocation funds.

Benefits: Your medical and insurance benefits will be commensurate with those of other VeriSign employees.

Your employment with VeriSign is contingent upon (i) your execution and delivery, at the signing of the Merger Agreement, of (a) this letter, (b) the Assignment of Invention, Nondisclosure and Nonsolicitation Agreement, attached hereto as Exhibit A, (c) the Noncompetition Agreement (as defined in the Merger Agreement and (d) the Holdback Agreement (as defined in the Merger Agreement), (ii) your execution and delivery to VeriSign

immediately prior to the start of your employment with VeriSign of all other applicable employment related forms or documents, (iii) the successful completion of a background check to be completed within 20 days of the signing of the Merger Agreement, and (iv) the closing of the Acquisition. The provisions of this letter shall become null and void should the Acquisition not be consummated. Should you choose to accept this offer of employment with VeriSign, your employment would be on an at-will basis, which means that either you or VeriSign can terminate the employment relationship at any time, either with or without cause.

This letter, including the exhibits hereto, supersedes all employment agreements, whether in writing or oral, between you and the Company (collectively, the "Original Employment Agreements"). Effective as of the Effective Time (as defined in the Merger Agreement), the Original Employment Agreements shall be null and void and all rights granted thereunder shall be of no further effect.

We are pleased to have you join our team in the One VeriSign Journey. With your participation and commitment, we will draw closer to our goal to transform and accelerate the adoption of commerce and communications around the world. We are confident we will achieve this goal, in great part due to our employees – our most valued and respected asset. So, once again, welcome to VeriSign, "where it all comes together."

Sincerely,

/s/ Jamie Schultz
Jamie Schultz
VeriSign, Inc.
Vice President, Human Resources

Signed: /s/ John M. Donovan Date: 11/28/06

Exhibit A

Assignment of Invention, Nondisclosure and Nonsolicitation Agreement

EXHIBIT 10.26

REGISTRY AGREEMENT

This REGISTRY AGREEMENT (this "Agreement") is entered into by and between the Internet Corporation for Assigned Names and Numbers, a California nonprofit public benefit corporation ("ICANN"), and VeriSign, Inc. a Delaware corporation.

WHEREAS, the parties wish to work together cooperatively to promote and facilitate the security and stability of the Internet and the DNS, and to that end, hereby agree as follows:

ARTICLE I INTRODUCTION

Section 1.1 Effective Date. The effective date ("Effective Date") for purposes of this Agreement shall be March 1, 2006.

Section 1.2 Top-Level Domain. The Top-Level Domain to which this Agreement applies is .com ("TLD").

Section 1.3 Designation as Registry Operator. Upon the Effective Date, until the Expiration Date as defined in Section 4.1 hereof, ICANN shall continue to recognize VeriSign, Inc. as the sole registry operator for the TLD ("Registry Operator").

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.1 Registry Operator's Representations and Warranties.

(a) Organization; Due Authorization and Execution. Registry Operator is a corporation, duly organized, validly existing and in good standing under the laws of Delaware, and Registry Operator has all requisite power and authority to enter into this Agreement. All corporate approvals and actions necessary for the entrance by Registry Operator into this Agreement have been obtained and this Agreement has been duly and validly executed and delivered by Registry Operator.

(b) Statements made During Negotiation Process. The factual statements made in writing by Registry Operator in negotiating this Agreement were true and correct in all material respects at the time made. A violation or breach of any such representation or warranty shall not be a basis for termination, rescission or other equitable relief, and, instead shall only give rise to a claim for damages.

Section 2.2 ICANN's Representations and Warranties.

(a) Organization; Due Authorization and Execution. ICANN is a nonprofit public benefit corporation duly organized, validly existing and in good standing under the laws of California. ICANN has all requisite corporate power and authority to enter into this Agreement. All corporate approvals and actions necessary for the entrance by ICANN into this Agreement have been obtained and this Agreement has been duly and validly executed and delivered by ICANN.

ARTICLE III COVENANTS

Section 3.1 Covenants of Registry Operator. Registry Operator covenants and agrees with ICANN as follows:

(a) Preserve Security and Stability.

(i) ICANN Temporary Specifications or Policies. Registry Operator shall comply with and implement all specifications or policies established by the ICANN Board of Directors on a temporary basis, if adopted by the ICANN Board of Directors by a vote of at least two-thirds of its members, so long as the ICANN Board of Directors reasonably determines that immediate temporary establishment of a specification or policy on the subject is necessary to maintain the Stability or Security (as defined in Section 3.1(d)(iv)(G)) of Registry Services or the DNS ("Temporary Specification or Policies"). Such proposed specification or policy shall be as narrowly tailored as feasible to achieve those objectives. In establishing any specification or policy under this provision, the ICANN Board of Directors shall state the period of time for which the specification or policy is temporarily adopted and shall immediately implement the Consensus Policy development process set forth in ICANN's Bylaws. ICANN shall also issue an advisory statement containing a detailed explanation of its reasons for adopting the temporary specification or policy and why the Board believes the specification or policy should receive the consensus support of Internet stakeholders. If the period of time for which the specification or policy is adopted exceeds 90 days, the ICANN Board shall reaffirm its temporary adoption every 90 days for a total period not to exceed one year, in order to maintain such policy in effect until such time as it shall become a Consensus Policy as described in Section 3.1(b) below. If during such one year period, the temporary policy or specification does not become a Consensus Policy meeting the standard set forth in Section 3.1(b) below, Registry Operator shall no longer be required to comply with or implement such temporary policy or specification.

(b) Consensus Policies.

(i) At all times during the term of this Agreement and subject to the terms hereof, Registry Operator will fully comply with and implement all Consensus Policies found at http://www.icann.org/general/consensus-policies.htm, as of the Effective Date and as may in the future be developed and adopted in accordance with ICANN's Bylaws and as set forth below.

(ii) "Consensus Policies" are those specifications or policies established (1) pursuant to the procedure set forth in ICANN's Bylaws and due process, and (2) covering those topics listed in Section 3.1(b)(iv) below. The Consensus Policy development process and procedure set forth in ICANN's Bylaws may be revised from time to time in accordance with ICANN's Bylaws, and any Consensus Policy that is adopted through such a revised process and covering those topics listed in Section 3.1(b)(iv) below shall be considered a Consensus Policy for purposes of this Agreement.

(iii) For all purposes under this Agreement, the policies identified at http://www.icann.org/general/consensus-policies.htm shall be treated in the same manner and have the same effect as "Consensus Policies."

(iv) Consensus Policies and the procedures by which they are developed shall be designed to produce, to the extent possible, a consensus of Internet stakeholders, including the operators of gTLDs. Consensus Policies shall relate to one or more of the following: (1) issues for which uniform or coordinated resolution is reasonably necessary to facilitate interoperability, Security and/or Stability of the Internet or DNS; (2) functional and performance specifications for the provision of Registry Services (as defined in Section 3.1(d)(iii) below); (3) Security and Stability of the registry database for the TLD; (4) registry policies reasonably necessary to implement Consensus Policies relating to registry operations or registrars; or (5) resolution of disputes regarding the registration of domain names (as opposed to the use of such domain names). Such categories of issues referred to in the preceding sentence shall include, without limitation:

(A) principles for allocation of registered names in the TLD (e.g., first-come, first-served, timely renewal, holding period after expiration);

(B) prohibitions on warehousing of or speculation in domain names by registries or registrars;

(C) reservation of registered names in the TLD that may not be registered initially or that may not be renewed due to reasons reasonably related to (a) avoidance of confusion among or misleading of users, (b) intellectual property, or (c) the technical management of the DNS or the Internet (e.g., establishment of reservations of names from registration);

(D) maintenance of and access to accurate and up-to-date information concerning domain name registrations;

(E) procedures to avoid disruptions of domain name registration due to suspension or termination of operations by a registry operator or a registrar, including procedures for allocation of responsibility for serving registered domain names in a TLD affected by such a suspension or termination; and

(F) resolution of disputes regarding whether particular parties may register or maintain registration of particular domain names.

(v) In addition to the other limitations on Consensus Policies, they shall not:

(A) prescribe or limit the price of Registry Services;

(B) modify the standards for the consideration of proposed Registry Services, including the definitions of Security and Stability (set forth below) and the standards applied by ICANN;

(C) for two years following the Effective Date, modify the procedure for the consideration of proposed Registry Services;

(D) modify the terms or conditions for the renewal or termination of this Agreement;

(E) modify ICANN's obligations to Registry Operator under Section 3.2 (a), (b), and (c);

(F) modify the limitations on Consensus Policies or Temporary Specifications or Policies;

(G) modify the definition of Registry Services;

(H) modify the terms of Sections 7.2 and 7.3, below; and

(I) alter services that have been implemented pursuant to Section 3.1(d) of this Agreement (unless justified by compelling and just cause based on Security and Stability).

(vi) Registry Operator shall be afforded a reasonable period of time following notice of the establishment of a Consensus Policy or Temporary Specifications or Policies in which to comply with such policy or specification, taking into account any urgency involved.

In the event of a conflict between Registry Services (as defined in Section 3.1(d)(iii) below), on the one hand, and Consensus Policies developed in accordance with this Section 3.1(b) or any Temporary Specifications or Policies established pursuant to Section 3.1(a)(i) above, on the other hand, the Consensus Polices or Temporary Specifications or Policies shall control, notwithstanding any other provisions contained within this Agreement.

(c) Handling of Registry Data.

(i) Data Escrow. Registry Operator shall establish at its expense a data escrow or mirror site policy for the Registry Data compiled by Registry Operator. Registry Data, as used in this Agreement, shall mean the following: (1) data for domains sponsored by all registrars, consisting of domain name, server name for each nameserver, registrar id, updated date, creation date, expiration date, status information, and DNSSEC-related key material; (2) data for nameservers sponsored by all registrars consisting of server name, each IP address, registrar id, updated date, creation date, expiration date, and status information; (3) data for registrars sponsoring registered domains and nameservers, consisting of

registrar id, registrar address, registrar telephone number, registrar e-mail address, whois server, referral URL, updated date and the name, telephone number, and e-mail address of all the registrar's administrative, billing, and technical contacts; (4) domain name registrant data collected by the Registry Operator from registrars as part of or following registration of a domain name; and (5) the DNSSEC-related material necessary to sign the .com zone (e.g., public and private portions of .com zone key-signing keys and zone-signing keys). The escrow agent or mirror-site manager, and the obligations thereof, shall be mutually agreed upon by ICANN and Registry Operator on commercially reasonable standards that are technically and practically sufficient to allow a successor registry operator to assume management of the TLD. To this end, Registry Operator shall periodically deposit into escrow all Registry Data on a schedule (not more frequently than weekly for a complete set of Registry Data, and daily for incremental updates) and in an electronic format mutually approved from time to time by Registry Operator and ICANN, such approval not to be unreasonably withheld by either party. In addition, Registry Operator will deposit into escrow that data collected from registrars as part of offering Registry Services introduced after the Effective Date of this Agreement. The escrow shall be maintained, at Registry Operator's expense, by a reputable escrow agent mutually approved by Registry Operator and ICANN, such approval also not to be unreasonably withheld by either party. The schedule, content, format, and procedure for escrow deposits shall be as reasonably established by ICANN from time to time, and as set forth in Appendix 1 hereto. Changes to the schedule, content, format, and procedure may be made only with the mutual written consent of ICANN and Registry Operator (which neither party shall unreasonably withhold) or through the establishment of a Consensus Policy as outlined in Section 3.1(b) above. The escrow shall be held under an agreement, substantially in the form of Appendix 2, as the same may be revised from time to time, among ICANN, Registry Operator, and the escrow agent.

(ii) Personal Data. Registry Operator shall notify registrars sponsoring registrations in the registry for the TLD of the purposes for which Personal Data (as defined below) submitted to Registry Operator by registrars, if any, is collected, the intended recipients (or categories of recipients) of such Personal Data, and the mechanism for access to and correction of such Personal Data. Registry Operator shall take reasonable steps to protect Personal Data from loss, misuse, unauthorized disclosure, alteration or destruction. Registry Operator shall not use or authorize the use of Personal Data in a way that is incompatible with the notice provided to registrars. "Personal Data" shall refer to all data about any identified or identifiable natural person.

(iii) Bulk Zone File Access. Registry Operator shall provide bulk access to the zone files for the registry for the TLD to ICANN on a continuous basis in the manner ICANN may reasonably specify from time to time. Bulk access to the zone files shall be provided to third parties on the terms set forth in the TLD zone file access agreement reasonably established by ICANN, which initially shall be

in the form attached as Appendix 3 hereto. Changes to the zone file access agreement may be made upon the mutual written consent of ICANN and Registry Operator (which consent neither party shall unreasonably withhold).

(iv) Monthly Reporting. Within 20 days following the end of each calendar month, Registry Operator shall prepare and deliver to ICANN a report providing such data and in the format specified in Appendix 4. ICANN may audit Registry Operator's books and records relating to data contained in monthly reports from time to time upon reasonable advance written notice, provided that such audits shall not exceed one per quarter. Any such audit shall be at ICANN's cost, unless such audit shall reflect a material discrepancy or discrepancies in the data provided by Registry Operator. In the latter event, Registry Operator shall reimburse ICANN for all costs and expenses associated with such audit, which reimbursement shall be paid together with the next Registry-Level Fee payment due following the date of transmittal of the cost statement for such audit.

(v) Whois Service. Registry Operator shall provide such whois data as set forth in Appendix 5.

(d) Registry Operations.

(i) Registration Restrictions. Registry Operator shall reserve, and not register any TLD strings (i) appearing on the list of reserved TLD strings attached as Appendix 6 hereto or (ii) located at http://data.iana.org/TLD/tlds-alpha-by-domain.txt for initial (i.e., other than renewal) registration at the second level within the TLD.

(ii) Functional and Performance Specifications. Functional and Performance Specifications for operation of the TLD shall be as set forth in Appendix 7 hereto, and shall address without limitation DNS services; operation of the shared registration system; and nameserver operations. Registry Operator shall keep technical and operational records sufficient to evidence compliance with such specifications for at least one year, which records ICANN may audit from time to time upon reasonable advance written notice, provided that such audits shall not exceed one per quarter. Any such audit shall be at ICANN's cost.

(iii) Registry Services. Registry Services are, for purposes of this Agreement, defined as the following: (a) those services that are both (i) operations of the registry critical to the following tasks: the receipt of data from registrars concerning registrations of domain names and name servers; provision to registrars of status information relating to the zone servers for the TLD; dissemination of TLD zone files; operation of the registry zone servers; and dissemination of contact and other information concerning domain name server registrations in the TLD as required by this Agreement; and (ii) provided by the Registry Operator for the .com registry as of the Effective Date; (b) other products or services that the Registry Operator is required to provide because of the establishment of a Consensus Policy (as defined in Section 3.1(b) above); (c)

any other products or services that only a registry operator is capable of providing, by reason of its designation as the registry operator; and (d) material changes to any Registry Service within the scope of (a), (b) or (c) above. Only Registry Services defined in (a) and (b) above are subject to the maximum price provisions of Section 7.3, below.

(iv) Process for Consideration of Proposed Registry Services. Following written notification by Registry Operator to ICANN that Registry Operator may make a change in a Registry Service within the scope of the preceding paragraph:

(A) ICANN shall have 15 calendar days to make a "preliminary determination" whether a Registry Service requires further consideration by ICANN because it reasonably determines such Registry Service: (i) could raise significant Security or Stability issues or (ii) could raise significant competition issues.

(B) Registry Operator must provide sufficient information at the time of notification to ICANN that it may implement such a proposed Registry Service to enable ICANN to make an informed "preliminary determination." Information provided by Registry Operator and marked "CONFIDENTIAL" shall be treated as confidential by ICANN. Registry Operator will not designate "CONFIDENTIAL" information necessary to describe the purpose of the proposed Registry Service and the effect on users of the DNS.

(C) ICANN may seek expert advice during the preliminary determination period (from entities or persons subject to confidentiality agreements) on the competition, Security or Stability implications of the Registry Service in order to make its "preliminary determination." To the extent ICANN determines to disclose confidential information to any such experts, it will provide notice to Registry Operator of the identity of the expert(s) and the information it intends to convey.

(D) If ICANN determines during the 15 calendar day "preliminary determination" period that the proposed Registry Service, does not raise significant Security or Stability (as defined below), or competition issues, Registry Operator shall be free to deploy it upon such a determination.

(E) In the event ICANN reasonably determines during the 15 calendar day "preliminary determination" period that the Registry Service might raise significant competition issues, ICANN shall refer the issue to the appropriate governmental competition authority or authorities with jurisdiction over the matter within five business days of making its determination, or two business days following the expiration of such 15 day period, whichever is earlier, with notice to Registry Operator. Any such referral communication shall be posted on ICANN's website on the date of transmittal. Following such referral, ICANN shall have no further responsibility, and Registry Operator shall have no further obligation to ICANN, with respect to any competition issues relating to the Registry Service. If

such a referral occurs, the Registry Operator will not deploy the Registry Service until 45 calendar days following the referral, unless earlier cleared by the referred governmental competition authority.

(F) In the event that ICANN reasonably determines during the 15 calendar day "preliminary determination" period that the proposed Registry Service might raise significant Stability or Security issues (as defined below), ICANN will refer the proposal to a Standing Panel of experts (as defined below) within five business days of making its determination, or two business days following the expiration of such 15 day period, whichever is earlier, and simultaneously invite public comment on the proposal. The Standing Panel shall have 45 calendar days from the referral to prepare a written report regarding the proposed Registry Service's effect on Security or Stability (as defined below), which report (along with a summary of any public comments) shall be forwarded to the ICANN Board. The report shall set forward the opinions of the Standing Panel, including, but not limited to, a detailed statement of the analysis, reasons, and information upon which the panel has relied in reaching their conclusions, along with the response to any specific questions that were included in the referral from ICANN staff. Upon ICANN's referral to the Standing Panel, Registry Operator may submit additional information or analyses regarding the likely effect on Security or Stability of the Registry Service.

(G) Upon its evaluation of the proposed Registry Service, the Standing Panel will report on the likelihood and materiality of the proposed Registry Service's effects on Security or Stability, including whether the proposed Registry Service creates a reasonable risk of a meaningful adverse effect on Security or Stability as defined below:

Security: For purposes of this Agreement, an effect on security by the proposed Registry Service shall mean (1) the unauthorized disclosure, alteration, insertion or destruction of Registry Data, or (2) the unauthorized access to or disclosure of information or resources on the Internet by systems operating in accordance with all applicable standards.

Stability: For purposes of this Agreement, an effect on stability shall mean that the proposed Registry Service (1) is not compliant with applicable relevant standards that are authoritative and published by a well-established, recognized and authoritative standards body, such as relevant Standards-Track or Best Current Practice RFCs sponsored by the IETF or (2) creates a condition that adversely affects the throughput, response time, consistency or coherence of responses to Internet servers or end systems, operating in accordance with applicable relevant standards that are authoritative and published by a well-established, recognized and authoritative standards body, such as relevant Standards-Track or Best Current Practice RFCs and relying on Registry Operator's delegation information or provisioning services.

(H) Following receipt of the Standing Panel's report, which will be posted (with appropriate confidentiality redactions made after consultation with Registry Operator) and available for public comment, the ICANN Board will have 30 calendar days to reach a decision. In the event the ICANN Board reasonably determines that the proposed Registry Service creates a reasonable risk of a meaningful adverse effect on Stability or Security, Registry Operator will not offer the proposed Registry Service. An unredacted version of the Standing Panel's report shall be provided to Registry Operator upon the posting of the report. The Registry Operator may respond to the report of the Standing Panel or otherwise submit to the ICANN Board additional information or analyses regarding the likely effect on Security or Stability of the Registry Service.

(I) The Standing Panel shall consist of a total of 20 persons expert in the design, management and implementation of the complex systems and standards-protocols utilized in the Internet infrastructure and DNS (the "Standing Panel"). The members of the Standing Panel will be selected by its Chair. The Chair of the Standing Panel will be a person who is agreeable to both ICANN and the registry constituency of the supporting organization then responsible for generic top level domain registry policies. All members of the Standing Panel and the Chair shall execute an agreement requiring that they shall consider the issues before the panel neutrally and according to the definitions of Security and Stability. For each matter referred to the Standing Panel, the Chair shall select no more than five members from the Standing Panel to evaluate the referred matter, none of which shall have an existing competitive, financial, or legal conflict of interest, and with due regard to the particular technical issues raised by the referral.

(e) Fees and Payments. Registry Operator shall pay the Registry-Level Fees to ICANN on a quarterly basis in accordance with Section 7.2 hereof.

(f) Traffic Data. Nothing in this Agreement shall preclude Registry Operator from making commercial use of, or collecting, traffic data regarding domain names or non-existent domain names for purposes such as, without limitation, the determination of the availability and health of the Internet, pinpointing specific points of failure, characterizing attacks and misconfigurations, identifying compromised networks and hosts, and promoting the sale of domain names; provided, however, that such use does not disclose domain name registrant, end user information or other Personal Data as defined in Section 3.1(c)(ii) for any purpose not otherwise authorized by this agreement. The process for the introduction of new Registry Services shall not apply to such traffic data. Nothing contained in this section 3.1(f) shall be deemed to constitute consent or acquiescence by ICANN to a re-introduction by Registry Operator of the SiteFinder service previously introduced by the Registry Operator on or about September 15, 2003, or the introduction of any substantially similar service employing a universal wildcard function intended to achieve the same or substantially similar effect as the SiteFinder service. To the extent that traffic data subject to this provision is made available, access shall be on terms that are non-discriminatory.

(g) Security and Stability Review. Twice annually Registry Operator shall engage in discussions with executive staff of ICANN and the Chairman of the Board of ICANN on trends impacting the Security and/or Stability of the Registry, the DNS or the Internet pursuant to the terms of confidentiality agreements executed both by the executive staff of ICANN and the Chairman of the Board.

(h) Centralized Whois. Registry Operator shall develop and deploy a centralized Whois for the .com TLD if mandated by ICANN insofar as reasonably feasible, particularly in view of Registry Operator's dependence on cooperation of third parties.

Section 3.2 Covenants of ICANN. ICANN covenants and agrees with Registry Operator as follows:

(a) Open and Transparent. Consistent with ICANN's expressed mission and core values, ICANN shall operate in an open and transparent manner.

(b) Equitable Treatment. ICANN shall not apply standards, policies, procedures or practices arbitrarily, unjustifiably, or inequitably and shall not single out Registry Operator for disparate treatment unless justified by substantial and reasonable cause.

(c) TLD Zone Servers. In the event and to the extent that ICANN is authorized to set policy with regard to an authoritative root server system, it will ensure that (i) the authoritative root will point to the TLD zone servers designated by Registry Operator for the Registry TLD throughout the Term of this Agreement; and (ii) any changes to the TLD zone server designation submitted to ICANN by Registry Operator will be implemented by ICANN within seven days of submission.

(d) Nameserver Changes. Registry Operator may request changes in the nameserver delegation for the Registry TLD. Any such request must be made in a format, and otherwise meet technical requirements, specified from time to time by ICANN. ICANN will use commercially reasonable efforts to have such requests implemented in the Authoritative Root-Server System within seven calendar days of the submission.

(e) Root-zone Information Publication. ICANN's publication of root-zone contact information for the Registry TLD will include Registry Operator and its administrative and technical contacts. Any request to modify the contact information for the Registry Operator must be made in the format specified from time to time by ICANN.

Section 3.3 Cooperation. The parties agree to cooperate with each other and share data as necessary to accomplish the terms of this Agreement.

ARTICLE IV TERM OF AGREEMENT

Section 4.1 Term. The initial term of this Agreement shall expire on November 30, 2012. The "Expiration Date" shall be November 30, 2012, as extended by any renewal terms.

Section 4.2 Renewal. This Agreement shall be renewed upon the expiration of the term set forth in Section 4.1 above and each later term, unless the following has occurred : (i) following notice of breach to Registry Operator in accordance with Section 6.1 and failure to cure such breach within the time period prescribed in Section 6.1, an arbitrator or court has determined that Registry Operator has been in fundamental and material breach of Registry Operator's obligations set forth in Sections 3.1(a), (b), (d) or (e); Section 5.2 or Section 7.3 and (ii) following the final decision of such arbitrator or court, Registry Operator has failed to comply within ten days with the decision of the arbitrator or court, or within such other time period as may be prescribed by the arbitrator or court. Upon renewal, in the event that the terms of this Agreement are not similar to the terms generally in effect in the Registry Agreements of the 5 largest gTLDs (determined by the number of domain name registrations under management at the time of renewal), renewal shall be upon terms reasonably necessary to render the terms of this Agreement similar to such terms in the Registry Agreements for those other gTLDs. The preceding sentence, however, shall not apply to the terms of this Agreement regarding the price of Registry Services; the standards for the consideration of proposed Registry Services, including the definitions of Security and Stability and the standards applied by ICANN in the consideration process; the terms or conditions for the renewal or termination of this Agreement; ICANN's obligations to Registry Operator under Section 3.2 (a), (b), and (c); the limitations on Consensus Policies or Temporary Specifications or Policies; the definition of Registry Services; or the terms of Section 7.3.

Section 4.3 Failure to Perform in Good Faith. In the event Registry Operator shall have been repeatedly and willfully in fundamental and material breach of Registry Operator's obligations set forth in Sections 3.1(a), (b), (d) or (e); Section 5.2 or Section 7.3, and arbitrators in accordance with Section 5.1(b) of this Agreement repeatedly have found Registry Operator to have been in fundamental and material breach of this Agreement, including in at least three separate awards, then the arbitrators shall award such punitive, exemplary or other damages as they may believe appropriate under the circumstances.

ARTICLE V DISPUTE RESOLUTION

Section 5.1 Resolution of Disputes.

(a) Cooperative Engagement. In the event of a disagreement between Registry Operator and ICANN arising under or out of this Agreement, either party

may by notice to the other invoke the dispute resolution provisions of this Article V. Provided, however, that before either party may initiate arbitration as provided in Section 5.1(b) below, ICANN and Registry Operator must attempt to resolve the dispute by cooperative engagement as set forth in this Section 5.1(a). If either party provides written notice to the other demanding cooperative engagement as set forth in this Section 5.1(a), then each party will, within seven calendar days after such written notice is deemed received in accordance with Section 8.6 hereof, designate a single executive officer as its representative under this Section 5.1(a) with full authority to act on such party's behalf to resolve the dispute. The designated representatives shall, within 2 business days after being designated, confer by telephone or in person to attempt to resolve the dispute. If they are not able to resolve the dispute during such telephone conference or meeting, they shall further meet in person at a location reasonably designated by ICANN within 7 calendar days after such initial telephone conference or meeting, at which meeting the parties shall attempt to reach a definitive resolution. The time schedule and process set forth in this Section 5.1(a) may be modified with respect to any dispute, but only if both parties agree to a revised time schedule or process in writing in advance. Settlement communications within the scope of this paragraph shall be inadmissible in any arbitration or litigation between the parties.

(b) Arbitration. Disputes arising under or in connection with this Agreement, including requests for specific performance, shall be resolved through binding arbitration conducted as provided in this Section 5.1(b) pursuant to the rules of the International Court of Arbitration of the International Chamber of Commerce ("ICC"). The arbitration shall be conducted in the English language and shall occur in Los Angeles County, California, USA only following the failure to resolve the dispute pursuant to cooperative engagement discussions as set forth in Section 5.1(a) above. There shall be three arbitrators: each party shall choose one arbitrator and, if the two arbitrators are not able to agree on a third arbitrator, the third shall be chosen by the ICC. The prevailing party in the arbitration shall have the right to recover its costs and reasonable attorneys' fees, which the arbitrators shall include in their awards. Any party that seeks to confirm or vacate an arbitration award issued under this Section 5.1(b) may do so only pursuant to the applicable arbitration statutes. In any litigation involving ICANN concerning this Agreement, jurisdiction and exclusive venue for such litigation shall be in a court located in Los Angeles County, California, USA; however, the parties shall also have the right to enforce a judgment of such a court in any court of competent jurisdiction. For the purpose of aiding the arbitration and/or preserving the rights of the parties during the pendency of an arbitration, the parties shall have the right to seek a temporary stay or injunctive relief from the arbitration panel or a court, which shall not be a waiver of this agreement to arbitrate.

Section 5.2 Specific Performance. Registry Operator and ICANN agree that irreparable damage could occur if any of the provisions of this Agreement was not

performed in accordance with its specific terms. Accordingly, the parties agree that they each shall be entitled to seek from the arbitrators specific performance of the terms of this Agreement (in addition to any other remedy to which each party is entitled).

Section 5.3 Limitation of Liability. ICANN's aggregate monetary liability for violations of this Agreement shall not exceed the amount of Registry-Level Fees paid by Registry Operator to ICANN within the preceding twelve-month period pursuant to Section 7.2 of this Agreement. Registry Operator's aggregate monetary liability to ICANN for violations of this Agreement shall be limited to fees and monetary sanctions due and owing to ICANN under this Agreement. In no event shall either party be liable for special, indirect, incidental, punitive, exemplary, or consequential damages arising out of or in connection with this Agreement or the performance or nonperformance of obligations undertaken in this Agreement, except as provided pursuant to Section 4.3 of this Agreement. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, REGISTRY OPERATOR DOES NOT MAKE ANY WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES RENDERED BY ITSELF, ITS SERVANTS, OR ITS AGENTS OR THE RESULTS OBTAINED FROM THEIR WORK, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, NON-INFRINGEMENT, OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE VI TERMINATION PROVISIONS

Section 6.1 Termination by ICANN. ICANN may terminate this Agreement if and only if: (i) Registry Operator fails to cure any fundamental and material breach of Registry Operator's obligations set forth in Sections 3.1(a), (b), (d) or (e); Section 5.2 or Section 7.3 within thirty calendar days after ICANN gives Registry Operator written notice of the breach, which notice shall include with specificity the details of the alleged breach; and (ii) (a) an arbitrator or court has finally determined that Registry Operator is, or was, in fundamental and material breach and failed to cure such breach within the prescribed time period and (b) following the decision of such arbitrator or court, Registry Operator has failed to comply with the decision of the arbitrator or court.

Section 6.2 Bankruptcy. This Agreement shall automatically terminate in the event Registry Operator shall voluntarily or involuntarily be subject to bankruptcy proceedings.

Section 6.3 Transition of Registry upon Termination of Agreement. Upon any termination of this Agreement as provided in Sections 6.1 and 6.2, the parties agree to work cooperatively to facilitate and implement the transition of the registry for the TLD in accordance with this Section 6.4. Registry Operator shall agree to provide ICANN or any successor registry authority that may be designated for the TLD with any data regarding operations of the registry for the TLD necessary to maintain operations that may be reasonably requested in addition to that data escrowed in accordance with Section 3.1(c)(i) hereof.

Section 6.4 Rights in Data. Registry Operator shall not be entitled to claim any intellectual property rights in Registry Data. In the event that Registry Data is released

from escrow as set forth in Section 3.1(c)(i), rights, if any, held by Registry Operator in the data shall automatically be licensed on a non-exclusive, irrevocable, royalty-free, paid-up basis to ICANN or to a party designated in writing by ICANN.

Section 6.5 No Reimbursement. Any and all expenditures, capital investments or other investments made by Registry Operator in connection with this Agreement shall be at Registry Operator's own risk and ICANN shall have no obligation to reimburse Registry Operator for any such expense, capital expenditure or investment. Registry Operator shall not be required to make any payments to a successor registry operator by reason of registry fees paid to Registry Operator prior to the effective date of (i) any termination or expiration of this Agreement or (ii) transition of the registry, unless any delay in transition of the registry to a successor operator shall be due to the actions of Registry Operator.

ARTICLE VII SPECIAL PROVISIONS

Section 7.1 Registry-Registrar Agreement.

(a) Access to Registry Services. Registry Operator shall make access to Registry Services, including the shared registration system, available to all ICANN-accredited registrars, subject to the terms of the Registry-Registrar Agreement attached as Appendix 8 hereto. Registry Operator shall provide all ICANN-accredited registrars following execution of the Registry-Registrar Agreement, provided registrars are in compliance with such agreement, operational access to Registry Services, including the shared registration system for the TLD. Such nondiscriminatory access shall include without limitation the following:

(i) All registrars (including any registrar affiliated with Registry Operator) can connect to the shared registration system gateway for the TLD via the Internet by utilizing the same maximum number of IP addresses and SSL certificate authentication;

(ii) Registry Operator has made the current version of the registrar toolkit software accessible to all registrars and has made any updates available to all registrars on the same schedule;

(iii) All registrars have the same level of access to customer support personnel via telephone, e-mail and Registry Operator's website;

(iv) All registrars have the same level of access to registry resources to resolve registry/registrar or registrar/registrar disputes and technical and/or administrative customer service issues;

(v) All registrars have the same level of access to data generated by Registry Operator to reconcile their registration activities from Registry Operator's Web and ftp servers;

(vi) All registrars may perform basic automated registrar account management functions using the same registrar tool made available to all registrars by Registry Operator; and

(vii) The shared registration system does not include, for purposes of providing discriminatory access, any algorithms or protocols that differentiate among registrars with respect to functionality, including database access, system priorities and overall performance.

Such Registry-Registrar Agreement may be revised by Registry Operator from time to time, provided however, that any such revisions must be approved in advance by ICANN.

(b) Registry Operator Shall Not Act as Own Registrar. Registry Operator shall not act as a registrar with respect to the TLD. This shall not preclude Registry Operator from registering names within the TLD to itself through a request made to an ICANN-accredited registrar.

(c) Restrictions on Acquisition of Ownership or Controlling Interest in Registrar. Registry Operator shall not acquire, directly or indirectly, control of, or a greater than fifteen percent ownership interest in, any ICANN-accredited registrar.

Section 7.2 Fees to be Paid to ICANN.

(a) Initial Fees. On the Effective Date, Registry Operator shall make a one-time lump sum payment of US$625,000 to an account designated by ICANN. The uses of these initial fees shall include meeting the costs associated with establishing structures to implement the provisions of this Agreement.

(b) Fixed Registry-Level Fee. Registry Operator shall pay ICANN, to an account designated by ICANN, a Fixed Registry-Level Fee as provided below. Payments shall be made as follows: Beginning 1 July 2006 through 31 December 2006, Registry Operator shall begin prepayment of the 2007 Fixed Registry-Level Fee in equal monthly payments such that the total payments per quarter is US$1,500,000. Beginning 1 January 2007, equal monthly payments for quarters ended 31 March 2007 and 30 June 2007 shall be paid such that the total payments per quarter, calculated net of the prepayments during the quarters ended 30 September 2006 and 31 December 2006, is US$1,500,000. Beginning 1 July 2007, equal monthly payments for quarters ended 30 September 2007, 31 December 2007, 31 March 2008, and 30 June 2008, shall be paid such that the total payments per quarter is US$2,000,000. Beginning 1 July 2008, equal monthly payments will increase such that the total payments per quarter will equal US$3,000,000. Equal monthly payments shall continue such that the total payment per quarter will equal US$3,000,000 except that after 1 July 2009: (i) if the total number of annual domain name registrations increases by a total of ten million over the total number of domain name registrations on the Effective Date

of the Agreement, the equal monthly payments shall increase by an amount totaling $750,000 per quarter, for each quarter that the increased level of annual domain name registrations is maintained; (ii) if the total number of annual domain name registrations increases by a total of twenty million over the total number of domain name registrations at the time of the Effective Date of the Agreement, the equal monthly payments shall increase by an amount in addition to that set forth in 7.2(a)(i), totaling $750,000 per quarter, for each quarter that the increased level of annual domain name registrations is maintained; provided, however, if at any time after the Effective Date, the total number of annual domain name registrations falls below the total number of domain name registrations on the Effective Date of the Agreement, or, if applicable, the total number of annual domain name registrations in 7.2(a)(i) and 7.2(a)(ii) above, the equal monthly payments shall be reduced by US$25,000 per month for every 1 million annual domain name registrations reduction.

(c) Variable Registry-Level Fee. For fiscal quarters in which ICANN does not collect a variable accreditation fee from all registrars, upon receipt of written notice from ICANN, Registry Operator shall pay ICANN a Variable Registry-Level Fee. The fee will be calculated by ICANN. The Registry Operator shall invoice and collect the fees from the registrars who are party to a Registry-Registrar Agreement with Registry Operator and paid to ICANN by the Registry Operator by the 20th day following the end of each calendar quarter (i.e., on April 20, July 20, October 20 and January 20 for the calendar quarters ending March 31, June 30, September 30 and December 31) of the year to an account designated by ICANN. The fee will consist of two components; each component will be calculated by ICANN for each registrar:

(i) The transactional component of the Variable Registry-Level Fee shall be specified by ICANN in accordance with the budget adopted by the ICANN Board of Directors for each fiscal year but shall not exceed US[$0.25].

(ii) The per-registrar component of the Variable Registry-Level Fee shall be specified by ICANN in accordance with the budget adopted by the ICANN Board of Directors for each fiscal year, but the sum of the per-registrar fees calculated for all registrars shall not exceed the total Per-Registrar Variable funding established pursuant to the approved 2004-2005 ICANN Budget.

(d) Interest on Late Payments. For any payments ten days or more overdue, Registry Operator shall pay interest on late payments at the rate of 1.5% per month or, if less, the maximum rate permitted by applicable law.

Section 7.3 Pricing for Domain Name Registrations and Registry Services.

(a) Scope. The Registry Services to which the provisions of this Section 7.3 shall apply are:

(i) the Registry Services defined in Section 3.1(d)(iii)(a), above, and

(ii) other products or services that the Registry Operator is required to provide within the scope of Section 3.1(d)(iii)(b), above, because of the establishment of a Consensus Policy (as defined in Section 3.1(b) above):

(1) to implement changes in the core functional or performance specifications for Registry Services (as defined in Section 3.1(d)(iii)(a)); or

(2) that are reasonably necessary to facilitate: (A) Security and/or Stability of the Internet or DNS; (B) Security and Stability of the registry database for the TLD; or (C) resolution of disputes regarding the registration of domain names (as opposed to the use of such domain names).

Nothing contained herein shall be construed to apply the provisions of this Section 7.3 to the services enumerated in Appendix 9 of this Agreement.

(b) No Tying. Registry Operator shall not require, as a condition of the provision or use of Registry Services subject to this Section 7.3 in accordance with the requirements of this Agreement, including without limitation Section 7.1 and Appendix 10, that the purchaser of such services purchase any other product or service or refrain from purchasing any other product or service. Notwithstanding any other offering that may include all or any portion of the Registry Services at any price, Registry Operator shall offer to all ICANN-accredited registrars the combination of all Registry Services subject to this Section 7.3 at a total price for those Registry Services that is no greater than the Maximum Price calculated pursuant to Section 7.3(d) and that otherwise complies with all the requirements of Section 7.3.

(c) Price for Registry Services. The price for all Registry Services subject to this Paragraph 7.3 shall be the amount, not to exceed the Maximum Price, that Registry Operator charges for each annual increment of a new and renewal domain name registration and for each transfer of a domain name registration from one ICANN-accredited registrar to another.

(d) Maximum Price. The Maximum Price for Registry Services subject to this Paragraph 7.3 shall be as follows:

(i) from the Effective Date through 31 December 2006, US$6.00;

(ii) for each calendar year beginning with 1 January 2007, the smaller of the preceding year’s Maximum Price or the highest price charged during the preceding year, multiplied by 1.07; provided, however, that such increases shall only be permitted in four years of any six year term of the Agreement. In any year, however, where a price increase does not occur, Registry Operator shall be entitled to increase the Maximum Price by an amount sufficient to cover any additional incremental costs incurred during the term of the Agreement due to the imposition of any new Consensus Policy or documented extraordinary expense

resulting from an attack or threat of attack on the Security or Stability of the DNS, not to exceed the smaller of the preceding year's Maximum Price or the highest price charged during the preceding year, multiplied by 1.07.

(e) No price discrimination. Registry Operator shall charge the same price for Registry Services subject to this Section 7.3, not to exceed the Maximum Price, to all ICANN-accredited registrars (provided that volume discounts and marketing support and incentive programs may be made if the same opportunities to qualify for those discounts and marketing support and incentive programs is available to all ICANN-accredited registrars).

(f) Adjustments to Pricing for Domain Name Registrations. Registry Operator shall provide no less than six months prior notice in advance of any increase for new and renewal domain name registrations and for transferring a domain name registration from one ICANN-accredited registrar to another and shall continue to offer for periods of up to ten years new and renewal domain name registrations fixed at the price in effect at the time such offer is accepted. Registry Operator is not required to give notice of the imposition of the Variable Registry-Level Fee set forth in Section 7.2(c).

(g) Maximum Price does not include ICANN Variable Registry-Level Fee. The Maximum Price does not include, and shall not be calculated from a price that includes, all or any part of the ICANN Variable Registry-Level Fee set forth in Section 7.2(c), above, or any other per-name fee for new and renewal domain name registrations and for transferring a domain name registration from one ICANN-accredited registrar to another.

ARTICLE VIII MISCELLANEOUS

Section 8.1 No Offset. All payments due under this Agreement shall be made in a timely manner throughout the term of this Agreement and notwithstanding the pendency of any dispute (monetary or otherwise) between Registry Operator and ICANN.

Section 8.2 Use of ICANN Name and Logo. ICANN grants to Registry Operator a non-exclusive royalty-free license to state that it is designated by ICANN as the Registry Operator for the Registry TLD and to use a logo specified by ICANN to signify that Registry Operator is an ICANN-designated registry authority. This license may not be assigned or sublicensed by Registry Operator.

Section 8.3 Assignment and Subcontracting. Any assignment of this Agreement shall be effective only upon written agreement by the assignee with the other party to assume the assigning party's obligations under this Agreement. Moreover, neither party may assign this Agreement without the prior written approval of the other party. Notwithstanding the foregoing, ICANN may assign this Agreement (i) in conjunction with a reorganization or re-incorporation of ICANN, to another nonprofit corporation organized for the same or substantially the same purposes, or (ii) as may be required pursuant to the terms of that certain Memorandum of Understanding between ICANN

and the U.S. Department of Commerce, as the same may be amended from time to time. Registry Operator must provide notice to ICANN of any subcontracting arrangements, and any agreement to subcontract portions of the operations of the TLD must mandate compliance with all covenants, obligations and agreements by Registry Operator hereunder. Any subcontracting of technical operations shall provide that the subcontracted entity become party to the data escrow agreement mandated by Section 3.1(c)(i) hereof.

Section 8.4 Amendments and Waivers. No amendment, supplement, or modification of this Agreement or any provision hereof shall be binding unless executed in writing by both parties. No waiver of any provision of this Agreement shall be binding unless evidenced by a writing signed by the party waiving compliance with such provision. No waiver of any of the provisions of this Agreement or failure to enforce any of the provisions hereof shall be deemed or shall constitute a waiver of any other provision hereof, nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 8.5 No Third-Party Beneficiaries. This Agreement shall not be construed to create any obligation by either ICANN or Registry Operator to any non-party to this Agreement, including any registrar or registered name holder.

Section 8.6 Notices, Designations, and Specifications. All notices to be given under or in relation to this Agreement shall be given either (i) in writing at the address of the appropriate party as set forth below or (ii) via facsimile or electronic mail as provided below, unless that party has given a notice of change of postal or email address, or facsimile number, as provided in this agreement. Any change in the contact information for notice below shall be given by the party within 30 days of such change. Any notice required by this Agreement shall be deemed to have been properly given (i) if in paper form, when delivered in person or via courier service with confirmation of receipt or (ii) if via facsimile or by electronic mail, upon confirmation of receipt by the recipient's facsimile machine or email server. Whenever this Agreement shall specify a URL address for certain information, Registry Operator shall be deemed to have been given notice of any such information when electronically posted at the designated URL. In the event other means of notice shall become practically achievable, such as notice via a secure website, the parties shall work together to implement such notice means under this Agreement.

If to ICANN, addressed to:

Internet Corporation for Assigned Names and Numbers
4676 Admiralty Way, Suite 330
Marina Del Rey, California 90292
Telephone: 1-310-823-9358
Facsimile: 1-310-823-8649
Attention: President and CEO
With a Required Copy to: General Counsel
Email: (As specified from time to time.)

If to Registry Operator, addressed to:

VeriSign, Inc.
21355 Ridgetop Circle
Dulles, VA 20166
Telephone: 1-703-948-4463
Facsimile: 1-703-450-7326
Attention: VP, Associate General Counsel, VNDS
With a Required Copy to: General Counsel
Email: (As specified from time to time.)

Section 8.7 Language. Notices, designations, determinations, and specifications made under this Agreement shall be in the English language.

Section 8.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 8.9 Entire Agreement. This Agreement (including its Appendices, which form a part of it) constitutes the entire agreement of the parties hereto pertaining to the operation of the TLD and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties on that subject. In the event of a conflict between the provisions in the body of this Agreement and any provision in its Appendices, the provisions in the body of the Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

By: /s/ Paul Twomey
Paul Twomey
President and CEO

Date: 1 March 2006

VeriSign, Inc.

By: /s/ Stratton Scalvos
Stratton Sclavos
President and CEO, VeriSign, Inc.

Date: 1 March 2006

.COM Agreement Appendix 1
Data Escrow Specification

EXHIBIT A—Task Order and Statement of Work

TASK ORDER TITLE
Exhibit A to the Escrow Agreement dated _____.

COMPANY NAME
Data Escrow Provider

STATEMENT OF WORK

Establish an escrow account to deposit all data identified in Section 3.1(c)(i) of the Registry Agreement between VeriSign, Inc. (“VNDS”) and the Internet Corporation for Assigned Names and Numbers (“ICANN”) (the “Data”) in an electronic format mutually approved by VNDS and ICANN. More specifically, to meet the Data Escrow requirements outlined in the Registry Agreement, VNDS will store in escrow with Data Escrow Provider a complete set of Data in an electronic format agreed upon by VNDS and ICANN. Data Escrow Provider will verify that the data is complete, accurate, and delivered in the intended format using scripts provided by VNDS. The escrow deposit verification process will validate completeness and integrity (accuracy) of the data as well as validate that the file format sent is the format received by Data Escrow Provider (correctness). Refer to Exhibit B to review the verification processes. The Introspection validation, defined in Exhibit B, will be implemented in a later phase, as mutually agreed by the parties hereto.

Data will be securely and electronically transmitted on a daily and weekly basis as follows:

Weekly Escrow Deposits:

VNDS will deposit a complete set of Data into escrow on a weekly basis by electronically and securely transmitting a snapshot of each operational Registrar’s data (the “Deposit Materials”). The snapshot captures the state of each Registrar’s data at the time the snapshot was created. Specific data elements contained in the Deposit Materials are identified in Table 1.

Daily Escrow Deposits:

VNDS will securely and electronically deposit a transaction log for each operational Registrar representing transactions that occurred over the previous 24 hour period (the “Additional Deposit”). The logs will be escrowed daily, being in the form of Additional Deposit each Tuesday through Sunday, and being in the form of the Weekly Deposit Materials each Monday, which shall capture that Sunday’s data. The Daily Additional Deposit will act as incremental updates to the Weekly Deposit Materials and will include all Registrar activity, such as add, delete, and transfer of a domain name. Specific data elements contained in the Additional Deposit are identified in Table 2.

Electronic Delivery Service Escrow Deposit Method:

The “Electronic Delivery Service” escrow deposit method shall mean and refer to the following: VNDS shall transmit the Deposit Materials and Additional Deposit to a secure server on a weekly and daily basis, respectively. VNDS shall provide a secure ID and password for Data Escrow Provider. Data Escrow Provider shall pull the transmitted data from the server and store it in a secured location. The transmitted data will be made available to Data Escrow Provider as follows:

Daily Deposits:

Daily transactional data will be made available at the close of business each Tuesday through Sunday for the previous calendar day. For example, transactional data created on Monday would be available to the escrow company on Tuesday at the close of business. The results of transactions completed on Sunday will be made available in the Weekly Deposit Materials, thus no separate Daily Additional Deposit will be made for Sunday activity.

Weekly Deposits:

Weekly database snapshots taken at midnight on Sundays will be available not later than 6 p.m. each Monday.

Data Transmission File Sizes:

The Weekly Deposit Materials shall include the Registrar Domain Report, Registrar Nameserver Report, and Registrar Whois Report, and may include Domain Name Registrant Data, DNSSEC-Related Data and Registry Service Data as set forth below.

FILE SIZE ESTIMATES

	Daily	**Weekly**
Current Data Escrow Size	up to 400 Megabytes	up to 4 Gigabytes
Forecasted 2005 Data Escrow Size	up to 600 Megabytes	up to 7.5 Gigabytes
Total Forecasted Escrow Size	up to 1.5 Gigabytes	up to 15 Gigabytes

Table 1: Weekly Deposit Materials Format

Registrar Weekly Reports

1. Registrar Domain Report

Title: Registrar Domain Report
Report name: rgr_domain
Description: This report contains data for domains sponsored by all registrars. Each domain is listed once with the current status and associated nameserver.

Fields:

Domain Name (domainname)
Server name for each nameserver (servername)
Registrar ID (GURID)
Updated Date (updatedate)
Creation Date (createdate)
Expiration Date (expirationdate)
Status Information (statusname)
DNSSEC-Related Key Material (dnssec) [as applicable]

2. Registrar Nameserver Report

Title: Registrar Nameserver Report
Report name: rgr_nameserver
Description: This report contains data for all nameservers sponsored by all registrars. The nameserver is listed once with all associated information.

Fields:

Server Name (servername)
IP Address (ipaddress)
Registrar ID (gurid)
Updated Date (updatedate)
Creation Date (createdate)
Expiration Date (expirationdate)
Status Information (statusname)

3. Registrar Whois Report

Title: Registrar Whois Report
Report name: Registrar Whois
Description: This report contains data for registrars sponsoring registered domains and nameservers and will consist of one record for each registrar.

Fields:

Registrar ID (REGISTRARID)
Registrar Name (REGISTRARNAME)
Address 1 (ADDRESSLINE1)
Address 2 (ADDRESSLINE2)

Address 3 (ADDRESSLINE3)
City (CITY)
State / Province (STATEPROVINCE)
Postal Code (POSTALCODE)
Country (COUNTRYCODE)
Telephone Number (PHONENUMBER)
Fax Number (FAXNUMBER)
E-Mail Address (EMAIL)
Whois Server (WHOISSERVER)
Web URL (URL)
Updated Date (UPDATEDATE)
Administrative Contact First Name(ADMINFNAME)
Administrative Contact Last Name (ADMINLNAME)
Administrative Contact Telephone Number (ADMINPHONE)
Administrative Contact E-Mail (ADMINEMAIL)
Billing Contact First Name (BILLINGFNAME)
Billing Contact Last Name (BILLINGLNAME)
Billing Contact Telephone Number (BILLINGPHONE)
Billing Contact E-Mail (BILLINGEMAIL)
Technical Contact First Name (TECHFNAME)
Technical Contact Last Name (TECHLNAME)
Technical Contact Telephone Number (TECHPHONE)
Technical Contact E-Mail (TECHEMAIL)

4. Domain Name Registrant Data

   If VNDS requires registrars to provide it with registrant domain name registration data, VNDS shall escrow such registrant domain name registration data that is collected from registrars.

5. DNSSEC-Related Data

   If VNDS requires registrars to provide it with DNSSEC related material necessary to sign the .com zone (e.g., public and private portions of the .com zone) key-signing keys and zone-signing keys, VNDS shall escrow such DNSSEC-related material.

6. Registry Services Data

   VNDS shall escrow data collected from registrars as part of offering Registry Services introduced after the Effective Date of its Registry Agreement with ICANN, if any.

Table 2: Daily Additional Deposit Format

Registrar Daily Additional Deposits

1. Registrar Transaction Report
Title: Registrar Transaction Report

Report name: rgr_transaction
Description: This report contains transactions associated with a specific registrar. Domain operations produce one row for each associated nameserver. Nameserver operations produce one row for each associated ipaddress. A transactionid is included to allow unique identification of transactions. The content of columns 3 and 4 is dependent on the operation in the following ways:

operation Œ (ADD_DOMAIN, MOD_DOMAIN, DEL_DOMAIN) => [domainname][servername]
operation Œ (ADD_NAMESERVER, MOD_ NAMESERVER, DEL_ NAMESERVER) => [ipaddress][servername]
operation Œ (TRANSFER_DOMAIN) => [domainname][null]

Only the seven (7) operation types above are included in the report.

Fields:

transactionid
operationname
domainname | ipaddress
servername | null
transactiondate

1. ADDITIONAL TERMS AND CONDITIONS

Registry Operator shall periodically deposit into escrow all Data on a schedule (not more frequently than weekly for a complete set of Data, and daily for incremental updates) and in an electronic format mutually approved from time to time by Registry Operator and ICANN, such approval not to be unreasonably withheld by either party. The escrow shall be maintained, at Registry Operator's expense, by a reputable escrow agent mutually approved by Registry Operator and ICANN, such approval also not to be unreasonably withheld by either party. The schedule, content, format, and procedure for escrow deposits shall be as reasonably established by ICANN from time to time. Changes to the schedule, content, format, and procedure may be made only with the mutual written consent of ICANN and Registry Operator (which neither party shall unreasonably withhold) or through the establishment of Consensus Policies as set forth in Section 3.1(b) of the Registry Agreement between VNDS and ICANN. The escrow shall be held under an agreement, substantially in the form of Appendix 2, among ICANN, Registry Operator, and the Escrow Agent.

2. PERIOD OF PERFORMANCE

Period of Performance shall be as defined by section 7(a) of this Escrow Agreement.

3. FEE SCHEDULE

Fees to be paid by VNDS shall be as follows:

Initialization fee (one time only) $ _____

*Annual maintenance/storage fee $ _____
*includes two cubic feet of storage space

Additional Services Available:

Electronic Updates
Transmitted once daily $ _____
Price quoted is limited to 650 MB per update.

Electronic Updates over 650 MB $ _____
Fee incurred for updates over 650 MB will be billed on a monthly basis.
Additional Services
Verification / File Listing Services $ _____
(This includes up to one hour of service for each deposit)

Additional Storage Space $ _____

Payable by Licensee or Producer Only Upon Release Request:

Due Only Upon Licensee's or Producer's
Request for Release of Deposit Materials $ _____

Fees due in full, in US dollars, upon receipt of signed contract or deposit material, whichever comes first. Thereafter, fees shall be subject to their current pricing, provided that such prices shall not increase by more than 10% per year. The renewal date for this Agreement will occur on the anniversary of the first invoice. If other currency acceptance is necessary, please contact your Account Manager to make arrangements.

EXHIBIT B

The goal of the Escrow Process is to periodically encapsulate all Registrar-specific information into a single Escrow File and to make this file available to a third party for escrow storage. Existing Daily and Weekly reports as well as a Registrars Report (note a) will be used to construct the Escrow File because these reports, when taken together, describe completely the entire set of domains, nameservers, and Registrars.

The Escrow Process employs a method of encapsulation whereby the Daily, Weekly, and Registrar reports are concatenated, compressed, signed, and digested into a single file. The format of this encapsulation enables the single file to be verified for Completeness (note b), Correctness (note c), and Integrity (note d) by a third party. The Escrow Process includes data format specification for each report file using regular expression algebra. This format specification is stored with the report file itself and is used for format verification later. The report file along with data format specification is then digitally signed for authentication, non-repudiation and message integrity verification.

Verification Process

The goal of the Verification Process is to verify Completeness (note b), Correctness (note c), and Integrity (note d) of an Escrow File. The Verification Process uses layers of meta-data encapsulated in the Escrow File to construct a Verification Report (note f). The verification report produced by the verification process indicates whether the data file meets the authentication requirements. The report has 2 sections actions and results. Actions section describes each of the actions taken against the data file and whether those actions met success or failure. Results section describes the results of the Verification Process. If there was a failure in the Actions section then the Results section will describe details of the failure and indicate that the Data File is corrupt and cannot be verified. If no errors are present the Results section will indicate that the file is valid.

Notes

a. Registrars Report

The existing Daily and Weekly reports associate Data and transactions to specific Registrars by naming each report with a specific Registrar Id. The Registrar report provides a mapping between these Registrar Ids and other associated Registrar information such as name, credit, billing address, contact info, and location.

b. Completeness

A data file transfer is complete if all data files transferred from the source machine are present on the destination machine.

c. Correctness

A data file transfer is correct if each data file on the destination machine has the same information content as that on source machine.

d. Integrity

A data file transfer has integrity if no data file was altered by a third party while in transit.

e. Regular Expression Algebra

The regular expression algebra is a powerful data description language. The data structure description can be as specific or generic as necessary.

f. Verification Report

The verification report produced by the Verification Process indicates whether a Data File meets the authentication requirements. The report has 2 sections:

Actions

This section describes each of the actions taken against the Data File and whether those actions met “SUCCESS” or “FAILURE”.

Results

This section describes the results of the Verification Process. If there was a “FAILURE” in the Actions section then the Results section will describe details of

the failure and indicate that the Data File is corrupt and cannot be verified. If no errors are present the Results section will enumerate the Report Files contained within the Data File and indicate that the file is valid.

.COM Agreement Appendix 2

Escrow Agreement

This Escrow Agreement ("Agreement") is made as of this __ day of _____, ____, by and between VeriSign, Inc. ("VNDS"), [Escrow Agent] ("Escrow Agent"), and the Internet Corporation for Assigned Names and Numbers ("ICANN").

Preliminary Statement. VNDS intends to deliver the "Deposit Materials" and any "Additional Deposit" to Escrow Agent as defined and provided for herein. VNDS desires Escrow Agent to hold the Deposit Materials and, upon certain events described herein, deliver the Deposit Materials (or a copy thereof) to ICANN in accordance with the terms hereof.

Now, therefore, in consideration of the foregoing, of the mutual promises hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Delivery by VNDS. VNDS shall be solely responsible for delivering to Escrow Agent the Deposit Materials, as defined and described in Exhibit A, the "Task Order and Statement of Work," attached as Appendix 1 to the .com Registry Agreement between VNDS and ICANN and incorporated herein by reference. VNDS may elect to deliver the Deposit Materials by the "Electronic Delivery Service," defined in Exhibit A to Appendix 1 or in a manner mutually agreed upon by Escrow Agent and VNDS. Upon receipt of the Deposit Materials via Electronic Delivery Service, Escrow Agent shall download the Deposit Materials onto CD-ROM, or other electronic storage media as mutually agreed upon by Escrow Agent and VNDS, and generate a file listing, which Escrow Agent shall, within ten (10) business days of the end of each calendar month, forward to VNDS, via email or United States mail. Within two (2) business days after receiving them, Escrow Agent shall verify that any Deposit Materials are in the proper format and appear to be complete by performing the verification procedures specified in Exhibit B of Appendix 1. Escrow Agent shall deliver, on the last business day of each month, a written certification to ICANN that it has performed those verification procedures on all Deposit Materials received during the last month and shall deliver to ICANN a copy of the verification reports generated by those procedures. If Escrow Agent discovers that any Deposit Materials fail the verification procedures, Escrow Agent shall notify ICANN and VNDS of such nonconformity within forty-eight (48) hours. Escrow Agent shall then hold the Deposit Materials in accordance with the terms and conditions hereof.

2. Duplication; Periodic Updates

(a) Escrow Agent may duplicate the Deposit Materials by any means in order to comply with the terms and provisions of this Agreement. Alternatively, Escrow Agent, by notice to VNDS, may reasonably require VNDS to promptly duplicate the Deposit Materials and forward the same to Escrow Agent.

(b) VNDS shall deposit with Escrow Agent the "Additional Deposit," as defined and described in the attached Exhibit A of Appendix 1. Within two (2) business days after receiving them, Escrow Agent shall verify that any Additional Deposits are in the proper format and appear to be complete by performing the verification procedures specified in Exhibit B of Appendix 1. Escrow Agent shall deliver, on the last business day of each month, a written certification to ICANN that it has performed those verification procedures on all Additional Deposits received during the last month and shall deliver to ICANN a copy of the verification reports generated by those procedures. If Escrow Agent discovers that any Additional Deposits fail the verification procedures, Escrow Agent shall notify ICANN and VNDS of such nonconformity within forty-eight (48) hours.

3. Notification of Deposits. Simultaneous with the delivery to Escrow Agent of the Deposit Materials or any Additional Deposit, as the case may be, VNDS shall deliver to Escrow Agent a written statement, via email, specifically identifying all items deposited and stating that the Deposit Materials and/or any Additional Deposit have been inspected by VNDS and are complete and accurate. Escrow Agent shall, within ten (10) business days of receipt of any Deposit Materials or Additional Deposit, send notification to VNDS, via email, that it has received from VNDS such Deposit Materials and/or any such Additional Deposit. In addition, Escrow Agent shall also include a copy of the verification report as confirmation that it has run the verification process.

4. Delivery by Escrow Agent

4.1 Delivery by Escrow Agent to ICANN. Escrow Agent shall deliver the Deposit Materials and any Additional Deposits received since the last submission of Deposit Material ("Outstanding Additional Deposits"), or a complete copy thereof, to ICANN only in the event that:

(a) VNDS notifies Escrow Agent to effect such delivery to ICANN at a specific address, the notification being accompanied by a check payable to Escrow Agent in the amount of one hundred dollars ($100.00); or

(b) Escrow Agent receives from ICANN:

(i) Written notification that the Registry Agreement between VNDS and ICANN dated _____, 2005 ("Registry Agreement") has been finally, validly and legally terminated under Section 6 of the Registry Agreement and no injunction or similar order has been obtained from an arbitrator or court prohibiting ICANN from securing the data in this escrow ("Registry Termination");

(ii) evidence satisfactory to Escrow Agent that ICANN has previously notified VNDS of such Registry Termination in writing;

(iii) a written demand that the Deposit Materials and Outstanding Additional Deposits be released and delivered to ICANN;

(iv) a written undertaking from ICANN that the Deposit Materials and Outstanding Additional Deposits being supplied to ICANN will be used only as permitted under the terms of the Registry Agreement;

(v) specific instructions from ICANN for this delivery; and

(vi) a check from VNDS, or from ICANN (who will then be reimbursed by VNDS), payable to Escrow Agent in the amount of one hundred dollars ($100.00); or

(c) Release occurs according to Paragraph 8(b) below.

4.2 Delivery at VNDS's Request. If the provisions of 4.1(a) are satisfied, Escrow Agent shall, within five (5) business days after receipt of the notification and check specified in Paragraph 4.1(a), deliver the Deposit Materials and Outstanding Additional Deposits in accordance with the applicable instructions.

4.3 Delivery at ICANN's Request. If the provisions of Paragraphs 4.1(b) or 4.1(c) are satisfied, Escrow Agent within five (5) business days after receipt of all the documents specified in these paragraphs, shall deliver the following: (i) to VNDS, a photostatic copy of all such documents; (ii) to ICANN, as specifically instructed by ICANN, electronic copies of the Deposit Materials and electronic copies of the Outstanding Additional Deposits; provided, however, that if the delivery is commenced by reason of Paragraph 4.1 (c), VNDS may make the payment owing to Escrow Agent during the five (5) business day period referenced above, and Escrow Agent shall not thereafter deliver to ICANN the materials specified in subpart (ii), above. Following receipt of the notice to VNDS under subpart (i) of the preceding sentence, VNDS shall have thirty (30) days from the date on which VNDS receives such documents ("Objection Period") to notify Escrow Agent of its objection ("Objection Notice") to the release of the Deposit Materials to ICANN and request that the issue of entitlement to a copy of the Deposit Materials be submitted to arbitration in accordance with the following provisions:

(a) The sending of an Objection Notice shall not delay delivery of Deposit Materials and Outstanding Additional Deposits to ICANN.

(b) If VNDS shall send an Objection Notice to Escrow Agent during the Objection Period, the matter shall be submitted to and settled by arbitration by a panel of three (3) arbitrators chosen by the American Arbitration Association in accordance with the rules of the American Arbitration Association. The arbitrators shall apply the law of California exclusive of its conflicts of laws rules. At least one (1) arbitrator shall be reasonably familiar with the Internet industry. The decision of the arbitrators shall be binding and conclusive on all parties involved, and judgment upon their decision may be entered in a court of competent jurisdiction. All costs of the arbitration incurred by Escrow Agent, including reasonable attorneys' fees and costs, shall be paid by the party which does not

prevail in the arbitration; provided, however, if the arbitration is settled prior to a decision by the arbitrators, the parties involved in the arbitration shall each pay an equal percentage of all such costs.

(c) Notwithstanding Paragraph 4.3(b), the parties agree that any arbitration brought pursuant to Paragraph 4.3 shall not re-evaluate, reconsider, or otherwise subject to review any issues, causes of action, or other claims which were decided, in an arbitration or court decision involving the parties hereto concerning the Registry Agreement and/or the Cooperative Agreement, and that any decision regarding such issues or claims in an arbitration brought pursuant to Paragraph 4.3 would be invalid, unenforceable, and not binding. The propriety, validity, legality, or effectiveness of any terminations or actions under the Registry Agreement and/or Cooperative Agreement shall be determined solely through procedures and remedies provided for by those respective agreements, not through any arbitration brought pursuant to Paragraph 4.3. Any arbitration proceeding brought pursuant to Paragraph 4.3 shall be limited to a determination of whether Paragraphs 4.1(b) and (c) have been satisfied.

(d) VNDS may, at any time prior to the commencement of arbitration proceedings, notify Escrow Agent that VNDS has withdrawn the Objection Notice. Upon receipt of any such notice from VNDS, Escrow Agent shall promptly deliver Deposit Materials and Outstanding Additional Deposits to ICANN in accordance with the instructions provided by ICANN.

(e) If the release of materials to ICANN pursuant to Paragraph 4.3 is judged to be proper in any arbitration brought in accordance with Paragraph 4.3, Escrow Agent shall promptly deliver to ICANN, in accordance with the instructions specified in Paragraph 4.1(b)(v) above, any Deposit Materials and Outstanding Additional Deposits that have not previously been delivered. All parties agree that Escrow Agent shall not be required to deliver such Deposit Materials and Outstanding Additional Deposits until all such fees then due to Escrow Agent have been paid.

(f) If the release of the Deposit Materials and Outstanding Additional Deposits to ICANN pursuant to Paragraph 4.3 is judged to have been improper in any arbitration brought in accordance with Paragraph 4.3, ICANN shall promptly return or destroy, at VNDS's discretion, those Deposit Materials and Outstanding Additional Deposits that were received by ICANN pursuant to Paragraph 4.3.

4.4 Delivery by Escrow Agent to VNDS. Escrow Agent shall release and deliver the Deposit Materials and any Additional Deposit to VNDS upon termination of this Agreement in accordance with Paragraph 7(a) or 7(b) hereof.

5. Indemnity. VNDS and ICANN shall jointly and severally indemnify and hold harmless Escrow Agent and each of its directors, officers, agents, employees and stockholders ("Escrow Agent Indemnitees") absolutely and forever, from and against any and all claims, actions, damages, suits, liabilities, obligations, costs, fees, charges, and any other expenses whatsoever, including reasonable

attorneys' fees and costs, that may be asserted by a third party against any Escrow Agent Indemnitee in connection with this Agreement or the performance of Escrow Agent or any Escrow Agent Indemnitee hereunder. Escrow Agent shall likewise indemnify VNDS, ICANN, and each of their directors, officers, agents, employees and stockholders ("Indemnitees") absolutely and forever, from and against any and all claims, actions, damages, suits, liabilities, obligations, costs, fees, charges, and any other expenses whatsoever, including reasonable attorneys' fees and costs, that may be asserted by a third party against any Indemnitee in connection with the misrepresentation, negligence or misconduct of Escrow Agent, its employees, or contractors in satisfying Escrow Agent's obligations under this Agreement.

6. Disputes and Interpleader.

(a) Escrow Agent may submit any dispute under this Agreement to any court of competent jurisdiction in an interpleader or similar action other than a matter submitted to arbitration after Escrow Agent's receipt of an Objection Notice under Paragraph 4 and the parties under this Agreement submit the matter to such arbitration as described in Paragraph 4 of this Agreement. Any and all costs incurred by Escrow Agent in connection therewith, including reasonable attorneys' fees and costs, shall be borne 50% by each of VNDS and ICANN.

(b) Escrow Agent shall perform any acts ordered by any court of competent jurisdiction, without any liability or obligation to any party hereunder by reason of such act.

7. Term and Renewal.

(a) The initial term of this Agreement shall be two (2) years, commencing on the date hereof (the "Initial Term"). This Agreement shall be automatically extended for an additional term of one year ("Additional Term") at the end of the Initial Term and at the end of each Additional Term hereunder unless, on or before ninety (90) days prior to the end of the Initial Term or an Additional Term, as the case may be, either (i) Escrow Agent or (ii) VNDS, with the concurrence of ICANN, notifies the other parties that it wishes to terminate the Agreement at the end of such term.

(b) In the event VNDS gives notice of its intent to terminate pursuant to Paragraph 7(a), and ICANN fails to concur according to Paragraph 7(a), ICANN shall be responsible for payment of all subsequent fees in accordance with Exhibit A of Appendix 1 and shall have the right to terminate this Agreement at the end of the Initial Term or any Additional Term upon giving the other parties ninety (90) days notice.

(c) In the event of termination of this Agreement in accordance with Paragraph 7(a) or 7(b) hereof, VNDS shall pay all fees due Escrow Agent and shall promptly notify ICANN that this Agreement has been terminated and that Escrow Agent shall return to VNDS all copies of the Deposit Materials and any Additional Deposit then in its possession.

8. Fees. VNDS shall pay to Escrow Agent the applicable fees in accordance with Exhibit A of Appendix 1 as compensation for Escrow Agent's services under this Agreement. The first year's fees are due upon receipt of the signed contract or Deposit Materials, whichever comes first, and shall be paid in U.S. Dollars.

(a) Payment. Escrow Agent shall issue an invoice to VNDS following execution of this Agreement ("Initial Invoice"), on the commencement of any Additional Term hereunder, and in connection with the performance of any additional services hereunder. Payment is due upon receipt of an invoice. All fees and charges are exclusive of, and VNDS is responsible for the payment of, all sales, use and like taxes. Escrow Agent shall have no obligations under this Agreement until the Initial Invoice has been paid in full by VNDS.

(b) Nonpayment. In the event of non-payment of any fees or charges invoiced by Escrow Agent, Escrow Agent shall give notice of non-payment of any fee due and payable hereunder to VNDS and, in such an event, VNDS shall have the right to pay the unpaid fee within ten (10) business days after receipt of notice from Escrow Agent. If VNDS fails to pay in full all fees due during such ten (10) day period, Escrow Agent shall give notice of non-payment of any fee due and payable hereunder to ICANN and, in such event, ICANN shall have the right to pay the unpaid fee within ten (10) business days of receipt of such notice from Escrow Agent. Upon payment of the unpaid fee by either VNDS or ICANN, as the case may be, this Agreement shall continue in full force and effect until the end of the applicable term. Upon a failure to pay the unpaid fee under this Paragraph 8(b) by either VNDS or ICANN, or by VNDS under 4.3, the Escrow Agent shall proceed as set forth in Paragraph 4.3 as though ICANN had requested delivery of the Deposit Materials.

9. Ownership of Deposit Materials. The parties recognize and acknowledge that ownership of the Deposit Materials during the effective term of this Agreement shall remain with VNDS at all times.

10. Retention and Confidentiality.

(a) Retention. Escrow Agent shall hold and maintain the Deposit Materials in a secure, locked, and environmentally safe facility which is accessible only to authorized representatives of Escrow Agent. Escrow Agent shall use commercially reasonable efforts to protect the integrity of the Deposit Materials. Each of ICANN and VNDS shall have the right to inspect Escrow Agent's written records with respect to this Agreement upon reasonable prior notice and during normal business hours.

(b) Confidentiality. Escrow Agent shall at all times protect the confidentiality of the Deposit Materials. Except as provided in this Agreement, Escrow Agent shall not disclose, transfer, make available, or use any Deposit Materials (or any

copies of any Deposit Materials). Should Escrow Agent be put on notice that it is required to disclose any Deposit Materials by statute, rule, regulation, order, or other requirement of a governmental agency, legislative body, court of competent jurisdiction, or binding arbitral body (other than any requirement pursuant to Sections 4 or 8(b) of this Agreement), Escrow Agent shall notify ICANN and VNDS within seven (7) days or as soon as practicable and reasonably cooperate with VNDS and/or ICANN in any contest of the disclosure. Should any contest prove unsuccessful, Escrow Agent shall not be held liable for any disclosure pursuant to such governmental, legislative, judicial, or arbitral order, statute, rule, regulation, or other requirement.

11. Miscellaneous.

(a) Remedies. Except for misrepresentation, negligence or misconduct by Escrow Agent, its employees, or contractors, Escrow Agent shall not be liable to VNDS or to ICANN for any act, or failure to act, by Escrow Agent in connection with this Agreement. Any liability of Escrow Agent regardless of the cause shall be limited to the fees exchanged under this Agreement. Escrow Agent will not be liable for special, indirect, incidental or consequential damages hereunder.

(b) Permitted Reliance and Abstention. Escrow Agent may rely and shall be fully protected in acting or refraining from acting upon any notice or other document believed by Escrow Agent in good faith to be genuine and to have been signed or presented by the proper person or entity. Escrow Agent shall have no duties or responsibilities except those expressly set forth herein.

(c) Independent Contractor. Escrow Agent is an independent contractor and is not an employee or agent of either VNDS or ICANN.

(d) Amendments. This Agreement shall not be modified or amended except by another agreement in writing executed by each of the parties hereto.

(e) Assignment. Neither VNDS nor ICANN may assign or transfer this Agreement (by merger, sale of assets, operation of law, or otherwise), except that the rights and obligations of VNDS or ICANN automatically shall be transferred to the assignee of one of those parties' rights and obligations under the Registry Agreement. Escrow Agent may not assign or transfer this Agreement without the prior written consent of both VNDS and ICANN.

(f) Entire Agreement. This Agreement, including all exhibits hereto, supersedes all prior discussions, understandings and agreements between Escrow Agent and the other parties with respect to the matters contained herein, and constitutes the entire agreement between Escrow Agent and the other parties with respect to the matters contemplated herein. All exhibits attached to Appendix 1, specifically, Exhibit A (consisting of Task Order and Statement of Work, File Size Estimates, Table 1, Table 2, and Additional Terms and Conditions), Exhibit B, are by this reference made a part of this Agreement and are incorporated herein.

(g) Counterparts; Governing Law. This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. This Agreement shall be governed by and interpreted in accordance with the laws of California, without regard to its conflicts of law principles. Except as specifically provided for herein, all of the parties additionally consent to the personal jurisdiction of California, acknowledge that venue is proper in any state and Federal court in California, agree to any action related to this Agreement properly brought in one of these courts, and waive any objection it has or may have in the future with respect to any of the foregoing.

(h) Notices. All notices, requests, demands or other communications required or permitted to be given or made under this Agreement shall be in writing and shall be delivered by hand or by commercial overnight delivery service which provides for evidence of receipt, or mailed by certified mail, return receipt requested, postage prepaid. If delivered personally or by commercial overnight delivery service, the date on which the notice, request, instruction or document is delivered shall be the date on which delivery is deemed to be made, and if delivered by mail, the date on which such notice, request, instruction or document is received shall be the date on which delivery is deemed to be made. Any party may change its address for the purpose of this Agreement by notice in writing to the other parties as provided herein.

(i) Survival. Paragraphs 5, 6, 8, 9, 10 and 11 shall survive any termination of this Agreement.

(j) No Waiver. No failure on the part of any party hereto to exercise, and no delay in exercising any right, power or single or partial exercise of any right, power or remedy by any party will preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No express waiver or assent by any party hereto to any breach of or default in any term or condition of this Agreement shall constitute a waiver of or an assent to any succeeding breach of or default in the same or any other term or condition hereof.

IN WITNESS WHEREOF each of the parties has caused its duly authorized officer to execute this Agreement as of the date and year first above written.

Escrow Agent

By:
Title: _____
Print Name: _____
Address: _____
_____

Phone: _____

Fax: _____

E-mail: _____

VeriSign, Inc.

By:

Title: _____

Print Name: _____

Address: _____

_____

_____

Phone: _____

Fax: _____

E-mail: _____

Internet Corporation for Assigned Names and Numbers

By:

Title: _____

Print Name: _____

Address: _____

_____

_____

Phone: _____

Fax: _____

E-mail: _____

.COM Registry Agreement: Appendix 3
Zone File Access Agreement

1. PARTIES

The User named in this Agreement hereby contracts with VeriSign, Inc. ("VNDS") for a non-exclusive, non-transferable, limited right to access an Internet host server or servers designated by VNDS from time to time, and to transfer a copy of the described Data to the User's Internet host machine specified below, under the terms of this Agreement. Upon execution of this Agreement by VNDS, VNDS will return a copy of this Agreement to you for your records with your UserID and Password entered in the spaces set forth below.

2. USER INFORMATION

(a) User: _____

(b) Contact Person: _____

(c) Street Address: _____

(d) City, State or Province: _____

(e) Country and Postal Code: _____

(f) Telephone Number: _____
(including area/country code)

(g) Fax Number: _____
(including area/country code)

(h) E-Mail Address: _____

(i) Specific Internet host machine which will be used to access VNDS's server to transfer copies of the Data:

Name: _____

IP Address: _____

(j) Purpose(s) for which the Data will be used: During the term of this Agreement, you may use the data for any legal purpose, not prohibited under Section 4 below. You may incorporate some or all of the Data in your own products or services, and distribute those products or services for a purpose not prohibited under Section 4 below.

3. TERM

This Agreement is effective for a period of three (3) months from the date of execution by VNDS (the "Initial Term"). Upon conclusion of the Initial Term, this

Agreement will automatically renew for successive three-month renewal terms (each a “Renewal Term”) until terminated by either party as set forth in Section 12 of this Agreement or one party provides the other party with a written notice of termination at least seven (7) days prior to the end of the Initial Term or the then current Renewal Term.

NOTICE TO USER: CAREFULLY READ THE FOLLOWING TERMS AND CONDITIONS. YOU MAY USE THE USER ID AND ASSOCIATED PASSWORD PROVIDED IN CONJUNCTION WITH THIS AGREEMENT ONLY TO OBTAIN A COPY OF .COM TOP-LEVEL DOMAIN (“TLD”) ZONE FILES, AND ANY ASSOCIATED ENCRYPTED CHECKSUM FILES (COLLECTIVELY THE “DATA”), VIA THE FILE TRANSFER PROTOCOL (“FTP”) OR HYPERTEXT TRANSFER PROTOCOL (“HTTP”) PURSUANT TO THESE TERMS.

4. GRANT OF ACCESS

VNDS grants to you a non-exclusive, non-transferable, limited right to access an Internet host server or servers designated by VNDS from time to time, and to transfer a copy of the Data to the Internet host machine identified in Section 2 of this Agreement no more than once per 24 hour period without the express prior written consent of VNDS using FTP or HTTP for the purposes described in this Section 4. You agree that you will:

(a) use this Data only for lawful purposes but that under no circumstances will you use this Data to: (1) allow, enable, or otherwise support any marketing activities, regardless of the medium used. Such media include but are not limited to e-mail, telephone, facsimile, postal mail, SMS, and wireless alerts; or (2) enable high volume, automated, electronic processes that send queries or data to the systems of VNDS or any ICANN-accredited registrar, except as reasonably necessary to register domain names or modify existing registrations. VNDS reserves the right, with the approval of the Internet Corporation for Assigned Names and Numbers (“ICANN”), to specify additional specific categories of prohibited uses by giving you reasonable written notice at any time and upon receiving such notice you shall not make such prohibited use of the Data you obtain under this Agreement.

(b) copy the Data you obtain under this Agreement into a machine-readable or printed form only as necessary to use it in accordance with this Agreement in support of your use of the Data.

(c) comply with all applicable laws and regulations governing the use of the Data.

(d) not distribute the Data you obtained under this Agreement or any copy thereof to any other party without the express prior written consent of VNDS, except that you may redistribute the Data insofar as it has been incorporated by you into a value-added product or service that does not permit the extraction of a substantial portion of the Data from the value-added product or service, provided you prohibit the recipient of the Data from using the Data in a manner contrary to Section 4(a).

(e) take all reasonable steps to protect against unauthorized access to, use, and disclosure of the Data you obtain under this Agreement.

5. FEE

You agree to remit in advance to VNDS a quarterly fee of $0 (USD) for the right to access the files during either the Initial Term or Renewal Term of this Agreement. VNDS reserves the right to adjust, with the approval of ICANN, this fee on thirty days' prior notice to reflect a change in the cost of providing access to the files.

6. PROPRIETARY RIGHTS

You agree that no ownership rights in the Data are transferred to you under this Agreement. You agree that any copies of the Data that you make will contain the same notice that appears on and in the Data obtained under this Agreement.

7. METHOD OF ACCESS

VNDS reserves the right, with the approval of ICANN, to change the method of access to the Data at any time. You also agree that, in the event of significant degradation of system processing or other emergency, VNDS may, in its sole discretion, temporarily suspend access under this Agreement in order to minimize threats to the operational stability and security of the Internet.

8. NO WARRANTIES

The Data is being provided "as-is." VNDS disclaims all warranties with respect to the Data, either expressed or implied, including but not limited to the implied warranties of merchantability, fitness for a particular purpose, and non-infringement of third party rights. Some jurisdictions do not allow the exclusion of implied warranties or the exclusion or limitation of incidental or consequential damages, so the above limitations or exclusions may not apply to you.

9. SEVERABILITY

In the event of invalidity of any provision of this Agreement, the parties agree that such invalidity shall not affect the validity of the remaining provisions of this Agreement.

10. NO CONSEQUENTIAL DAMAGES

In no event shall VNDS be liable to you for any consequential, special, incidental or indirect damages of any kind arising out of the use of the Data or the termination of this Agreement, even if VNDS has been advised of the possibility of such damages.

11. GOVERNING LAW

This Agreement shall be governed and construed in accordance with the laws of the Virginia, USA. You agree that any legal action or other legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement shall be brought or otherwise commenced only in the state or federal courts in Fairfax County and the Eastern District of the Commonwealth of in Virginia, USA. You expressly and irrevocably agree and consent to the personal jurisdiction and venue of the federal and states courts located Virginia, USA (and each appellate court located therein) for maters arising in connection with this Agreement or your obtaining, use, or distribution of the Data. The United Nations Convention on Contracts for the International Sale of Goods is specifically disclaimed.

12. TERMINATION

You may terminate this Agreement at any time by erasing the Data you obtained under this Agreement from your Internet host machine together with all copies of the Data and providing written notice of your termination to VNDS at 21345 Ridgetop Circle, Dulles, VA 20169, Attention: Customer Service. VNDS has the right to terminate this Agreement immediately if you fail to comply with any term or condition of this Agreement. You agree upon receiving notice of such termination of this Agreement by VNDS or expiration of this Agreement to erase the Data you obtained under this Agreement together with all copies of the Data.

13. DEFINITION

“Data” means all data contained in a DNS zone file for the Registry TLD as provided to TLD nameservers on the Internet.

14. ENTIRE AGREEMENT

This is the entire agreement between you and VNDS concerning access and use of the Data, and it supersedes any prior agreements or understandings, whether written or oral, relating to access and use of the Data.

VeriSign, Inc.	User:
By: (sign)	By: (sign)
Name: (print)	Name: (print)
Title:	Title:
Date:	Date:

ASSIGNED USERID AND PASSWORD

(To be assigned by VNDS upon execution of this Agreement):

USERID: PASSWORD:

.COM Agreement: Appendix 4

Registry Operator's Monthly Report

Registry Operator shall provide the following information in its monthly reports. Reports shall be submitted via email to <registry-reports@icann.org>. ICANN shall use reasonable commercial efforts to preserve the confidentiality of the information reported until three months after the end of the month to which the report relates.

1. Accredited Registrar Status. State the number of registrars in each of the following three categories: (1) operational, (2) ramp-up (registrars that have received a password for access to OT&E), and (3) pre-ramp-up (registrars that have requested access, but have not yet entered the ramp-up period).

2. Service Level Agreement Performance. Compare Service Level Agreement requirements with actual performance measures for the reporting month.

3. TLD Zone File Access Activity. State the total number of zone file access passwords at end of the reporting month.

4. Completed System Software Releases. Describe significant releases during the reporting month, including release name, features, and completion date.

5. Whois Service Activity. State the number of Whois queries during the reporting month.

6. Total Number of Transactions by Subcategory by Month. State the total number of transactions during the reporting month, in the following subcategories: adds, deletes, modifies, checks, renews, transfers, restores.

7. Daily Transaction Range. Tabulate the number of total daily transactions. The range of transaction volume should be shown for each month, along with the average daily transaction volume.

8. Per-Registrar Activity Report. This report shall be transmitted to ICANN electronically in comma or pipe separated-value format, using the following fields per registrar:

Field #	Field Name	Notes
01	registrar-name	registrar's full corporate name
02	iana-id	http://www.iana.org/assignments/registrar-ids
03	total-domains	total domains under sponsorship
04	total-nameservers	total nameservers registered

05	net-adds-1-yr	domains successfully added (and not deleted within the add grace period)
06	net-adds-2-yr	number of domains successfully registered with an initial term of two years
07	net-adds-3-yr	number of domains successfully registered with an initial term of three years
08	net-adds-4-yr	etc.
09	net-adds-5-yr	“ “
10	net-adds-6-yr	“ “
11	net-adds-7-yr	“ “
12	net-adds-8-yr	“ “
13	net-adds-9-yr	“ “
14	net-adds-10-yr	“ “
15	net-renews-1-yr	domains renewed either automatically or by command (and not deleted within the renew grace period)
16	net-renews-2-yr	number of domains successfully renewed with a new renewal period of two years
17	net-renews-3-yr	number of domains successfully renewed with a new renewal period of three years
18	net-renews-4-yr	etc.
19	net-renews-5-yr	“ “
20	net-renews-6-yr	“ “
21	net-renews-7-yr	“ “
22	net-renews-8-yr	“ “
23	net-renews-9-yr	“ “
24	net-renews-10-yr	“ “
25	transfer-gaining-successful	transfers initiated by this registrar that were ack’d by the other registrar – either by command or automatically
26	transfer-gaining-nacked	transfers initiated by this registrar that were n’acked by the other registrar

27	transfer-losing-successful	transfers initiated by another registrar that this registrar ack'd – either by command or automatically
28	transfer-losing-nacked	transfers initiated by another registrar that this registrar n'acked
29	transfer-disputed-won	number of transfer disputes in which this registrar prevailed
30	transfer-disputed-lost	number of transfer disputes this registrar lost
31	transfer-disputed-nodecision	number of transfer disputes involving this registrar with a split or no decision
32	deleted-domains-grace	domains deleted within the add grace period
33	deleted-domains-nograce	domains deleted outside the add grace period
34	restored-domains	domain names restored from redemption period
35	restored-noreport	total number of restored names for which the registrar failed to submit a restore report

.COM Agreement Appendix 5
Whois Specifications

Public Whois Specification

Registry Operator's Whois service is the authoritative Whois service for all second-level Internet domain names registered in the .com top-level domain and for all hosts registered using these names. This service is available to anyone. It is available via port 43 access and via links at the Registry Operator's web site. It is updated daily.

To use Registry Whois via port 43 enter the applicable parameter on the command line as illustrated below:

- For a domain name: whois "domain verisign.com"
- For a registrar name: whois "registrar Go Daddy Software, Inc."
- For a nameserver: whois "DNS3.REGISTER.COM" or whois "nameserver 216.21.234.72"

By default, Whois performs a very broad search, looking in all record types for matches to your query in these fields: domain name, nameserver name, nameserver IP address, and registrar names. Use keywords to narrow the search (for example, 'domain root'). Specify only part of the search string to perform a "partial" search on domain. Every domain starting with the string will be found. A trailing dot (or dots) after your text or the partial keyword indicates a partial search. For example, entering 'mack.' will find "Mack", "Mackall", "Mackay", and so on.

To use Registry Whois using the web interface:

- Go to www.verisign-grs.com
- Click on the appropriate button ("domain," "registrar" or "nameserver")
- Enter the applicable parameter:
    - Domain name including the TLD (e.g., verisign-grs.com)
    - Full name of the registrar including punctuation, "Inc.", etc. (e.g., America Online, Inc.)
    - Full host name or the IP address (e.g., ns1.crsnic.net or 198.41.3.39)
- Click on the "submit" button.

For all registered second-level domain names in .com, information as illustrated in the following example is displayed, where the entry parameter is the domain name (including the TLD):

Domain Name: VERISIGN-GRS.COM
Registrar: NETWORK SOLUTIONS, LLC.
Whois Server: whois.networksolutions.com
Referral URL: http://www.networksolutions.com
Name Server: NS1.CRSNIC.NET
Name Server: NS2.NSIREGISTRY.NET
Name Server: NS3.VERISIGN-GRS.NET
Name Server: NS4.VERISIGN-GRS.NET
Status: REGISTRAR-LOCK
Updated Date: 20-oct-2004
Creation Date: 08-sep-2000
Expiration Date: 08-sep-2008

>>> Last update of whois database: Wed, 2 Feb 2005 07:52:23 EST <<<

For all ICANN-accredited registrars who are authorized to register .com second-level domain names through Registry Operator, information as illustrated in the following example is displayed, where the entry parameter is the full name of the registrar (including punctuation, “Inc.”, etc.):

Registrar Name: SAMPLE REGISTRAR, INC. DBA SAMPLE NAMES
Address: 1234 Any Way, Anytown, VA 20153, US
Phone Number: 703-555-5555
Email: registrar-agent@samplenames.net
Whois Server: whois.registrar.samplenames.com
Referral URL: www.registrar.samplenames.com
Admin Contact: Jane Doe
Phone Number: 703-555-5556
Email: janedoe@samplenames.com
Admin Contact: John Smith
Phone Number: 703-555-5557
Email: johnsmith@samplenames.com
Admin Contact: Domain Name Administrator
Phone Number: 703-555-5558
Email: dns-eng@samplenames.com
Billing Contact: Petranella Jones
Phone Number: 703-555-5559
Email: pjones@samplenames.com
Technical Contact: Harry Nerd
Phone Number: 703 555-6000
Email: harrynerd@samplenames.com
Technical Contact: Harry Nerd II
Phone Number: 703-555-6001
Email: harrynerd@samplenames.com

>>> Last update of whois database: Wed, 2 Feb 2005 07:52:23 EST <<<

For all hosts registered using second-level domain names in .com, information as illustrated in the following example is displayed, where the entry parameter is either the full host name or the IP address:

Server Name: DNS.MOMINC.COM

IP Address: 209.143.112.34
Registrar: BULKREGISTER, LLC.
Whois Server: whois.bulkregister.com
Referral URL: http://www.bulkregister.com

>>> Last update of whois database: Wed, 2 Feb 2005 07:52:23 EST <<<

Whois Provider Data Specification

Registry Operator shall provide bulk access to up-to-date data concerning domain name and nameserver registrations maintained by Registry Operator in connection with the Registry TLD on a daily schedule, only for purposes of providing free public query-based access to up-to-date data concerning domain name and nameserver registrations in multiple TLDs, to a party designated from time to time in writing by ICANN. The specification of the content and format of this data, and the procedures for providing access, shall be as stated below, until changed according to the Registry Agreement.

Content

The data shall be provided in three files:

A. *Domain file.* One file shall be provided reporting on the domains sponsored by all registrars. For each domain, the file shall give the domainname, servername for each nameserver, registrarid, and updateddate.

B. *Nameserver file.* One file shall be provided reporting on the nameservers sponsored by all registrars. For each registered nameserver, the file shall give the servername, each ipaddress, registrarid, and updateddate.

C. *Registrar file.* A single file shall be provided reporting on the registrars sponsoring registered domains and nameservers. For each registrar, the following data elements shall be given: registrarid, registrar address, registrar telephone number, registrar e-mail address, whois server, referral URL, updateddate and the name, telephone number, and e-mail address of all the registrar's administrative, billing, and technical contacts.

Format

The format for the above files shall be as specified by ICANN, after consultation with Registry Operator.

Procedures for Providing Access

The procedures for providing daily access shall be as mutually agreed by ICANN and Registry Operator. In the absence of an agreement, the files shall be provided by Registry Operator sending the files in encrypted form to the party designated by ICANN by Internet File Transfer Protocol.

Whois Data Specification – ICANN

Registry Operator shall provide bulk access by ICANN to up-to-date data concerning domain name and nameserver registrations maintained by Registry Operator in connection with the .com TLD on a daily schedule, only for purposes of verifying and ensuring the operational stability of Registry Services and the DNS. The specification of the content and format of this data, and the procedures for providing access, shall be as stated below, until changed according to the Registry Agreement.

Content

The data shall be provided in three files:

A. *Domain file.* One file shall be provided reporting on the domains sponsored by all registrars. For each domain, the file shall give the domainname, servername for each nameserver, registrarid, and updateddate.

B. *Nameserver file.* One file shall be provided reporting on the nameservers sponsored by all registrars. For each registered nameserver, the file shall give the servername, each ipaddress, registrarid, and updateddate.

C. *Registrar file.* A single file shall be provided reporting on the registrars sponsoring registered domains and nameservers. For each registrar, the following data elements shall be given: registrarid, registrar address, registrar telephone number, registrar e-mail address, whois server, referral URL, updateddate and the name, telephone number, and e-mail address of all the registrar's administrative, billing, and technical contacts.

Format

The format for the above files shall be as specified by ICANN, after consultation with Registry Operator.

Procedures for Providing Access

The procedures for providing daily access shall be as mutually agreed by ICANN and Registry Operator. In the absence of an agreement, an up-to-date version (encrypted using a public key supplied by ICANN) of the files shall be placed at least once per day on a designated server and available for downloading by ICANN by Internet File Transfer Protocol.

.COM Agreement Appendix 6
Schedule of Reserved Names

Except to the extent that ICANN otherwise expressly authorizes in writing, the Registry Operator shall reserve names formed with the following labels from initial (i.e. other than renewal) registration within the TLD:

A. Labels Reserved at All Levels. The following names shall be reserved at the second level and at all other levels within the TLD at which Registry Operator makes registrations:

ICANN-related names:

- aso
- gnso
- icann
- internic
- ccnso

IANA-related names:

- afrinic
- apnic
- arin
- example
- gtld-servers
- iab
- iana
- iana-servers
- iesg
- ietf
- irtf
- istf
- lacnic
- latnic

- rfc-editor
- ripe
- root-servers

B. Additional Second-Level Reservations. In addition, the following names shall be reserved at the second level:

- All single-character labels.
- All two-character labels shall be initially reserved. The reservation of a two-character label string shall be released to the extent that the Registry Operator reaches agreement with the government and country-code manager, or the ISO 3166 maintenance agency, whichever appropriate. The Registry Operator may also propose release of these reservations based on its implementation of measures to avoid confusion with the corresponding country codes.

C. Tagged Domain Names. All labels with hyphens in the third and fourth character positions (e.g., “bq—1k2n4h4b” or “xn—ndk061n”)

D. Second-Level Reservations for Registry Operations. The following names are reserved for use in connection with the operation of the registry for the Registry TLD. They may be used by Registry Operator, but upon conclusion of Registry Operator’s designation as operator of the registry for the Registry TLD they shall be transferred as specified by ICANN:

- nic
- whois
- www

.COM Agreement Appendix 7
Functional and Performance Specifications

These functional specifications for the Registry TLD consist of the following parts:

1. Verisign Registry Operator Registrar Protocol;

2. Supported initial and renewal registration periods;

3. Grace period policy;

4. Nameserver functional specifications;

5. Patch, update, and upgrade policy; and

6. Migration to Extensible Provisioning Protocol Plan.

7. Performance Specifications

1. Registry Operator Registrar Protocol

1.1 EXTENSIBLE PROVISIONING PROTOCOL

Registry Operator intends to implement the Extensible Provisioning Protocol ("EPP") in conformance with the Proposed Standard and Informational RFCs 3730, 3731, 3732, 3733, 3734, 3735, and 3915 published by the Internet Engineering Task Force ("IETF") and/or any successor standards, versions, modifications or additions thereto as Registry Operator deems reasonably necessary. Subject to the Migration to Extensible Provisioning Protocol Plan described in Section 6 below, Registry Operator will support EPP in conformance with the aforementioned standards. Implementation of EPP is subject to Registry Operator reasonably determining that (i) the standard can be implemented in a way that minimizes disruption to customers; and (ii) the standard provides a solution for which the potential advantages are reasonably justifiable when weighed against the costs that Registry Operator and its registrar customers would incur in implementing the new standard.

1.2 Registry Registrar Protocol

Subject to the Migration to Extensible Provisioning Protocol Plan described in Section 6 below, Registry Operator will support Registry Registrar Protocol ("RRP") Version 2.1.2 in accordance with the patch, update, and upgrade policy below, or any successor standards, versions, upgrades, modifications or additions thereto as it deems reasonably necessary. Registry Operator will provide the current version of the protocol for download on its website by registrars.

2. Supported initial and renewal registration periods

a. Initial registrations of Registered Names (where available according to functional specifications and other requirements) may be made in the registry for terms of up to ten years.

b. Renewal registrations of Registered Names (where available according to functional specifications and other requirements) may be made in the registry for terms not to exceed a total of ten years.

c. Upon change of sponsorship of the registration of a Registered Name from one registrar to another, according to Part A of the ICANN Policy on Transfer of Registrations between Registrars, the term of registration of the Registered Name shall be extended by one year, provided that the maximum term of the registration as of the effective date of sponsorship change shall not exceed ten years.

d. The change of sponsorship of registration of Registered Names from one registrar to another, according to Part B of the ICANN Policy on Transfer of Registrations between Registrars shall not result in the extension of the term of the registrations and Registry Operator may assist in such change of sponsorship.

3. Grace period policy

This section describes Registry Operator's practices for operational "Grace" and "Pending" periods, including relationships among sequential operations that occur within given time frames. A *Grace Period* refers to a specified number of calendar days following a Registry operation in which a domain action may be reversed and a credit may be issued to a registrar. Relevant registry operations in this context are:

- Registration of a new domain,
- Extension of an existing domain,
- Auto-Renew of an existing domain;
- Transfer of an existing domain; and
- Deletion of an existing domain.

Extension of a registration period is accomplished using the RRP or EPP RENEW command or by auto-renewal; registration is accomplished using the RRP ADD command or the EPP CREATE command; deletion/removal is

accomplished using the RRP DEL command or the EPP DELETE command; transfer is accomplished using the RRP or EPP TRANSFER command or, where ICANN approves a bulk transfer under Part B of the ICANN Policy on Transfer of Registrations between Registrars, using the procedures specified in that Part. Restore is accomplished using the RRP RESTORE command or EPP UPDATE command.

There are five grace periods provided by Registry Operator's Shared Registration System: *Add Grace Period, Renew/Extend Grace Period, Auto-Renew Grace Period, Transfer Grace Period, and Redemption Grace Period*.

A *Pending Period* refers to a specified number of calendar days following a Registry operation in which final Registry action is deferred before the operation may be completed. Relevant Registry operations in this context are:

- Transfer of an existing domain,
- Deletion of an existing domain, and
- Restore of a domain name in Redemption Grace Period.

3.1 Grace Periods

3.1.1 Add Grace Period

The *Add Grace Period* is a specified number of calendar days following the initial registration of a domain. The current value of the *Add Grace Period* for all registrars is five calendar days. If a Delete, Extend (RRP or EPP Renew command), or Transfer operation occurs within the five calendar days, the following rules apply:

Delete. If a domain is deleted within the *Add Grace Period*, the sponsoring Registrar at the time of the deletion is credited for the amount of the registration; provided, however, that Registry Operator shall have the right to charge Registrars a fee as may be set forth in its Registry-Registrar Agreement for disproportionate deletes during the *Add Grace Period*. The domain is deleted from the Registry database and is immediately available for registration by any Registrar. See Section 3.2 for a description of overlapping grace period exceptions.

Extend (RRP or EPP Renew command). If a domain is extended within the *Add Grace Period*, there is no credit for the add. The expiration date of the domain registration is extended by the number of years, up to a total of ten years, as specified by the registrar's requested Extend operation.

Transfer (other than ICANN-approved bulk transfer). Transfers under Part A of the ICANN Policy on Transfer of Registrations between Registrars may not occur during the *Add Grace Period* or at any other time within the first 60 days after the initial registration. Enforcement is the responsibility of the Registrar sponsoring the domain name registration and is enforced by the SRS.

Bulk Transfer (with ICANN approval). Bulk transfers with ICANN approval may be made during the *Add Grace Period* according to the procedures in Part B of the ICANN Policy on Transfer of Registrations between Registrars. The expiration dates of transferred registrations are not affected. The losing Registrar's account is charged for the initial add.

3.1.2 Renew/Extend Grace Period

The *Renew/Extend Grace Period* is a specified number of calendar days following the renewal/extension of a domain name registration period through an RRP Command Renew. The current value of the *Renew/Extend Grace Period* is five calendar days. If a Delete, Extend, or Transfer occurs within that five calendar days, the following rules apply:

Delete. If a domain is deleted within the *Renew/Extend Grace Period*, the sponsoring Registrar at the time of the deletion receives a credit of the renew/extend fee. The domain immediately goes into the Redemption Grace Period. See Section 3.2 for a description of overlapping grace period exceptions.

Extend (RRP Command "Renew"). A domain can be extended within the *Renew/Extend Grace Period* for up to a total of ten years. The account of the sponsoring Registrar at the time of the additional extension will be charged for the additional number of years the registration is extended.

Transfer (other than ICANN-approved bulk transfer). If a domain is transferred within the *Renew/Extend Grace Period*, there is no credit. The expiration date of the domain registration is extended by one year and the years added as a result of the Extend remain on the domain name up to a total of 10 years.

Bulk Transfer (with ICANN approval). Bulk transfers with ICANN approval may be made during the *Renew/Extend Grace Period* according to the procedures in Part B of the ICANN Policy on Transfer of Registrations between Registrars. The expiration dates of transferred registrations are not affected. The losing Registrar's account is charged for the Renew/Extend operation.

3.1.3 Auto-Renew Grace Period

The *Auto-Renew Grace Period* is a specified number of calendar days following an auto-renewal. An auto-renewal occurs if a domain name registration is not renewed by the expiration date; in this circumstance the registration will be automatically renewed by the system the first day after the expiration date. The current value of the *Auto-Renew Grace Period* is 45 calendar days. If a Delete, Extend, or Transfer occurs within the *Auto-Renew Grace Period*, the following rules apply:

Delete. If a domain is deleted within the *Auto-Renew Grace Period*, the sponsoring Registrar at the time of the deletion receives a credit of the Auto-Renew fee. The domain immediately goes into the Redemption Grace Period. See Section 3.2 for a description of overlapping grace period exceptions.

Extend. A domain can be extended within the *Auto-Renew Grace Period* for up to a total of ten years. The account of the sponsoring Registrar at the time of the additional extension will be charged for the additional number of years the registration is extended.

Transfer (other than ICANN-approved bulk transfer). If a domain is transferred within the *Auto-Renew Grace Period*, the losing Registrar is credited with the Auto-Renew charge and the year added by the Auto-Renew operation is cancelled. The expiration date of the domain is extended by one year up to a total maximum of ten and the gaining Registrar is charged for that additional year, even in cases where a full year is not added because of the 10-year registration term maximum limitation.

Bulk Transfer (with ICANN approval). Bulk transfers with ICANN approval may be made during the *Auto-Renew Grace Period* according to the procedures in Part B of the ICANN Policy on Transfer of Registrations between Registrars. The expiration dates of transferred registrations are not affected. The losing Registrar's account is charged for the Auto-Renew.

3.1.4 Transfer Grace Period

The *Transfer Grace Period* is a specified number of calendar days following the transfer of a domain according to Part A of the ICANN Policy on Transfer of Registrations between Registrars. The current value of the *Transfer Grace Period* is five calendar days. If a Delete, Extend, or Transfer occurs within that five calendar days, the following rules apply:

Delete. If a domain is deleted within the *Transfer Grace Period*, the sponsoring Registrar at the time of the deletion receives a credit of the transfer fee. The domain immediately goes into the Redemption Grace Period. See Section 3.2 for a description of overlapping grace period exceptions.

Extend. If a domain registration is extended within the *Transfer Grace Period*, there is no credit for the transfer. The Registrar's account will be charged for the number of years the registration is extended. The expiration date of the domain registration is extended by the number of years, up to a maximum of ten years, as specified by the registrar's requested Extend operation.

Transfer (other than ICANN-approved bulk transfer). If a domain is transferred within the *Transfer Grace Period*, there is no credit. The expiration date of the domain registration is extended by one year up to a maximum term of ten years. The ICANN Policy on Transfer of Registrations between Registrars does not allow transfers within the first 60 days after another transfer has occurred; it is registrars' responsibility to enforce this restriction.

Bulk Transfer (with ICANN approval). Bulk transfers with ICANN approval may be made during the *Transfer Grace Period* according to the procedures in Part B of the ICANN Policy on Transfer of Registrations between Registrars. The expiration dates of transferred registrations are not affected. The losing Registrar's account is charged for the Transfer operation that occurred prior to the Bulk Transfer.

3.1.5 Bulk Transfer Grace Period

There is no grace period associated with Bulk Transfer operations. Upon completion of the Bulk Transfer, any associated fee is not refundable.

3.1.6 Redemption Grace Period

A domain name is placed in REDEMPTIONPERIOD status when a registrar requests the deletion of a domain that is not within the Add Grace Period. A name that is in REDEMPTIONPERIOD status will not be included in the zone file. A registrar can not modify or purge a domain in REDEMPTIONPERIOD status. The only action a registrar can take on a domain in REDEMPTIONPERIOD is to request that it be restored. Any other registrar requests to modify or otherwise update the domain will be rejected. Unless restored, the domain will be held in REDEMPTIONPERIOD status for a specified number of calendar days. The current length of this Redemption Period is 30 calendar days.

3.2 Overlapping Grace Periods

If an operation is performed that falls into more that one grace period, the actions appropriate for each grace period apply (with some exceptions as noted below).

- If a domain is deleted within the Add Grace Period and the Extend Grace Period, then the Registrar is credited the registration and extend amounts, taking into account the number of years for which the registration and extend were done.
- If a domain is auto-renewed, then extended, and then deleted within the Extend Grace Period, the registrar will be credited for any Auto-Renew fee charged and the number of years for the extension.

3.2.1 Overlap Exception

- If a domain registration is extended within the Transfer Grace Period, then the current Registrar's account is charged for the number of years the registration is extended.

Note: If several billable operations, including a transfer, are performed on a domain and the domain is deleted within the grace periods of each of those operations, only those operations that were performed after the latest transfer, including the latest transfer, are credited to the current Registrar.

3.3 Pending Periods

3.3.1 Transfer Pending Period

The *Transfer Pending Period* is a specified number of calendar days following a request from a registrar (registrar A) to transfer a domain in which the current registrar of the domain (registrar B) may explicitly approve or reject the transfer request. The current value of the *Transfer Pending Period* is five calendar days for all registrars. The transfer will be finalized upon receipt of explicit approval or rejection from the current registrar (registrar B). If the current registrar (registrar B) does not explicitly approve or reject the request initiated by registrar A, the registry will approve the request automatically after the end of the *Transfer Pending Period*. During the *Transfer Pending Period*:

a. RRP or EPP TRANSFER request or RRP or EPP RENEW request is denied.

b. SYNC is not allowed.

c. RRP DEL or EPP DELETE request is denied.

d. Bulk Transfer operations are allowed.

e. RRP MOD or EPP UPDATE request is denied.

After a transfer of a domain, the RRP or EPP TRANSFER request may be denied for 60 days.

3.3.2 Pending Delete Period

A domain name is placed in PENDING DELETE status if it has not been restored during the Redemption Grace Period. A name that is in PENDING DELETE status will not be included in the zone file. All registrar requests to modify or otherwise update a domain in PENDING DELETE status will be rejected. A domain name is purged from the registry database a specified number of calendar days after it is placed in PENDING DELETE status. The current length of this Pending Delete Period is five calendar days.

4. Nameserver functional specifications

Nameserver operations for the Registry TLD shall comply with RFCs 1034, 1035, and 2182.

5. Patch, update, and upgrade policy

Registry Operator may issue periodic patches, updates or upgrades to the Software, RRP/EPP or APIs (“Licensed Product”) licensed under the Registry-Registrar Agreement (the “Agreement”) that will enhance functionality or otherwise improve the Shared Registration System under the Agreement. For the purposes of this Part 5 of Appendix 7, the following terms have the associated meanings set forth herein.

1. A “Patch” means minor modifications to the Licensed Product made by Registry Operator during the performance of error correction services. A Patch does not constitute a Version.

2. An “Update” means a new release of the Licensed Product which may contain error corrections, minor enhancements, and, in certain circumstances, major enhancements, and which is indicated by a change in the digit to right of the decimal point in the version number of the Licensed Product.

3. An “Upgrade” means a new release of the Licensed Product which involves the addition of substantial or substantially enhanced functionality and which is indicated by a change in the digit to the left of the decimal point in the version of the Licensed Product.

4. A “Version” means the Licensed Product identified by any single version number.

Each Update and Upgrade causes a change in version.

- Patches do not require corresponding changes to client applications developed, implemented, and maintained by each registrar.
- Updates may require changes to client applications by each registrar in order to take advantage of the new features and/or capabilities and continue to have access to the Shared Registration System.
- Upgrades require changes to client applications by each registrar in order to take advantage of the new features and/or capabilities and continue to have access to the Shared Registration System.

Registry Operator, in its sole discretion, will deploy Patches during scheduled and announced Shared Registration System maintenance periods.

For Updates and Upgrades, Registry Operator will give each registrar notice prior to deploying the Updates and Upgrades into the production environment. The notice shall be at least ninety (90) days. Such notice will include an initial notice before deploying the Update that requires changes to client applications or the Upgrade into the Operational Test and Evaluation (“OT&E”) environment to which all registrars have access. Registry Operator will maintain the Update or Upgrade in the OT&E environment for at least thirty (30) days, to allow each registrar the opportunity to modify its client applications and complete testing, before implementing the new code in the production environment.

This notice period shall not apply in the event Registry Operator’s system is subject to the imminent threat of a failure or a material security threat, the discovery of a major security vulnerability, or a Denial of Service (DoS) attack where the Registry Operator’s systems are rendered inaccessible by being subject to:

i) excessive levels of data traffic

ii) unauthorized traffic

iii) data traffic not conforming to the protocols used by the Registry

6. Migration to Extensible Provisioning Protocol Plan

Support of RRP and EPP:

Subject to this Section 6, Registry Operator will support the RRP as a "thin" registry. Registry Operator will continue to support RRP until all impacted registrars have migrated to EPP, but in no event later than 18 months after the deployment date of EPP unless otherwise agreed upon in writing by Registry Operator.

Dual RRP and EPP Operations:

1. Registry Operator will provide an extended period for impacted registrars to transition from RRP to EPP on a timeframe acceptable to registrars, but in no event later than18 months after the deployment date of EPP unless otherwise agreed upon in writing by Registry Operator.
2. Registry Operator's RRP implementation will be completely replaced by EPP on a date determined jointly by Registry Operator, ICANN, and the registrar community, which date shall not be later than 18 months after the deployment date of EPP unless otherwise agreed upon in writing by Registry Operator.
3. Registry Operator's EPP implementation will not support the use of authinfo codes to verify transfers until all registrars have migrated to EPP.

7. Performance Specifications

For purposes of this Section 7, "DNS Name Server" means the service complying with RFC 1034 made available on TCP/UDP port 53 on Registry Operator's selected servers; "Round-trip" means the amount of time that it takes for a remote nameserver to respond to queries; "Core Internet Service Failure" means extraordinary and identifiable events beyond the control of Registry Operator affecting the Internet services to be measured pursuant to this section, including but not limited, to congestion collapse, partitioning, power grid failures, and routing failures; DNS Name Server unavailability shall mean less than four (4) sites on the Registry Operator's constellation are returning answers to queries with less than 2% packet loss averaged over a Monthly Timeframe; and "Monthly Timeframe" means each single calendar month beginning and ending at 0000 Coordinated Universal Time (UTC). The requirements in this Section 7 set forth below are not matters subject to SLA Credits under the Service Level Agreement set forth on Appendix 10 or obligations upon which a breach by Registry Operator of the Registry Agreement may be asserted.

A. Cross-Network Name Server Performance Requirements. The committed performance specification for cross-network name server performance is a measured Round-trip of under 300 milliseconds and measured packet loss of under 10% over the course of a Monthly Timeframe. Cross-network name server performance measurements may be conducted by ICANN, pursuant to the terms of confidentiality agreements executed both by ICANN and its employee or consultant conducting the testing, in the following manner:

1. The measurements may be conducted by sending strings of DNS request packets from each of four measuring locations to each of the .com DNS Name Servers and observing the responses from the .com DNS Name Servers. (These strings of requests and responses are referred to as a "**CNNP Test**".) The measuring locations will be four root name server locations on the US East Coast, US West Coast, Asia, and Europe.

2. Each string of request packets will consist of 100 UDP packets at 10 second intervals requesting nameserver records for arbitrarily selected .com second-level domains, preselected to ensure that the names exist in the Registry TLD and are resolvable. The packet loss (i.e. the percentage of response packets not received) and the average Round-trip time for response packets received may be noted.

3. To meet the packet loss and Round-trip requirements for a particular CNNP Test, all three of the following must be true:

(a) The Round-trip and packet loss from each measurement location to at least one .com name server must not exceed the required values;

(b) The packet loss to each of the .com name servers from at least one of the measurement locations must not exceed the required value; and

(c) Any failing CNNP Test result obtained during an identified Core Internet Service Failure shall not be considered.

4. To ensure a properly diverse testing sample, ICANN will conduct the CNNP Tests at varying times (i.e. at different times of the day, as well as on different days of the week). Registry Operator may only be deemed to have persistently failed to meet the cross-network name server performance requirement only if the .com DNS Name Servers fail the CNNP Tests (see Section 7.3 above) with no less than three consecutive failed CNNP Tests.

5. In the event of persistent failure (defined as failure of three consecutive tests) of the CNNP Tests, ICANN will give Registry Operator written notice of the failures (with backup data) and Registry Operator will have sixty days to cure the failure.

6. Sixty days prior to the commencement of testing under this provision, ICANN will provide Registry Operator with the opportunity to evaluate the testing tools, root name server locations and procedures to be used by ICANN. In the event that Registry Operator does not approve of such tools and procedures, ICANN will work directly with Registry Operator to make necessary modifications.

7. ICANN will provide written notification to Registry Operator of the results of any testing within 5 days of completion of testing, including the method used for testing, administrator used to conduct the test and the location of testing. Within 30 days of receipt of notice the testing results, Registry Operator may request that the test be re-administered in the presence of a Registry Operator employee. This second test must be administered within 30 days of Registry Operator's request.

B. Service Availability—DNS Name Server = 100% per Monthly Timeframe. Service Availability as it applies to the DNS Name Server refers to the ability of the DNS Name Server to resolve a DNS query from an Internet user. DNS Name Server unavailability will be logged with the Registry Operator as Unplanned Outage Minutes. Registry Operator will log DNS Name Server unavailability when such unavailability is detected by VeriSign monitoring tools. Any DNS Name Server unavailability occurring during an identified Core Internet Service Failure shall not be considered.

Monthly Metric	Requirement
Total outage	8 hours
Unplanned outage	4 hours
Major upgrade outage	12 hours (two allocated per year)
Check domain average	3 seconds
Add domain average	5 seconds

.COM Agreement Appendix 8
Registry-Registrar Agreement

This Registry-Registrar Agreement (the "Agreement") is dated as of _____, ____ ("Effective Date") by and between VeriSign, Inc., a Delaware corporation, with a place of business located at 21345 Ridgetop Circle, Dulles, , Virginia 20166 ("VNDS"), and _____, a _____ corporation, with its principal place of business located at _____ ("Registrar"). VNDS and Registrar may be referred to individually as a "Party" and collectively as the "Parties."

WHEREAS, multiple registrars provide Internet domain name registration services within the .COM top-level domain wherein VNDS operates and maintains certain TLD servers and zone files;

WHEREAS, Registrar wishes to register second-level domain names in the multiple registrar system for the .COM TLD.

NOW, THEREFORE, for and in consideration of the mutual promises, benefits and covenants contained herein and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, VNDS and Registrar, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS

1.1. "DNS" refers to the Internet domain name system.

1.2. "ICANN" refers to the Internet Corporation for Assigned Names and Numbers.

1.3. "IP" means Internet Protocol.

1.4. "Registered Name" refers to a domain name within the domain of the Registry TLD, whether consisting of two or more (e.g., john.smith.name) levels, about which VNDS or an affiliate engaged in providing registry services maintains data in a registry database, arranges for such maintenance, or derives revenue from such maintenance. A name in a registry database may be a Registered Name even though it does not appear in a TLD zone file (e.g., a registered but inactive name).

1.5. "Registry TLD" means the .COM TLD.

1.6. The "System" refers to the multiple registrar system operated by VNDS for registration of Registered Names in the Registry TLD.

1.7. A “TLD” is a top-level domain of the DNS.

1.8. The “Licensed Product” refers to the intellectual property required to access the Supported Protocol, and to the APIs, and software, collectively.

1.9. “EPP” means the Extensible Provisioning Protocol.

1.10. “RRP” means the Registry Registrar Protocol.

1.11. “Supported Protocol” means VNDS’s implementation of RRP, EPP, or any successor protocols supported by the System.

2. OBLIGATIONS OF THE PARTIES

2.1. System Operation and Access. Throughout the Term of this Agreement, VNDS shall operate the System and provide Registrar with access to the System to transmit domain name registration information for the Registry TLD to the System.

2.2. Distribution of RRP, EPP, APIs and Software. No later than three business days after the Effective Date of this Agreement, VNDS shall make available to Registrar (i) full documentation of the Supported Protocol, (ii) “C” and/or “Java” application program interfaces (“APIs”) to the Supported Protocol with documentation, and (iii) reference client software (“Software”) that will allow Registrar to develop its system to register second-level domain names through the System for the Registry TLD. If VNDS elects to modify or upgrade the APIs and/or Supported Protocol, VNDS shall provide updated APIs to the Supported Protocol with documentation and updated Software to Registrar promptly as such updates become available.

2.3. Registrar Responsibility for Customer Support. Registrar shall be responsible for providing customer service (including domain name record support), billing and technical support, and customer interface to accept customer (the “Registered Name Holder”) orders.

2.4. Data Submission Requirements. As part of its registration and sponsorship of Registered Names in the Registry TLD, Registrar shall submit complete data as required by technical specifications of the System that are made available to Registrar from time to time.

2.5. License. Registrar grants VNDS as Registry a non-exclusive nontransferable worldwide limited license to the data elements consisting of the Registered Name, the IP addresses of nameservers, and the identity of the registering registrar for propagation of and the provision of authorized access to the TLD zone files or as otherwise required or permitted by VNDS’s Registry Agreement with ICANN concerning the operation of the Registry TLD, as may be amended from time to time.

2.6. Registrar's Registration Agreement and Domain Name Dispute Policy.

Registrar shall have in effect an electronic or paper registration agreement with the Registered Name Holder. The initial form of Registrar's registration agreement is attached as Exhibit A (which may contain multiple alternative forms of the registration agreement). Registrar may from time to time amend its form(s) of registration agreement or add alternative forms of registration agreement, provided a copy of the amended or alternative registration agreement is made available to VNDS in advance of the use of such amended registration agreement. Registrar shall include in its registration agreement those terms required by this Agreement and other terms that are consistent with Registrar's obligations to VNDS under this Agreement. Registrar shall have developed and employ in its domain name registration business a domain name dispute policy, a copy of which is attached to this Agreement as Exhibit B (which may be amended from time to time by Registrar, provided a copy is made available to VNDS in advance of any such amendment).

2.7. Secure Connection. Registrar agrees to develop and employ in its domain name registration business all necessary technology and restrictions to ensure that its connection to the System is secure. All data exchanged between Registrar's system and the System shall be protected to avoid unintended disclosure of information. Each RRP or EPP session shall be authenticated and encrypted using two-way secure socket layer ("SSL") protocol. Registrar agrees to authenticate every RRP or EPP client connection with the System using both an X.509 server certificate issued by a commercial Certification Authority identified by the Registry and its Registrar password, which it shall disclose only to its employees with a need to know. Registrar agrees to notify Registry within four hours of learning that its Registrar password has been compromised in any way or if its server certificate has been revoked by the issuing Certification Authority or compromised in any way.

2.7.1 Authorization Codes. At such time as Registrar employs EPP, Registrar shall not provide identical Registrar-generated authorization <authinfo> codes for domain names registered by different registrants with the same Registrar. VNDS in its sole discretion may choose to modify <authinfo> codes for a given domain and shall notify the sponsoring registrar of such modifications via EPP compliant mechanisms (i.e. EPP<poll> or EPP<domain:Info>). Documentation of these mechanisms shall be made available to Registrar by VNDS. The Registrar shall provide the Registered Name Holder with timely access to the authorization code along with the ability to modify the authorization code. Registrar shall respond to any inquiry by a Registered Name Holder regarding access to and/or modification of an authorization code within ten (10) calendar days.

2.8. Domain Name Lookup Capability. Registrar agrees to employ in its domain name registration business VNDS's registry domain name lookup capability to determine if a requested domain name is available or currently unavailable for registration.

2.9. Transfer of Sponsorship of Registrations. Registrar agrees to implement transfers of Registered Name registrations from another registrar to Registrar and vice versa pursuant to the Policy on Transfer of Registrations Between Registrars as may be amended from time to time by ICANN (the "Transfer Policy").

2.10. Time. Registrar agrees that in the event of any dispute concerning the time of the entry of a domain name registration into the registry database, the time shown in the VNDS records shall control.

2.11. Compliance with Operational Requirements. Registrar agrees to comply with, and shall include in its registration agreement with each Registered Name Holder as appropriate, operational standards, policies, procedures, and practices for the Registry TLD established from time to time by VNDS in a non-arbitrary manner and applicable to all registrars ("Operational Requirements"), including affiliates of VNDS, and consistent with VNDS's Registry Agreement with ICANN, as applicable, upon VNDS's notification to Registrar of the establishment of those terms and conditions.

2.12. Resolution of Technical Problems. Registrar agrees to employ necessary employees, contractors, or agents with sufficient technical training and experience to respond to and fix all technical problems concerning the use of the Supported Protocol and the APIs in conjunction with Registrar's systems. Registrar agrees that in the event of significant degradation of the System or other emergency, or upon Registrar's violation of Operational Requirements, VNDS may, in its sole discretion, temporarily suspend or restrict access to the System. Such temporary suspensions or restrictions shall be applied in a nonarbitrary manner and shall apply fairly to any registrar similarly situated, including affiliates of VNDS.

2.13. Prohibited Domain Name Registrations. In addition to complying with ICANN standards, policies, procedures, and practices limiting domain names that may be registered, Registrar agrees to comply with applicable statutes and regulations limiting the domain names that may be registered.

2.14. Indemnification Required of Registered Name Holders. In its registration agreement with each Registered Name Holder, Registrar shall require each Registered Name holder to indemnify, defend and hold harmless VNDS, and its directors, officers, employees, agents, and affiliates from and against any and all claims, damages, liabilities, costs and expenses, including reasonable legal fees and expenses arising out of or relating to the Registered Name holder's domain name registration.

3. LICENSE

3.1. License Grant. Subject to the terms and conditions of this Agreement, VNDS hereby grants Registrar and Registrar accepts a non-exclusive, nontransferable, worldwide limited license to use for the Term and purposes of this Agreement the Licensed Product, as well as updates and redesigns thereof, to provide domain name registration services in the Registry TLD only and for no other purpose. The Licensed Product, as well as updates and redesigns thereof, will enable Registrar to register domain names in the Registry TLD with the Registry on behalf of its Registered Name Holders. Registrar, using the Licensed Product, as well as updates and redesigns thereof, will be able to invoke the following operations on the System: (i) check the availability of a domain name, (ii) register a domain name, (iii) re-register a domain name, (iv) cancel the registration of a domain name it has registered, (v) update the nameservers of a domain name, (vi) transfer a domain name from another registrar to itself with proper authorization, (vii) query a domain name registration record, (viii) register a nameserver, (ix) update the IP addresses of a nameserver, (x) delete a nameserver, (xi) query a nameserver, and (xii) establish and end an authenticated session.

3.2. Limitations on Use. Notwithstanding any other provisions in this Agreement, except with the written consent of VNDS, Registrar shall not: (i) sublicense the Licensed Product or otherwise permit any use of the Licensed Product by or for the benefit of any party other than Registrar, (ii) publish, distribute or permit disclosure of the Licensed Product other than to employees, contractors, and agents of Registrar for use in Registrar's domain name registration business, (iii) decompile, reverse engineer, copy or re-engineer the Licensed Product for any unauthorized purpose, (iv) use or permit use of the Licensed Product in violation of any federal, state or local rule, regulation or law, or for any unlawful purpose. Registrar agrees to employ the necessary measures to prevent its access to the System granted hereunder from being used to (i) allow, enable, or otherwise support the transmission by e-mail, telephone, or facsimile of mass unsolicited, commercial advertising or solicitations to entities other than Registrar's customers; or (ii) enable high volume, automated, electronic processes that send queries or data to the systems of VNDS or any ICANN-Accredited Registrar, except as reasonably necessary to register domain names or modify existing registrations.

3.3. Changes to Licensed Materials. VNDS may from time to time replace or make modifications to the Licensed Product licensed hereunder. In the event of a change in the Supported Protocol from RRP to EPP, Registrar shall migrate to, or implement, such Supported Protocols within eighteen (18) months of notice of such modification. For all other changes, VNDS will provide Registrar with at least ninety (90) days notice prior to the implementation of any material changes to the Supported Protocol, APIs or software licensed hereunder.

4. SUPPORT SERVICES

4.1. Engineering Support. VNDS agrees to provide Registrar with reasonable engineering telephone support (between the hours of 9 a.m. to 5 p.m. EST or at such other times as may be mutually agreed upon) to address engineering issues arising in connection with Registrar's use of the System.

4.2. Customer Service Support. During the Term of this Agreement, VNDS will provide reasonable telephone and e-mail customer service support to Registrar, not Registered Name Holder or prospective customers of Registrar, for nontechnical issues solely relating to the System and its operation. VNDS will provide Registrar with a telephone number and e-mail address for such support during implementation of the Supported Protocol, APIs and Software. First-level telephone support will be available on a 7-day/24-hour basis. VNDS will provide a web-based customer service capability in the future and such web-based support will become the primary method of customer service support to Registrar at such time.

5. FEES

5.1. Registration Fees.

(a) Registrar agrees to pay VNDS the non-refundable fees set forth in Exhibit D for initial and renewal registrations and other services provided by VNDS (collectively, the "Registration Fees").

(b) VNDS reserves the right to adjust the Registration Fees, provided that any price increase shall be made only upon six (6) months prior notice to Registrar, and provided that such adjustments are consistent with VNDS's Registry Agreement with ICANN.

(c) Registrars shall provide VNDS a payment security comprised of an irrevocable letter of credit, cash deposit account or other acceptable credit terms agreed by the Parties (the "Payment Security"). VNDS will invoice Registrar monthly in arrears for each month's Registration Fees. All Registration Fees are due immediately upon receipt of VNDS's invoice and shall be secured by the Payment Security. If Registrar's Payment Security is depleted, registration of domain names for the Registrar will be suspended and new registrations will not be accepted until the Payment Security is replenished.

5.2. Change in Registrar Sponsoring Domain Name. Registrar may assume sponsorship of a Registered Name Holder's existing domain name registration from another registrar by following the Transfer Policy.

(a) For each transfer of the sponsorship of a domain-name registration under the Transfer Policy, Registrar agrees to pay VNDS the renewal registration fee associated with a one-year extension, as set forth above. The losing registrar's Registration Fees will not be refunded as a result of any such transfer.

(b) For a transfer approved by ICANN under Part B of the Transfer Policy, Registrar agrees to pay VNDS US $0 (for transfers of 50,000 names or fewer) or US $50,000 (for transfers of more than 50,000 names).

Fees under this Section 5.2 shall be due immediately upon receipt of VNDS's invoice pursuant to the Payment Security.

5.3. Charges for ICANN Fees. Registrar agrees to pay to VNDS, within ten (10) days of VNDS's invoice, any variable registry-level fees paid by VNDS to ICANN, which fees shall be secured by the Payment Security. The fee will consist of two components; each component will be calculated by ICANN for each registrar:

(a) The transactional component of the Variable Registry-Level Fee shall be specified by ICANN in accordance with the budget adopted by the ICANN Board of Directors for each fiscal year but shall not exceed US$0.25.

(b) The per-registrar component of the Variable Registry-Level Fee shall be specified by ICANN in accordance with the budget adopted by the ICANN Board of Directors for each fiscal year, but the sum of the per registrar fees calculated for all registrars shall not exceed the total Per-Registrar Variable funding established pursuant to the approved 2004-2005 ICANN Budget.

5.4. Non-Payment of Fees. Timely payment of fees owing under this Section 5 is a material condition of performance under this Agreement. In the event that Registrar fails to pay its fees within five (5) days of the date when due, VNDS may: (i) stop accepting new initial or renewal registrations from Registrar; (ii) delete the domain names associated with invoices not paid in full from the Registry database; (iii) give written notice of termination of this Agreement pursuant to Section 6.1(b) below; and (iv) pursue any other remedy under this Agreement.

6. MISCELLANEOUS

6.1. Term of Agreement and Termination.

(a) Term of the Agreement; Revisions. The duties and obligations of the Parties under this Agreement shall apply from the Effective Date through and including the last day of the calendar month sixty (60) months from the Effective Date (the "Initial Term"). Upon conclusion of the Initial Term, all provisions of this

Agreement will automatically renew for successive five (5) year renewal periods until the Agreement has been terminated as provided herein, Registrar elects not to renew, or VNDS ceases to operate the registry for the Registry TLD. In the event that revisions to VNDS's Registry-Registrar Agreement are approved or adopted by ICANN, Registrar shall have thirty (30) days from the date of notice of any such revision to review, comment on, and execute an amendment substituting the revised agreement in place of this Agreement, or Registrar may, at its option exercised within such thirty (30) day period, terminate this Agreement immediately by giving written notice to VNDS; provided, however, that in the event VNDS does not receive such executed amendment or notice of termination from Registrar within such thirty (30) day period of the date of the notice, Registrar shall be deemed to have executed such amendment as of the thirty-first (31st) day after the date of the notice.

(b) Termination For Cause. In the event that either Party materially breaches any term of this Agreement including any of its representations and warranties hereunder and such breach is not substantially cured within thirty (30) calendar days after written notice thereof is given by the other Party, then the nonbreaching Party may, by giving written notice thereof to the other Party, terminate this Agreement as of the date specified in such notice of termination.

(c) Termination at Option of Registrar. Registrar may terminate this Agreement at any time by giving VNDS thirty (30) days notice of termination.

(d) Termination Upon Loss of Registrar's Accreditation. This Agreement shall terminate in the event Registrar's accreditation for the Registry TLD by ICANN, or its successor, is terminated or expires without renewal.

(e) Termination in the Event that Successor Registry Operator is Named. This Agreement shall terminate in the event that the U.S. Department of Commerce or ICANN, as appropriate, designates another entity to operate the registry for the Registry TLD.

(f) Termination in the Event of Bankruptcy. Either Party may terminate this Agreement if the other Party is adjudged insolvent or bankrupt, or if proceedings are instituted by or against a Party seeking relief, reorganization or arrangement under any laws relating to insolvency, or seeking any assignment for the benefit of creditors, or seeking the appointment of a receiver, liquidator or trustee of a Party's property or assets or the liquidation, dissolution or winding up of a Party's business.

(g) Effect of Termination. Upon expiration or termination of this Agreement, VNDS will, to the extent it has the authority to do so, complete the registration of all domain names processed by Registrar prior to the date of such expiration or termination, provided that Registrar's payments to VNDS for Registration Fees are current and timely. Immediately upon any expiration or termination of this

Agreement, Registrar shall (i) transfer its sponsorship of Registered Name registrations to another licensed registrar(s) of the Registry, in compliance with Part B of the Transfer Policy, or any other procedures established or approved by the U.S. Department of Commerce or ICANN, as appropriate, and (ii) either return to VNDS or certify to VNDS the destruction of all data, software and documentation it has received under this Agreement.

(h) Survival. In the event of termination of this Agreement, the following shall survive: (i) Sections 2.5, 2.6, 2.14, 6.1(g), 6.2, 6.6, 6.7, 6.10, 6.12, 6.13, 6.14, and 6.16; (ii) the Registered Name Holder's obligations to indemnify, defend, and hold harmless VNDS, as stated in Section 2.14; and (iii) Registrar's payment obligations as set forth in Section 5 with respect to fees incurred during the term of this Agreement. Neither Party shall be liable to the other for damages of any sort resulting solely from terminating this Agreement in accordance with its terms but each Party shall be liable for any damage arising from any breach by it of this Agreement.

6.2. No Third Party Beneficiaries; Relationship of the Parties. This Agreement does not provide and shall not be construed to provide third parties (i.e., non-parties to this Agreement), including any Registered Name Holder, with any remedy, claim, cause of action or privilege. Nothing in this Agreement shall be construed as creating an employer-employee or agency relationship, a partnership or a joint venture between the Parties.

6.3. Force Majeure. Neither Party shall be responsible for any failure to perform any obligation or provide service hereunder because of any Act of God, strike, work stoppage, governmental acts or directives, war, riot or civil commotion, equipment or facilities shortages which are being experienced by providers of telecommunications services generally, or other similar force beyond such Party's reasonable control.

6.4. Further Assurances. Each Party hereto shall execute and/or cause to be delivered to each other Party hereto such instruments and other documents, and shall take such other actions, as such other Party may reasonably request for the purpose of carrying out or evidencing any of the transactions contemplated by this Agreement.

6.5. Amendment in Writing. Except as otherwise provided in this Agreement, any amendment or supplement to this Agreement shall be in writing and duly executed by both Parties. Any new services approved by ICANN and purchased by Registrar will be subject to such terms and conditions as may be established by VNDS through an appendix to this Agreement executed by Registrar and VNDS.

6.6. Attorneys' Fees. If any legal action or other legal proceeding (including arbitration) relating to the performance under this Agreement or the enforcement

of any provision of this Agreement is brought against either Party hereto, the prevailing Party shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which the prevailing Party may be entitled).

6.7. Dispute Resolution; Choice of Law; Venue. The Parties shall attempt to resolve any disputes between them prior to resorting to litigation. This Agreement is to be construed in accordance with and governed by the internal laws of the Commonwealth of Virginia, United States of America without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the Commonwealth of Virginia to the rights and duties of the Parties. Any legal action or other legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement shall be brought or otherwise commenced in any state or federal court located in the eastern district of the Commonwealth of Virginia. Each Party to this Agreement expressly and irrevocably consents and submits to the jurisdiction and venue of each state and federal court located in the eastern district of the Commonwealth of Virginia (and each appellate court located in the Commonwealth of Virginia) in connection with any such legal proceeding.

6.8. Notices. Any notice or other communication required or permitted to be delivered to any Party under this Agreement shall be in writing and shall be deemed properly delivered, given and received when delivered (by hand, by registered mail, by courier or express delivery service, by e-mail or by telecopier during business hours) to the address or telecopier number set forth beneath the name of such Party below, unless party has given a notice of a change of address in writing:

if to Registrar:

_____
_____
_____
_____
_____
_____

with a copy to:

_____
_____
_____
_____
_____
_____

if to VNDS:
General Counsel

VeriSign, Inc.
487 E. Middlefield Road
Mountain View, California 94043
Telephone: 1/650/961/7500
Facsimile:1/650/426/5113; and

General Manager
VeriSign Naming and Directory Services
21345 Ridgetop Circle
Dulles, Virginia 20166
Telephone: 1/703/948/3200
Facsimile: 1/703/421/4873; and

Associate General Counsel
VeriSign, Inc.
21355 Ridgetop Circle
Dulles, VA 20166
Telephone: 1/703/948/3200
Facsimile: 1/703/450/7492

6.9. Assignment/Sublicense. Except as otherwise expressly provided herein, the provisions of this Agreement shall inure to the benefit of and be binding upon, the successors and permitted assigns of the Parties hereto. Registrar shall not assign, sublicense or transfer its rights or obligations under this Agreement to any third person without the prior written consent of VNDS.

6.10. Use of Confidential Information. The Parties' use and disclosure of Confidential Information disclosed hereunder are subject to the terms and conditions of the Parties' Confidentiality Agreement (Exhibit C) that will be executed contemporaneously with this Agreement. Registrar agrees that the RRP, APIs and Software are the Confidential Information of VNDS.

6.11. Delays or Omissions; Waivers. No failure on the part of either Party to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of either Party in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise or waiver of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No Party shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Party; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

6.12. Limitation of Liability. IN NO EVENT WILL VNDS BE LIABLE TO

REGISTRAR FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES, OR ANY DAMAGES RESULTING FROM LOSS OF PROFITS, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, EVEN IF VNDS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

6.13. Construction. The Parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not be applied in the construction or interpretation of this Agreement.

6.14. Intellectual Property. Subject to Section 2.5 above, each Party will continue to independently own its intellectual property, including all patents, trademarks, trade names, service marks, copyrights, trade secrets, proprietary processes and all other forms of intellectual property.

6.15. Representations and Warranties

(a) Registrar. Registrar represents and warrants that: (1) it is a corporation duly incorporated, validly existing and in good standing under the law of the _____, (2) it has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement, (3) it is, and during the Term of this Agreement will continue to be, accredited by ICANN or its successor, pursuant to an accreditation agreement dated after November 4, 1999, (4) the execution, performance and delivery of this Agreement has been duly authorized by Registrar, (5) no further approval, authorization or consent of any governmental or regulatory authority is required to be obtained or made by Registrar in order for it to enter into and perform its obligations under this Agreement, and (6) Registrar's Surety Instrument provided hereunder is a valid and enforceable obligation of the surety named on such Surety Instrument.

(b) VNDS. VNDS represents and warrants that: (1) it is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, (2) it has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement, (3) the execution, performance and delivery of this Agreement has been duly authorized by VNDS, and (4) no further approval, authorization or consent of any governmental or regulatory authority is required to be obtained or made by VNDS in order for it to enter into and perform its obligations under this Agreement.

(c) Disclaimer of Warranties. The RRP, EPP, APIs and Software are provided "as-is" and without any warranty of any kind. VNDS EXPRESSLY DISCLAIMS ALL WARRANTIES AND/OR CONDITIONS, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES AND CONDITIONS OF MERCHANTABILITY OR SATISFACTORY QUALITY AND FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT OF THIRD PARTY RIGHTS. VNDS DOES NOT WARRANT THAT THE

FUNCTIONS CONTAINED IN THE RRP, APIs OR SOFTWARE WILL MEET REGISTRAR'S REQUIREMENTS, OR THAT THE OPERATION OF THE RRP, APIs OR SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT DEFECTS IN THE RRP, APIs OR SOFTWARE WILL BE CORRECTED. FURTHERMORE, VNDS DOES NOT WARRANT NOR MAKE ANY REPRESENTATIONS REGARDING THE USE OR THE RESULTS OF THE RRP, APIs, SOFTWARE OR RELATED DOCUMENTATION IN TERMS OF THEIR CORRECTNESS, ACCURACY, RELIABILITY, OR OTHERWISE. SHOULD THE RRP, APIs OR SOFTWARE PROVE DEFECTIVE, REGISTRAR ASSUMES THE ENTIRE COST OF ALL NECESSARY SERVICING, REPAIR OR CORRECTION OF REGISTRAR'S OWN SYSTEMS AND SOFTWARE.

6.16. Indemnification. Registrar, at its own expense and within thirty (30) days of presentation of a demand by VNDS under this paragraph, will indemnify, defend and hold harmless VNDS and its employees, directors, officers, representatives, agents and affiliates, against any claim, suit, action, or other proceeding brought against VNDS or any affiliate of VNDS based on or arising from any claim or alleged claim (i) relating to any product or service of Registrar; (ii) relating to any agreement, including Registrar's dispute policy, with any Registered Name Holder of Registrar; or (iii) relating to Registrar's domain name registration business, including, but not limited to, Registrar's advertising, domain name application process, systems and other processes, fees charged, billing practices and customer service; provided, however, that in any such case: (a) VNDS provides Registrar with prompt notice of any such claim, and (b) upon Registrar's written request, VNDS will provide to Registrar all available information and assistance reasonably necessary for Registrar to defend such claim, provided that Registrar reimburses VNDS for its actual and reasonable costs. Registrar will not enter into any settlement or compromise of any such indemnifiable claim without VNDS's prior written consent, which consent shall not be unreasonably withheld. Registrar will pay any and all costs, damages, and expenses, including, but not limited to, reasonable attorneys' fees and costs awarded against or otherwise incurred by VNDS in connection with or arising from any such indemnifiable claim, suit, action or proceeding.

6.17. Entire Agreement; Severability. This Agreement, which includes Exhibits A, B, C, D and E constitutes the entire agreement between the Parties concerning the subject matter hereof and supersedes any prior agreements, representations, statements, negotiations, understandings, proposals or undertakings, oral or written, with respect to the subject matter expressly set forth herein. If any provision of this Agreement shall be held to be illegal, invalid or unenforceable, each Party agrees that such provision shall be enforced to the maximum extent permissible so as to effect the intent of the Parties, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby. If necessary to effect the intent of the Parties, the Parties shall negotiate in good faith to amend this Agreement to replace the unenforceable language with enforceable language that reflects such intent as closely as possible.

6.18. Service Level Agreement. Appendix 10 of the Registry Agreement shall be incorporated into this Agreement and attached hereto as Exhibit E.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set forth in the first paragraph hereof.

VeriSign, Inc.

By: _____
Name: _____
Title: _____

[Registrar]

By: _____
Name: _____
Title: _____

Exhibit A
Registrar's Registration Agreement
[To be supplied from time to time by Registrar]

Exhibit B
Registrar's Dispute Policy
[To be supplied from time to time by Registrar]

Exhibit C
Confidentiality Agreement

THIS CONFIDENTIALITY AGREEMENT is entered into by and between VeriSign, Inc., a Delaware corporation, with a place of business located at 21345 Ridgetop Circle, Dulles, , Virginia 20166 ("VNDS"), and _____, a _____corporation having its principal place of business in _____ ("Registrar"), through their authorized representatives, and takes effect on the date executed by the final party (the "Effective Date"). Under this Confidentiality Agreement ("Confidentiality Agreement"), the Parties intend to disclose to one another information which they consider to be valuable, proprietary, and confidential.

NOW, THEREFORE, the parties agree as follows:

1. Confidential Information

1.1. "Confidential Information", as used in this Confidentiality Agreement, shall mean all information and materials including, without limitation, computer software, data, information, databases, protocols, reference implementation and documentation, and functional and interface specifications, provided by the disclosing party to the receiving party under this Confidentiality Agreement and marked or otherwise identified as Confidential, provided that if a communication is oral, the disclosing party will notify the receiving party in writing within 15 days of the disclosure.

2. Confidentiality Obligations

2.1. In consideration of the disclosure of Confidential Information, the Parties agree that:

(a) The receiving party shall treat as strictly confidential, and use all reasonable efforts to preserve the secrecy and confidentiality of, all Confidential Information received from the disclosing party, including implementing reasonable physical security measures and operating procedures.

(b) The receiving party shall make no disclosures whatsoever of any Confidential Information to others, provided however, that if the receiving party is a corporation, partnership, or similar entity, disclosure is permitted to the receiving party's officers, employees, contractors and agents who have a demonstrable need to know such Confidential Information, provided the receiving party shall advise such personnel of the confidential nature of the Confidential Information and of the procedures required to maintain the confidentiality thereof, and shall require them to acknowledge in writing that they have read, understand, and agree to be individually bound by the terms of this Confidentiality Agreement.

(c) The receiving party shall not modify or remove any Confidential legends and/or copyright notices appearing on any Confidential Information.

2.2. The receiving party's duties under this section (2) shall expire five (5) years after the information is received or earlier, upon written agreement of the Parties.

3. Restrictions On Use

3.1. The receiving party agrees that it will use any Confidential Information received under this Confidentiality Agreement solely for the purpose of providing domain name registration services as a registrar and for no other purposes whatsoever.

3.2. No commercial use rights or any licenses under any patent, patent application, copyright, trademark, know-how, trade secret, or any other VNDS proprietary rights are granted by the disclosing party to the receiving party by this Confidentiality Agreement, or by any disclosure of any Confidential Information to the receiving party under this Confidentiality Agreement.

3.3. The receiving party agrees not to prepare any derivative works based on the Confidential Information.

3.4. The receiving party agrees that any Confidential Information which is in the form of computer software, data and/or databases shall be used on a computer system(s) that is owned or controlled by the receiving party.

4. Miscellaneous

4.1. This Confidentiality Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia and all applicable federal laws. The Parties agree that, if a suit to enforce this Confidentiality Agreement is brought in the U.S. Federal District Court for the Eastern District of Virginia, they will be bound by any decision of the Court.

4.2. The obligations set forth in this Confidentiality Agreement shall be continuing, provided, however, that this Confidentiality Agreement imposes no obligation upon the Parties with respect to information that (a) is disclosed with the disclosing party's prior written approval; or (b) is or has entered the public domain through no fault of the receiving party; or (c) is known by the receiving party prior to the time of disclosure; or (d) is independently developed by the receiving party without use of the Confidential Information; or (e) is made generally available by the disclosing party without restriction on disclosure.

4.3. This Confidentiality Agreement may be terminated by either party upon breach by the other party of any its obligations hereunder and such breach is not cured within three (3) calendar days after the allegedly breaching party is notified by the disclosing party of the breach. In the event of any such termination for breach, all Confidential Information in the possession of the Parties shall be immediately returned to the disclosing party; the receiving party shall provide full voluntary disclosure to the disclosing party of any and all unauthorized disclosures and/or unauthorized uses of any Confidential Information; and the obligations of Sections 2 and 3 hereof shall survive such termination and remain in full force and effect. In the event that the Registrar License and Agreement between the Parties is terminated, the Parties shall immediately return all Confidential Information to the disclosing party and the receiving party shall remain subject to the obligations of Sections 2 and 3.

4.4. The terms and conditions of this Confidentiality Agreement shall inure to the benefit of the Parties and their successors and assigns. The Parties' obligations under this Confidentiality Agreement may not be assigned or delegated.

4.5. The Parties agree that they shall be entitled to seek all available legal and equitable remedies for the breach of this Confidentiality Agreement.

4.6. The terms and conditions of this Confidentiality Agreement may be modified only in a writing signed by VNDS and Registrar.

4.7. EXCEPT AS MAY OTHERWISE BE SET FORTH IN A SIGNED, WRITTEN

AGREEMENT BETWEEN THE PARTIES, THE PARTIES MAKE NO REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, AS TO THE ACCURACY, COMPLETENESS, CONDITION, SUITABILITY, PERFORMANCE, FITNESS FOR A PARTICULAR PURPOSE, OR MERCHANTABILITY OF ANY CONFIDENTIAL INFORMATION, AND THE PARTIES SHALL HAVE NO LIABILITY WHATSOEVER TO ONE ANOTHER RESULTING FROM RECEIPT OR USE OF THE CONFIDENTIAL
INFORMATION.

4.8. If any part of this Confidentiality Agreement is found invalid or unenforceable, such part shall be deemed stricken herefrom and the Parties agree: (a) to negotiate in good faith to amend this Confidentiality Agreement to achieve as nearly as legally possible the purpose or effect as the stricken part, and (b) that the remainder of this Confidentiality Agreement shall at all times remain in full force and effect.

4.9. This Confidentiality Agreement contains the entire understanding and agreement of the Parties relating to the subject matter hereof.

4.10. Any obligation imposed by this Confidentiality Agreement may be waived in writing by the disclosing party. Any such waiver shall have a one-time effect and shall not apply to any subsequent situation regardless of its similarity.

4.11. Neither Party has an obligation under this Confidentiality Agreement to purchase, sell, or license any service or item from the other Party.

4.12. The Parties do not intend that any agency or partnership relationship be created between them by this Confidentiality Agreement.

IN WITNESS WHEREOF, and intending to be legally bound, duly authorized representatives of VNDS and Registrar have executed this Confidentiality Agreement in Virginia on the dates indicated below.

(“Registrar”)

By: _____
Title: _____
Date: _____

VeriSign, Inc. (“VNDS”)

By: _____
Title: _____
Date: _____

Exhibit D
REGISTRATION FEES

1. Domain-Name Initial Registration Fee

Registrar agrees to pay US $6.00 per annual increment of an initial domain name registration, or such other amount as may be established in accordance with Section 5.1(b) above.

2. Domain-Name Renewal Fee

Registrar agrees to pay US $6.00 per annual increment of a domain name registration renewal, or such other amount as may be established in accordance with Section 5.1(b) above.

3. Domain Name Transfer

Registrar agrees to pay US $6.00 per domain name that is transferred to Registrar from another ICANN-Accredited Registrar, or such other amount as may be established in accordance with Section 5.1(b) above.

4. Restore or Update

Registrar agrees to pay US $40.00 per use of the RRP Restore or EPP Update command for a domain name, or such other amount as may be established in accordance with Section 5.1(b) above.

5. Sync

Registrar agrees to pay US $2.00, plus $1.00 per month of the sync, for each use of the Supported Protocol Sync command, or such other amount as may be established in accordance with Section 5.1(b) above.

Exhibit E
Service Level Agreement

.COM Agreement: Appendix 9
Approved Services

The Registry Agreement specifies a “Process for Consideration of Proposed Registry Services.” The following services are specifically identified as having been approved by ICANN prior to the effective date of the Registry Agreement. As such, notwithstanding any other provisions of the Registry Agreement, VeriSign shall be free to deploy the following services:

- ConsoliDate, in accordance with VeriSign’s Registrar Reference Manual (v2.2) Section 2.14 to 2.14.3;
- Internationalized Domain Names, in accordance with the Letter from Rusty Lewis to Paul Twomey dated 13 October 2003;
- Restore, which allows use of the RRP Restore or EPP Update command to retrieve a previously deleted domain name registration during the Redemption Grace Period (approved by ICANN in accordance with VeriSign’s Registrar Reference Manual (v2.2) Section 2.5.1.1-2.5.1.3);
- Wait Listing Service, in accordance with the letter from John O. Jeffrey to Russell Lewis dated 26 January 2004; and
- Transfer Dispute Resolution, in accordance with the Registrar Transfer Dispute Resolution Policy, dated 12 July 2004 (as may be amended or superseded by ICANN), and VeriSign’s Supplemental Rules for Registrar Transfer Disputes.

.COM Agreement Appendix 10
Service Level Agreement (SLA)

VeriSign, Inc. ("VNDS") strives to provide a world-class level of service to its customers. This Service Level Agreement provides metrics and remedies to measure performance of the .com TLD registry operated by VNDS and to provide accredited and licensed Registrars with credits for certain substandard performance by VNDS.

A) DEFINITIONS:

1) Monthly Timeframe shall mean each single calendar month beginning and ending at 0000 Greenwich Mean Time (GMT).

2) Planned Outage shall mean the periodic pre-announced occurrences when the SRS will be taken out of service for maintenance or care. Planned Outages will be scheduled only during the following window period of time each week, 0100 to 0900 GMT on Sunday (the "Planned Outage Period"). This Planned Outage Period may be changed from time to time by VNDS, in its sole discretion, upon prior notice to each Registrar. Planned Outages will not exceed 4 hours per calendar week beginning at 12:00 am GMT Monday nor total more than 8 hours/per month. Notwithstanding the foregoing, each year VNDS may incur 2 additional Planned Outages of up to 12 hrs in duration during the Planned Outage Period for major systems or software upgrades ("Extended Planned Outages"). These Extended Planned Outages represent total allowed Planned Outages for the month.

3) Shared Registration System ("SRS") Availability shall mean when the SRS is operational. By definition, this does not include Planned Outages or Extended Planned Outages.

4) SRS Unavailability shall mean when, as a result of a failure of systems within VNDS' control, the Registrar is unable to either:

a) establish a session with the SRS gateway which shall be defined as:

1) successfully complete a TCP session start,

2) successfully complete the SSL authentication handshake, and

3) successfully complete the registry registrar protocol ("RRP") or extensible provisioning protocol ("EPP") session command.

b) execute a 3 second average round trip for 95% of the RRP or EPP check domain commands and/or less than 5 second average round trip for 95% of the RRP add or EPP create domain commands, from the SRS Gateway, through the SRS system, back to the SRS Gateway as measured during each Monthly Timeframe.

5) Unplanned Outage Time shall mean all of the following:

a) the amount of time recorded between a trouble ticket first being opened by VNDS in response to a Registrar's claim of SRS Unavailability for that Registrar through the time when the Registrar and VNDS agree the SRS Unavailability has been resolved with a final fix or a temporary work around, and the trouble ticket has been closed. This will be considered SRS Unavailability only for those individual Registrars impacted by the outage.

b) the amount of time recorded between a trouble ticket first being opened by VNDS in the event of SRS Unavailability that affects all Registrars through the time when VNDS resolves the problem with a final fix or a temporary work around, and the trouble ticket has been closed.

c) the amount of time that Planned Outage time exceeds the limits established in A.2 above.

d) the amount of time that Planned Outage time occurs outside the window of time established in A.2 above.

6) Monthly Unplanned Outage Time shall be the sum of minutes of all Unplanned Outage Time during the Monthly Timeframe. Each minute of Unplanned Outage Time subtracts from the available Monthly Planned Outage Time up to 4 hours.

7) WHOIS Service shall mean the Whois server running on port 43 of whois.crsnic.net and whois.verisign-grs.net.

8) Global Top Level Domain (“GTLD”) Name Server shall mean any GTLD Name Server under SLD GTLD-SERVERS.NET (e.g. A.GTLD-SERVERS.NET).

B) RESPONSIBILITIES OF THE PARTIES

1) Registrar must report each occurrence of alleged SRS Unavailability to VNDS customer service help desk in the manner required by VNDS (i.e., e-mail, fax, telephone) in order for an occurrence to be treated as SRS Unavailability for purposes of the SLA.

2) In the event that all Registrars are affected by SRS Unavailability, VNDS is responsible for opening a blanket trouble ticket and immediately notifying all Registrars of the trouble ticket number and details.

3) Both Registrar and VNDS agree to use reasonable commercial good faith efforts to establish the cause of any alleged SRS Unavailability. If it is mutually determined to be a VNDS problem, the issue will become part of the Unplanned Outage Time.

4) VNDS will perform monitoring from at least two external locations as a means to verify that a) sessions can effectively be established and b) all RRP or EPP commands can be successfully completed.

5) Registrar must inform VNDS any time its estimated volume of transactions (excluding check domain commands), will exceed Registrar's previous month's volume by more than 25%. In the event that Registrar fails to inform VNDS of a forecasted increase of volume of transactions of 25% or more and the Registrar's volume increases 25% or more over the previous month, and should the total volume of transactions added by VNDS for all Registrars for that month exceed VNDS' actual volume of the previous month's transactions by more than 20%, then Registrar will not be eligible for any SLA credits (as defined in section C) in that Monthly Timeframe. The Registrar shall provide such forecast at least 30 days prior to the first day of the next month. In addition, VNDS agrees to provide monthly transaction summary reports.

6) VNDS will notify Registrar of Planned Outages outside the Planned Outage Period at least 7 days in advance of such Planned Outage. In addition, VNDS will use reasonable commercial good faith efforts to maintain an accurate 30-day advance schedule of possible upcoming Planned Outages.

7) VNDS will update the WHOIS Service once per day beginning at 1200 GMT. VNDS will notify Registrars in advance when changes to the WHOIS Service update schedule occur.

8) VNDS will allow external monitoring of the SRS via an acceptable means to both parties.

9) VNDS will initiate the zone file transfer process at least twice daily at scheduled intervals. VNDS will notify Registrar in advance when changes to the schedule occur. VNDS will notify Registrars regarding any scheduled maintenance and unavailability of the GTLD ROOT-SERVERs.

10) VNDS will use commercial reasonable efforts to restore the critical systems of the SRS within 24 hours in the event of a force majeure and restore full system functionality within 48 hours. Outages due to a force majeure will not be considered SRS Unavailability.

11) VNDS will publish weekly system performance and availability reports. These reports will include average round trip for the RRP or EPP Check and Add Domain commands for all Registrars as well as a summary of SRS Availability for the previous week

12) VNDS will provide a 99.4% SRS Availability during each Monthly Timeframe.

C) CREDITS:

1) If SRS Availability is less than 99.4% in any Monthly Timeframe, VNDS will provide a credit to affected Registrar(s) who have complied with Sections B.1 and B.5 above as follows:

(i) In the case of SRS Unavailability as described in A.4.b, a credit will be given for the combined % total RRP or EPP add and check commands that fall below

the 95% performance threshold established in A.4.b. For each affected Registrar, this will be calculated by multiplying the % below 95% by Registrar's monthly Add Domain volume x the average initial registration price charged to that Registrar during the month. The maximum credit to each Registrar shall not exceed 5% of the Registrar's total monthly Add Domain volume x that average registration price.

(ii) In the case of SRS Unavailability as described in A.4.a, and following the Monthly Timeframe when the Unplanned Outage began, VNDS will provide a credit to Registrar by multiplying Registrar's monthly Add Domain volume x the average initial registration price charged to that Registrar during the month and multiplying that product by the percentage of time that the Monthly Unplanned Outage Time exceeded 0.6% of the minutes in the Monthly Timeframe. The maximum credit to each Registrar under this subparagraph shall not exceed 10% of the Registrar's total monthly Add Domain volume x that average registration price.

Under no circumstances shall credits be applied when the availability problems are caused by network providers and/or the systems of individual Registrars.

D) MISCELLANEOUS:

1) As an addendum to the Registry-Registrar Agreement (RRA), no provision in this addendum is intended to replace any term or condition in the RRA.

2) Dispute Resolution will be handled per RRA Section 6.7.

3) Any interruption of SRS service that occurs, as a direct result of RRA Sections 2.12,, 5.4, or 6.3 or any other applicable RRA contract term, will not be determined SRS Unavailability per this SLA.

SPECIAL AWARD CONDITIONS NCR-92-18742
Amendment Number Thirty (30)

Whereas the Department finds that its authority to fulfill its stewardship responsibilities in connection with **VeriSign's** provision of .com registry services shall be preserved pursuant to the following amendment to the Cooperative Agreement and finds that the approval of the .com Registry Agreement attached hereto as Exhibit A is in the public interest; **Therefore**, VeriSign and the Department agree as follows:

1. Section I.A.9, of Amendment 19, as amended, Definitions, is amended as follows:

9) "Registry Agreement" means the revised .com Registry Agreement attached hereto as Exhibit A.

17) "Designated Term" means each of the following provisions of the Registry Agreement in the form in effect as hereby approved by the Department of Commerce: Sections 3.1(c)(iii) & (v) (including Appendix 5), 3.1(d)(iii), 7.1, and 7.3, which terms, and obligations of **VeriSign** thereunder, shall be incorporated into the Cooperative Agreement by reference.

2. Section I.B.2.A of Amendment 19, as amended, **VeriSign** Relationship with ICANN, is amended as follows:

A. (i) **VeriSign** shall enter into the Registry Agreement (Exhibit A hereto).

(ii) Without the prior written approval by the Department, **VeriSign** shall not enter into any renewal under Section 4.2 or any other extension or continuation of, or substitution for, the Registry Agreement. The Department shall provide such written approval if it concludes that approval will serve the public interest in (a) the continued security and stability of the Internet domain name system and the operation of the .com registry including, in addition to other relevant factors, consideration of **VeriSign**'s compliance with Consensus Policies and technical specifications and its service level agreements as set forth in the Registry Agreement approved herein, and the investment associated with improving the security and stability of the DNS, and (b) the provision of Registry Services (as defined in Section 3.1(d)(iii) of the Registry Agreement) offered at reasonable prices, terms and conditions. The parties have an expectancy of renewal of the Registry Agreement so long as the foregoing public interest standard and the standards in Section 4.2 of the Registry Agreement are met. In all cases except a renewal under Section 4.2 of the Registry Agreement, the Department's review and right of approval shall include all terms in the Registry Agreement. In the case of a renewal under Section 4.2, the Department's review and right of approval shall include all terms in the Agreement except Department approval shall not be required for: (1) a change in the non-Designated Terms of the Registry Agreement required by the operation of the second sentence of Section 4.2; (2) an expansion of the definition of Registry Services as that term is defined in Section 3.1(d)(iii) of the Registry Agreement; (3) the introduction of or

terms upon which new Registry Services are offered pursuant to the process for new Registry Services set forth in Section 3.1(d)(iv) of the Registry Agreement; or (4) the terms or conditions for the renewal or termination of the Registry Agreement, provided that such terms are the same as those set forth in Sections 4.2 and 6.1 of the approved Registry Agreement attached hereto as Exhibit A. The preceding sentence shall not be construed to exempt from the requirement of Department approval a change in any of the Designated Terms (other than an expansion of Registry Services (as that term is defined in the Registry Agreement)) or the inclusion of any term that comprises or relates to any provision embodied by all or part of any Designated Term. **VeriSign** shall apply to the Department for approval of any such renewal 90 days prior to the expiration of the current term of the Registry Agreement. The Department shall approve or refuse to approve such initial proposed renewal, or determine that additional time is needed to complete its review, before expiration of the current term of the Registry Agreement. If the Department does not approve such initial proposed renewal under Section 4.2 prior to the expiration of the current term of the Registry Agreement, or if it determines that additional time is needed beyond the expiration of the current term of the Registry Agreement to complete its review, then the Department shall agree to the expiration of the term of the Registry Agreement being extended for six months, or such other reasonable period of time as the Department and **VeriSign** may mutually agree. After receiving written notice of the refusal to approve, **VeriSign** shall be entitled to confer with the Department and learn the basis for and publicly available underlying facts supporting the refusal. After conferring with the Department, **VeriSign** may propose for the Department's approval one or more new or revised renewal proposals under Section 4.2. The Department shall review such new or revised proposal(s) pursuant to the public interest standard established by this subsection for the review of an initial renewal proposal.

(iii) **VeriSign's** obligations under the Cooperative Agreement with respect to Registry Services shall be satisfied by compliance with the Registry Agreement for so long as (1) the Registry Agreement is in effect (as determined by the term of the agreement, dispute resolution procedures and termination provisions of the Registry Agreement at Sections 4, 5, and 6, respectively), and (2) **VeriSign** notifies the Department of any proposed amendment to any Designated Term, and obtains prior written approval from the Department before execution of any such amendment. Any decision to approve or disapprove any proposed amendment to any Designated Term shall be made by the Department, in its sole discretion.

(iv) Notwithstanding Section I.B.7 of this amendment, as amended, if **VeriSign** fails to comply with any of the Designated Terms Sections 3.1(c)(iii) & (v) (including Appendix 5), 7.1, and 7.3 within 30 days of receiving notice from the Department of such failure, the Department (without limitation of any other rights) may elect to obtain specific performance of the Designated Term in an action in the United States District Court for the District of Columbia, provided, however that such rights shall not include the termination, reformation, discharge or suspension of the Cooperative Agreement or the Registry Agreement. The Department and **VeriSign** agree that there is no adequate

substitute for the Department's right to obtain specific performance of Designated Terms Sections 3.1(c)(iii) & (v) (including Appendix 5), 7.1, and 7.3, and that irreparable damage could occur if **VeriSign** does not comply fully with such Designated Terms. The Department and **VeriSign** further agree that, if a court determines that **VeriSign** has failed to comply with any such Designated Terms (1) the court shall enter an order requiring **VeriSign** to specifically perform its obligations under Designated Terms Sections 3.1(c)(iii) & (v) (including Appendix 5), 7.1, and 7.3, and (2) the court may order such other relief as is reasonably necessary to remedy the failure to comply with the Designated Terms Sections 3.1(c)(iii) & (v) (including Appendix 5), 7.1, and 7.3, which relief the parties specifically agree shall not include the termination, reformation, discharge or suspension of the Cooperative Agreement or the Registry Agreement.

(v) **VeriSign's** obligations under the Cooperative Agreement with respect to Other Services shall be satisfied by compliance with the Cooperative Agreement as amended. **VeriSign's** obligations under the Cooperative Agreement with respect to Registry Services shall be governed by Section I.B.9 of Amendment 19, as amended below.

(vi) As to any question concerning interpretation of any Designated Term, or compliance therewith, the Department will not contest the applicability of a prior, enforceable, final and non-appealable judgment, decision or ruling of a court or arbitrator in a proceeding between **VeriSign** and ICANN pursuant to the Registry Agreement, when each of the following conditions is satisfied: (1) The issue in dispute was an issue in controversy that was specifically addressed and fully and fairly litigated as a necessary part of the prior judgment, decision or ruling; (2) The prior judgment, decision or ruling was issued pursuant to an adversarial, fully contested proceeding between **VeriSign** and ICANN, based on a fully developed record that has been preserved; (3) The prior judgment, decision or ruling remains in effect; has not been overruled, altered or limited in any way; and is not the subject of any appeal or motion for reconsideration; and (4) The court or arbitrator specifically considered and incorporated into the prior judgment, decision or ruling the public interest in competition.

3. Section I.B.9, of Amendment 19, Compliance with Section II of this Amendment, is amended as follows:

While the Registry Agreement remains in effect, VeriSign shall not be obligated to comply with the provisions of Section II of this amendment. Upon termination (i) by VeriSign of the Registry Agreement; (ii) due to the withdrawal of the Department's recognition of ICANN; or (iii) if the Department does not approve any renewal under Section 4.2, or any other extension or continuation of, or substitution for, the Registry Agreement, VeriSign shall no longer be required to comply with the Registry Agreement and VeriSign's obligations under Section II of this amendment shall take immediate effect with respect to the .com Registry without further action by the Department of Commerce or VeriSign.

4. Section I.B.10, of Amendment 19, Expiration Date, is amended as follows:

> The Expiration Date of the Cooperative Agreement shall be November 30, 2012, except that the Department of Commerce may in its sole discretion extend the term of the Cooperative Agreement (1) for a period equal to the length of any term of renewal under Section 4.2, or any other extension or continuation of the Registry Agreement (whether or not the Registry Agreement remains in effect through that term); (2) for a period equal to the length of the term of a substitute registry agreement; or (3) for one year to permit the Department to exercise its rights under Section II.9 of this amendment, as amended, if the Department does not approve any renewal under Section 4.2, or any other extension or continuation of or substitution for, the Registry Agreement.

5. The Department hereby approves the Registry Agreement. This approval is not intended to confer federal antitrust immunity on **VeriSign** with respect to the Registry Agreement. Upon signature of both parties, **VeriSign** shall provide copies of the Registry Agreement to both the Grants Officer and the Federal Programs Officer.

6. Except as modified by this Amendment, the terms and conditions of this Cooperative Agreement, as previously amended, remain unchanged.

EXHIBIT 21.01

Subsidiaries of the Registrant

Name of Subsidiary	Country/State of Incorporation/Organization
Best4U Media Sarl	Switzerland
EMBP 455, LLC	California
EMBP 685, LLC	California
eNIC Corporation	Washington
Garden Acquisition LLC	Delaware
GeoTrust, Inc.	Delaware
Global Registration Services Limited	United Kingdom
Incode Holdings, Inc.	Delaware
InCode Telecom Group, Inc.	Delaware
JAMBA Service GmbH	Germany
Jamster International Sarl	Switzerland
LightSurf International, Inc.	California
Moreover Technologies, Inc.	Delaware
Moreover Technologies Limited	United Kingdom
m-Qube Canada, Inc.	Canada
m-Qube, Inc.	Delaware
Name Engine, Inc.	Delaware
NS Holding Company	Delaware
siteRock K.K.	Japan
Thawte Consulting (Pty) Limited	South Africa
Thawte Holdings (Pty) Limited	South Africa
Thawte On-Line Security Services (Pty) Limited	South Africa
Thawte Technologies, Inc.	Delaware
Thawte, Inc.	Delaware
The .tv Corporation International	Delaware
Three united mobile solutions GmbH	Austria
Tocop Sarl	Switzerland
VeriSign (Europe) Sarl	Switzerland

VeriSign Australia (Pty) Limited	Australia
VeriSign Brasil Ltda.	Brazil
VeriSign Canada Limited	Canada
VeriSign Capital Management, Inc.	Delaware
VeriSign Denmark ApS	Denmark
VeriSign Deutschland GmbH	Germany
VeriSign France SAS	France
VeriSign Germany Holding GmbH	Germany
VeriSign Holdings UK Limited	United Kingdom
VeriSign Hong Kong Limited	Hong Kong
VeriSign India Private Limited	India
VeriSign Information Services, Inc.	Delaware
VeriSign International Holdings, Inc.	Delaware
VeriSign Israel Ltd.	Israel
VeriSign Italy S.r.l.	Italy
VeriSign Japan K.K.	Japan
VeriSign Korea Ltd.	Korea
VeriSign Netherlands B.V.	Netherlands
VeriSign Norway AS	Norway
VeriSign One Sarl	Switzerland
VeriSign Reinsurance Company, Ltd.	Bermuda
VeriSign Services India Private Limited	India
VeriSign Spain S.L.	Spain
VeriSign Sweden AB	Sweden
VeriSign Switzerland SA	Switzerland
VeriSign U.S. Holdings, Inc.	Nevada
VeriSign UK Limited	United Kingdom
VeriSign Ukraine LLC	Ukraine

Exhibit 23.01

Consent of Independent Registered Public Accounting Firm

The Board of Directors
VeriSign, Inc.:

We consent to incorporation by reference in the registration statements on Form S-8 (Nos. 333-45237, 333-46803, 333-58583, 333-82941, 333-39212, 333-50072, 333-53230, 333-59458, 333-69818, 333-75236, 333-86178, 333-86188, 333-106395, 333-113431, 333-117908, 333-123937, 333-125052, 333-126352, 333-127249, 333-132988, and 333-134026), and registration statements on Form S-3 (Nos. 333-74393, 333-77433, 333-89991, 333-94445, 333-7222, and 333-76386) of VeriSign, Inc. of our reports dated July 12, 2007, with respect to the consolidated balance sheets of VeriSign, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, and the effectiveness of internal control over financial reporting as of December 31, 2006 which reports appear in the December 31, 2006 annual report on Form 10-K of VeriSign, Inc.

As discussed in note 2 to the consolidated financial statements, the consolidated financial statements as of December 31, 2005 and for each of the years in the two-year period ended December 31, 2005 have been restated.

As discussed in note 1 to the consolidated financials statements, effective January 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*.

Our report dated July 12, 2007, on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2006, expresses our opinion that VeriSign, Inc. did not maintain effective internal control over financial reporting as of December 31, 2006, because of the effect of a material weakness related to the Company's stock administration policies and practices and contains an explanatory paragraph that states that the material weakness was comprised of the following control deficiencies: (1) failure to consistently implement and apply policies and procedures related to the approval of equity-based grants to executive officers, retention grants and grants made in connection with new hires, promotions, and annual performance reviews; (2) lack of complete and timely reconciliation of grants and cancellations from the Company's stock administration database to its financial reporting systems; lack of consistent reconciliation of grant dates in the system of record to supporting documentation; (3) inadequate supervision and training of personnel involved with the equity-based grant processes; and (4) lack of effective coordination and communication among the Human Resources Department, Accounting Department and Legal Department in connection with the administration of equity-based grants. The control deficiencies resulted in more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected. A material weakness comprised of similar control deficiencies to those noted above resulted in material errors to, and the restatement of, the 2005 and 2004 annual consolidated financial statements and the condensed consolidated financial statements for the interim periods in 2005 and for the interim period ended March 31, 2006.

Our report on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2006, contains an explanatory paragraph that states the Company acquired m-Qube, Inc. (m-Qube) and inCode Telecom Group, Inc. (inCode) on May 1, 2006 and November 30, 2006, respectively, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 m-Qube's and inCode's internal control over financial reporting associated with total assets of $316,131,000 and $89,656,000, respectively, and total revenues of 26,985,000 and $5,000,000, respectively, included in the consolidated financial statements of VeriSign, Inc. and subsidiaries as of and for the year ended December 31, 2006. Our audit of internal control over financial reporting of VeriSign, Inc. also excluded an evaluation of the internal control over financial reporting of m-Qube and inCode.

KPMG LLP
Mountain View, California
July 12, 2007

EXHIBIT 31.01

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

I, William A. Roper, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of VeriSign, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 12, 2007

By: /S/ WILLIAM A. ROPER, JR.

William A. Roper, Jr.
President and Chief Executive Officer

EXHIBIT 31.02

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

I, Albert E. Clement, certify that:

1. I have reviewed this annual report on Form 10-K of VeriSign, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 12, 2007

By: /S/ ALBERT E. CLEMENT

Albert E. Clement
Executive Vice President, Finance and Chief Financial Officer

EXHIBIT 32.01

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

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

1. the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 12, 2007

/S/ WILLIAM A. ROPER, JR.

William A. Roper Jr.
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.02

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

I, Albert E. Clement, Executive Vice President, Finance and Chief Financial Officer of VeriSign, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 12, 2007

/S/ ALBERT E. CLEMENT

Albert E. Clement
Executive Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)