

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2000

OR

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

For the transition period from _____ to _____

Commission File Number: 000-23593

VERISIGN, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

94-3221585
(I.R.S. Employer
Identification No.)

1350 Charleston Road, Mountain View, CA 94043-1331
(Address of principal executive offices) (Zip Code)

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

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

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

Class -----	Shares Outstanding October 31, 2000 -----
Common stock, \$.001 par value	197,423,288

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PART I--FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As required under Item 1-Condensed Consolidated Financial Statements (Unaudited) included in this section are as follows:

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September 30, December 31,
2000 1999

	September 30, 2000	December 31, 1999
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 497,549	\$ 70,382
Short-term investments.....	593,751	86,098
Accounts receivable, net.....	83,507	22,727
Refundable income taxes.....	32,829	--
Prepaid expenses and other current assets.....	55,356	3,635
	-----	-----
Total current assets.....	1,262,992	182,842
Property and equipment, net.....	86,479	10,194
Goodwill and other intangible assets, net.....	18,930,810	--
Long-term investments.....	243,643	144,751
Other assets, net.....	1,555	3,379
	-----	-----
	\$20,525,479	\$341,166
	=====	=====
Liabilities And Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 161,397	\$ 10,902
Accrued merger costs.....	79,591	--
Deferred revenue.....	422,726	31,777
	-----	-----
Total current liabilities.....	663,714	42,679
Deferred income taxes, net.....	133,169	--
Long-term deferred revenue.....	68,137	--
Other long-term liabilities.....	557	128
	-----	-----
Total long-term liabilities.....	201,863	128
	=====	=====
Commitments and contingencies		
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: 196,933,693		
(excluding 40,000 shares held in treasury) at		
September 30, 2000		
103,482,841 at December 31, 1999.....	197	103
Additional paid-in capital.....	21,492,174	258,239
Notes receivable from stockholders.....	(242)	--
Unearned compensation.....	(95)	(172)
Accumulated deficit.....	(1,850,731)	(47,452)
Accumulated other comprehensive income.....	18,599	87,641
	-----	-----
Total stockholders' equity.....	19,659,902	298,359
	=====	=====
	\$20,525,479	\$341,166
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2000	1999	2000	1999
Revenues.....	\$ 173,086	\$ 22,782	\$ 277,411	\$57,100
Costs and expenses:				
Cost of revenues.....	59,939	8,405	94,971	22,379
Sales and marketing.....	57,974	8,829	100,492	24,492
Research and development.....	14,485	3,405	26,028	9,478
General and administrative.....	23,869	2,142	35,705	6,122
Write-off of acquired in-process research and development.....	--	--	54,000	--
Amortization of goodwill and other intangible assets.....	1,362,606	--	1,832,836	--
Total costs and expenses.....	1,518,873	22,781	2,144,032	62,471
Operating income (loss).....	(1,345,787)	1	(1,866,621)	(5,371)
Other income:				
Interest and investment income..	22,870	1,902	64,977	5,282
Other expense, net.....	(1,268)	(336)	(1,635)	(489)
Total other income.....	21,602	1,566	63,342	4,793
Net income (loss).....	\$ (1,324,185)	\$ 1,567	\$ (1,803,279)	\$ (578)
Net income (loss) per share:				
Basic.....	\$ (6.78)	\$.02	\$ (12.33)	\$ (.01)
Diluted.....	\$ (6.78)	\$.01	\$ (12.33)	\$ (.01)
Shares used in per share computation:				
Basic.....	195,346	101,514	146,307	99,722
Diluted.....	195,346	115,198	146,307	99,722

See accompanying Notes to Condensed Consolidated Financial Statements

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VERISIGN, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended Sept. 30,	
	2000	1999
Cash flows from operating activities:		
Net loss.....	\$ (1,803,279)	\$ (578)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of property and equipment.....	17,329	3,873
Amortization of goodwill and other intangible assets, net.....	1,831,112	--
Write-off of acquired in-process research and development.....	54,000	--

Gain on sale of marketable securities.....	(34,996)	--
Minority interest in net loss of subsidiary.....	40	(722)
Stock-based compensation.....	77	77
Loss on disposal of property and equipment.....	635	362
Changes in operating assets and liabilities:		
Accounts receivable.....	(38,368)	(10,264)
Prepaid expenses and other current assets.....	4,376	(2,633)
Refundable income taxes.....	20,053	--
Accounts payable and accrued liabilities.....	61,373	1,241
Deferred revenue.....	38,707	12,177
	-----	-----
Net cash provided by operating activities.....	151,059	3,533
	-----	-----
Cash flows from investing activities:		
Purchases of short-term investments.....	(584,222)	(112,636)
Proceeds from maturities and sales of short-term investments.....	86,019	40,961
Purchases of long-term investments.....	(158,859)	(10,119)
Proceeds from maturities and sales of long-term investments.....	63,652	--
Purchases of property and equipment.....	(32,146)	(4,308)
Cash acquired in purchase transactions, less amounts paid.....	852,412	--
Transaction costs.....	(14,407)	--
Other assets.....	2,188	(2,269)
	-----	-----
Net cash provided by (used in) investing activities.....	214,637	(88,371)
	-----	-----
Cash flows from financing activities:		
Collections on notes receivable from stockholders....	524	409
Net proceeds from issuance of common stock.....	60,559	131,101
	-----	-----
Net cash provided by financing activities.....	61,083	131,510
	-----	-----
Effect of exchange rate changes on cash.....	388	--
	-----	-----
Increase in cash and cash equivalents.....	427,167	46,672
Cash and cash equivalents at beginning of period.....	70,382	22,786
	-----	-----
Cash and cash equivalents at end of period.....	\$ 497,549	\$ 69,458
	=====	=====
Supplemental schedule of non-cash investing and financing activities:		
Unrealized gain (loss) on long-term investments.....	\$ (69,430)	\$ 35,021
	=====	=====
Non-cash consideration issued in connection with purchase transactions.....	\$21,109,865	\$ --
	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying interim unaudited condensed consolidated balance sheets, statements of operations and cash flows reflect all adjustments, consisting of normal recurring adjustments and other adjustments as explained in Note 2-- Business Combinations, that are, in the opinion of management, necessary for a fair presentation of the financial position of VeriSign, Inc. and its subsidiaries, (VeriSign or the Company), at September 30, 2000, and the results of operations and cash flows for the interim periods ended September 30, 2000 and 1999.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore,

do not include all information and notes normally provided in audited financial statements and should be read in conjunction with the financial statements of the Company for the year ended December 31, 1999 included in the annual report previously filed on Form 10-K. In addition, we recently acquired Network Solutions, Inc., (Network Solutions). Network Solutions previously filed audited financial statements for the three-year period ended December 31, 1999 in its 1999 Annual Report on Form 10-K.

The results of operations for any interim period are not necessarily indicative, nor comparable to the results of operations for any other interim period or for a full fiscal year. Prior periods have been reclassified for comparative purposes.

The carrying amount of cash and cash equivalents, investments, accounts receivable, and accounts payable approximate their respective fair values.

Note 2. Business Combinations

THAWTE Consulting (Pty) Ltd. Acquisition

On February 1, 2000, VeriSign completed its acquisition of THAWTE Consulting (Pty) Ltd., or THAWTE, a privately held South African company that provides digital certificates to website owners and software developers. VeriSign issued approximately 4.4 million shares of its common stock in exchange for all of the outstanding shares of THAWTE. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price of approximately \$652 million has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. Goodwill and other intangible assets are being amortized on a straight-line basis over two to three years. THAWTE's results of operations have been included in the consolidated financial statements from its date of acquisition.

Signio, Inc. Acquisition

On February 29, 2000, VeriSign completed its acquisition of Signio, Inc., or Signio, a privately held company that provides payment services that connect online merchants, business-to-business exchanges, payment processors and financial institutions on the Internet. VeriSign issued approximately 5.6 million shares of its common stock in exchange for all the outstanding shares of Signio and also assumed all of Signio's outstanding stock options. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price of approximately \$876 million has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. Goodwill and other intangible assets are being amortized on a straight-line basis over three years. Signio's results of operations have been included in the consolidated financial statements from its date of acquisition.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Network Solutions, Inc. Acquisition

On June 8, 2000, VeriSign completed its acquisition of Network Solutions, a publicly traded company that provides Internet domain name registration and global registry services. The total consideration of approximately \$19.6 billion was based on: the fair value of VeriSign's common stock issued; stock options assumed; and merger related costs. At the closing, VeriSign issued approximately 78.3 million shares of its common stock valued at approximately \$18.0 billion, based on an exchange ratio of 1.075 shares of VeriSign's common stock for each outstanding share of Network Solutions common stock. VeriSign assumed outstanding options to purchase Network Solutions common stock, which were converted into options to acquire approximately 9.1 million shares of VeriSign's common stock, with a fair value of approximately \$1.6 billion, based on the same exchange ratio, subject to terms and conditions, including exercisability and vesting schedules, of the original options.

As part of the purchase price, VeriSign recorded a provision for merger related costs of \$96.4 million. Merger related costs are incremental and non-

recurring expenses. Merger related costs are necessary to integrate Network Solutions and VeriSign. The provision is associated with the activities of integration teams responsible for merging the two companies and includes such items as investment banker fees, legal fees, filing fees, provision for acceleration of stock option vesting, and employee relocation expenses. For the period from June 8, 2000 to June 30, 2000, approximately \$8.9 million was paid for filing fees, legal fees and consulting fees related to the acquisition. An additional \$7.9 million was recorded against the provision in the third quarter for the write-off of duplicative information systems and prepaid director and officer insurance premiums. It is anticipated that further amounts will be expended over the course of the next nine months.

This transaction was accounted for as a purchase. Accordingly, the purchase consideration of \$19.6 billion has been preliminarily allocated to the estimated fair value of the assets acquired and liabilities assumed based on their estimated fair values as of the date of the acquisition. Goodwill and other intangible assets are being amortized on a straight-line basis over useful lives of three to four years. Network Solutions results of operations have been included in the consolidated financial statements from its date of acquisition.

Purchase Price Allocations

The purchase consideration for THAWTE, Signio and Network Solutions was allocated to the assets acquired and liabilities assumed based on fair values as follows:

	THAWTE	Signio	Network Solutions	Straight -Line Amortization Period
	(Dollars in thousands)			(Years)
Net tangible assets.....	\$ 566	\$ 2,888	\$ 705,715	--
ISP hosting relationships....	11,389	--	--	2.0
Customer relationships.....	2,815	15,402	--	3.0
Technology in place.....	2,963	5,680	29,500	3.0
Non-compete agreement.....	939	--	--	3.0
Trade name.....	913	4,501	67,400	3.0
Workforce in place.....	342	1,353	16,900	3.0-4.0
Contracts with ICANN and customer lists.....	--	--	800,700	3.4
In-process research and development.....	--	--	54,000	--
Goodwill.....	632,087	854,635	18,273,709	3.0-4.0
Deferred income tax liabilities attributable to identifiable intangible assets.....	--	(8,732)	(365,800)	--
Net assets acquired.....	\$652,014	\$875,727	\$19,582,124	

Purchased In-Process Research and Development

The portion of the Network Solutions purchase price allocated to in-process research and development ("IPR&D") was \$54 million and was expensed during the quarter ended June 30, 2000. Network Solution's IPR&D efforts focused on significant and substantial improvements and upgrades to its shared registration system ("SRS"). The SRS is the system that provides shared registration interface to the accredited and licensed registrars into the .com, .net, and .org generic top level domain ("gTLD") name registry. It is through this system that registrars from all over the world are able to register domain names with the central database. Given the high demand on the SRS, it is in

need of improvements and upgrades in the area of scalability, security, non-english language capability and next generation resource provisioning protocol.

As of the acquisition date, Network Solutions was in the process of developing technology that would add substantial functionality and features to the SRS. The IPR&D had not yet reached technological feasibility and had no alternative uses. The IPR&D under development may not achieve technical or commercial viability. The technological feasibility of the in-process development efforts is established when the enterprise has completed all planning, designing, coding, and testing activities that are necessary to establish that the technology can be utilized to meet its design specifications including functions, features, and technical performance requirements. This estimate was based on the project costs and milestones. As of September 30, 2000, efforts related to upgrades and improvements in the SRS are continuing in particular related to non-english language capabilities and security. These efforts are expected to be significantly completed by the end of 2000.

The fair value assigned to IPR&D was estimated by discounting, to present value, the cash flows attributable to the technology once it has reached technological feasibility. A discount rate consistent with the risks of the project was used to estimate the present value of cash flows. The value assigned to IPR&D was the amount attributable to the efforts of the seller up to the time of acquisition. This amount was estimated through application of the "stage of completion" calculation by multiplying the estimated present value of future cash flows, excluding costs of completion, by the percentage of completion of the purchased research and development project at the time of acquisition.

Note 3. Commitments and Contingencies

As of October 31, 2000, Network Solutions, Inc. was a defendant in seventeen active lawsuits involving domain name disputes between trademark owners and domain name holders. Network Solutions is drawn into such disputes, in part, as a result of claims by trademark owners that Network Solutions is legally required, upon request by a trademark owner, to terminate the contractual right between Network Solutions and a domain name holder that registered a domain name, which is alleged to be similar to the trademark in question. On October 25, 1999, however, the Ninth Circuit Court of Appeals ruled in Network Solutions' favor and against Lockheed Corporation, holding that Network Solutions' services do not make Network Solutions liable for contributory infringement to trademark owners. Thus, Network Solutions believes, this type of suit should decline in frequency. The holders of the domain name registrations in dispute have, in turn, questioned Network Solutions' right, absent a court order, to take any action that affects their contractual rights to the domain names in question. Although 82 of these kinds of situations over the past six and a half years have resulted in suits actually naming Network Solutions as a defendant, as of October 31, 2000, no adverse judgment has been rendered and no award of damages has ever been made against Network Solutions. Network Solutions believes that it has meritorious defenses and vigorously defends itself against these claims.

On January 13, 2000, the Department of Justice Antitrust Division issued a Civil Investigative Demand seeking information and documents concerning the then-pending acquisition by VeriSign of THAWTE. VeriSign provided certain information and documents to the Department of Justice, and closed the THAWTE transaction on February 1, 2000. VeriSign completed its initial response to the Civil Investigative Demand on

March 1, 2000, and a supplemental production of documents was completed May 9, 2000. On September 14, 2000, VeriSign was notified that senior officials at the Department of Justice had reviewed a report by the investigatory staff regarding the transaction, and that the Department had concerns about the potential competitive effects of the transaction. Representatives of VeriSign met with and provided additional information to the Department of Justice during October 2000. The Department of Justice ultimately may raise objections to the transaction that would require VeriSign to negotiate a settlement with the Department of Justice to resolve such objections, or to defend against a legal action challenging the transaction.

On March 15, 2000, a group of eight plaintiffs filed suit against the United States Department of Commerce, the National Science Foundation and Network Solutions, Inc. in the United States District Court for the Northern District of California. The case, entitled William Hoefer et al. v. U.S. Department of Commerce, et al., Civil Action No. 000918-VRW, challenged the lawfulness of the registration fees that Network Solutions was authorized to charge for domain name registrations from September 1995 to November 1999. The suit purports to be brought on behalf of all domain name registrants who paid registration fees during that period and seeks approximately \$1.7 billion in damages. On June 19, 2000 the plaintiffs filed their first amended complaint, adding two plaintiffs and naming VeriSign as a defendant.

All of the defendants filed motions to transfer the suit to the Federal District Court in the District of Columbia and the court granted those motions on June 28, 2000. The same attorney who unsuccessfully challenged Network Solutions in a similar action known as Thomas, et al. v. Network Solutions, et al., filed this new action on behalf of eight former and current domain name registrants. The suit contains eight causes of action against the defendants based on alleged violations of Art. I, Section 8 and the Fifth Amendment of the U.S. Constitution, the Independent Offices Appropriations Act (31 U.S.C. Section 9701), the Administrative Procedure Act, the Sherman Act, and the California Unfair Competition Act, Section 17200. The case was docketed with the Federal District Court in the District of Columbia on July 28, 2000 and on August 4, 2000 the plaintiffs dismissed the case. Four days later, the same attorney refiled the same case in the United States District Court for the Eastern District of Virginia. Network Solutions filed a motion to dismiss the case and the plaintiffs responded by filing a First Amended Complaint on September 7, 2000. We now have refiled another Motion to Dismiss. The current versions of the suit does not name VeriSign as a defendant. The suit contains fourteen causes of action against the Appropriations Act (31 U.S.C. Section 9701), the Administrative Procedure Act, the Chief Financial Officer's Act (31 U.S.C. Section 902), and the Sherman Act. On October 10, 2000, Network Solutions filed its motion to dismiss the case. On October 24, 2000, the National Science Foundation filed a motion to transfer the case back to the Federal District Court in the District of Columbia.

On June 15, 2000, plaintiff David Moran filed a putative shareholder derivative complaint on behalf of himself and others similarly situated against Charles Stuckey, Jr., James Bidzos, Richard L. Earnest, Dr. Taher Elgamal, James K. Sims, Joseph B. Lassiter III, Robert P. Badavas, and against nominal defendant VeriSign, Inc. The case is captioned Moran v. Stuckey, et.al., No. 1810 NC (Del. Ch. 2000). The complaint alleges, among other things, that the directors of RSA Security mismanaged RSA's business, failed to protect its intellectual property or enforce the terms of its license agreement with VeriSign, and that VeriSign violated the terms of the licensing agreement and competed against RSA. On August 2, 2000, a second shareholder complaint was filed against the Company and the aforementioned directors of RSA Security, Inc. by plaintiff James V. Biglan. That case is captioned Biglan v. Stuckey, et al. Civ. Action No. 18190NC (Del. Ch. 2000). On September 25, 2000 the Court ordered the cases consolidated under the Moran caption and named lead counsel for plaintiffs in this matter. Defendants are to respond to the Complaint no later than December 11, 2000. While VeriSign cannot ascertain the outcome of this matter presently, VeriSign believes that the claims against it are without merit and intends to vigorously defend itself against these claims.

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VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

VeriSign is involved in various other investigations, claims and lawsuits arising in the normal conduct of our business, none of which, in our opinion will harm our 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. An unfavorable outcome may have a material adverse effect on VeriSign's financial position or results of operations.

Note 4. Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other

comprehensive income (loss). The components of comprehensive income (loss) are as follows:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2000	1999	2000	1999
	(In thousands)			
Net income (loss).....	\$ (1,324,185)	\$ 1,567	\$ (1,803,279)	\$ (578)
Unrealized gain (loss) on investments.....	(23,139)	35,021	(69,430)	35,021
Translation adjustments.....	211	--	388	--
Comprehensive income (loss).....	\$ (1,347,113)	\$ 36,588	\$ (1,872,321)	\$ 34,443

Note 5. Calculation of Net Income (Loss) per Share

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted-average number of common stock and, when dilutive, common equivalent shares from options to purchase common stock using the treasury stock method. In the periods where the Company has a net loss, net loss per share on a diluted basis is equivalent to basic net loss per share because the effect of converting outstanding stock options would be anti-dilutive. In addition, options to purchase shares of common stock were not included in the computation of diluted earnings per share in periods where the options exercise price was greater than the average market price of the common shares and therefore, the effect would be anti-dilutive. For the three-month period ended September 30, 2000, options to purchase 28,136,475 shares of common stock were outstanding, and for the three-month period ended September 30, 1999, options to purchase 18,608,450 shares of common stock were outstanding.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The following table represents the computation of basic and diluted net income (loss) per share.

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2000	1999	2000	1999
	(In thousands, except per share data)			
Basic net income (loss) per share:				
Net income (loss).....	\$ (1,324,185)	\$ 1,567	\$ (1,803,279)	\$ (578)
Determination of basic shares:				
Weighted average shares outstanding.....	195,369	101,514	146,510	99,722
Weighted average shares issued and subject to repurchase agreements.....	(23)	--	(203)	--
Basic average common shares outstanding.....	195,346	101,514	146,307	99,722
Basic net income (loss) per share.....	\$ (6.78)	\$.02	\$ (12.33)	\$ (.01)

	=====	=====	=====	=====
Diluted net income (loss) per share:				
Net income (loss).....	\$ (1,324,185)	\$ 1,567	\$ (1,803,279)	\$ (578)
Determination of diluted shares:				
Weighted average shares outstanding.....	195,369	101,514	146,510	99,722
Weighted average shares issued and subject to repurchase agreements.....	(23)	--	(203)	--
Assumed conversion of employee stock options.....	--	13,684	--	--
Diluted average common shares outstanding.....	195,346	115,198	146,307	99,722
Diluted net income (loss) per share.....	\$ (6.78)	\$.01	\$ (12.33)	\$ (.01)

Note 6. Segment Information

VeriSign operates in the Americas, Europe, Middle East and Africa, Asia-Pacific and Japan and derives substantially all of its revenues from sales of Internet infrastructure and web presence services. For the three months ended September 30, 2000, the Company derived 10% of its revenue from international subsidiaries and affiliates and for the three months ended September 30, 1999, the Company derived 29% of its revenue from international subsidiaries and affiliates. For the nine months ended September 30, 2000, the Company derived 16% of its revenue from international subsidiaries and affiliates and for the nine months ended September 30, 1999, the Company derived 26% of its revenue from international subsidiaries and affiliates. The decline in the percentage of revenue from international subsidiaries and affiliates during the quarter and nine months ended September 30, 2000 as compared to the quarter and nine months ended September 30, 1999 is primarily due to the inclusion of the Network Solutions' revenue.

VeriSign has completed the integration of the THAWTE and Signio acquisitions. The activities of both companies have been blended into the legacy activities of VeriSign. As a result of the acquisition of Network Solutions, the Company is reorganizing its lines of business and internal reporting to improve the data reviewed by the chief operating decision maker. The Company is establishing two segments that will be customer focused and based on sales activity to customers. The Mass Markets Division will focus on delivering all of our products and services to small and medium size enterprises as well as to consumers looking to build a presence on the web. The Enterprise and Service Provider Division will focus on large enterprises and service providers around the globe who are looking to establish and deliver secure Internet infrastructure services for their customers in both business to consumer and business to business environments. The Company is currently implementing this structure as part of its organizational strategy and such implementation will occur over the next three to six months. The Company will modify its segment reporting as necessary as its strategy is developed and implemented.

VERISIGN, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Note 7. Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 established methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. We expect that the adoption of SFAS No. 133 will have no material impact on our financial position, results of operations or cash flows. We will be required to implement SFAS No. 133 for the year ending December 31, 2001.

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

You should read the following discussion in conjunction with the interim unaudited consolidated financial statements and related notes.

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. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to these differences include, but are not limited to; those discussed in the section below entitled "Factors That May Affect Future Results of Operations." 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 that we have filed or will file in 2000 and our Annual Report on Form 10-K, which was filed on March 22, 2000. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview

VeriSign is the leading provider of trusted infrastructure services to website owners, enterprises, electronic commerce service providers and individuals. The Company's domain name, digital certificate and payment services provide the critical web identity, authentication and transaction infrastructure that online businesses need to conduct secure e-commerce and communications.

VeriSign's core authentication service offerings were established as the cornerstone of the business in 1995 with the introduction of website digital certificates. Through our secure online infrastructure we sell our website digital certificates to online businesses, large enterprises, government agencies and other organizations. We have established strategic relationships with industry leaders, including AOL/Netscape, British Telecommunications plc, Cisco, Microsoft, RSA Security and VISA, to enable widespread utilization of our digital certificate services and to assure interoperability with a wide variety of applications and network equipment. We also offer VeriSign OnSite, a managed service that allows an organization to leverage our trusted data processing infrastructure to develop and deploy customized digital certificate services for use by employees, customers and business partners.

We market our authentication services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, value added resellers, systems integrators and our international affiliates. A significant portion of our authentication services revenues to date have been generated through sales from our website, but we intend to continue increasing our direct sales force, both in the United States and abroad, and to continue to expand our other distribution channels. We continue to build an international network of affiliates who provide our trust services under licensed co-branding relationships using our proprietary technology and business practices. The VeriSign Trust Network now consists of affiliated organizations including British Telecommunications plc in the United Kingdom, Canadian Imperial Bank of Commerce (CIBC) of Canada, Certplus of France, eSign of Australia, HiTrust of Taiwan, Roccade of The Netherlands, and Telia in Sweden. These international service providers utilize common technology, operating practices and infrastructure to deliver interoperable trust services for a specific geographic region or vertical market.

We expanded our authentication service offerings on February 1, 2000, when we completed our acquisition of THAWTE Consulting (Pty) Ltd., a privately held South African company that provides digital certificates to website owners and software developers. In connection with this acquisition, we issued approximately 4.4 million shares of our common stock in exchange for all of the outstanding shares of THAWTE. The transaction has been accounted for as a purchase and, accordingly, the results of THAWTE's operations are

included in our consolidated financial statements from the date of acquisition. As a result of our acquisition of THAWTE, we recorded goodwill and other intangible assets of approximately \$.7 billion. These amounts will be amortized over a two to three year period.

On February 29, 2000, we completed our acquisition of Signio, Inc., a privately held company that provides payment services that connect online merchants, business-to-business exchanges, payment processors and financial institutions on the Internet. During the second quarter of 2000 the product offering was extended to include new business-to-business payment services, including support for Automated Clearing House (ACH) and purchasing card transactions. In connection with this acquisition, we issued approximately 5.6 million shares of our common stock in exchange for all of the outstanding shares of Signio and we also assumed Signio's outstanding employee stock options. The transaction has been accounted for as a purchase and, accordingly, the results of Signio's operations are included in our consolidated financial statements from the date of acquisition. As a result of our acquisition of Signio, we recorded goodwill and other intangible assets of approximately \$.9 billion. These amounts will be amortized over a two to three year period.

We market our payment services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, value added resellers, and systems integrators. A significant portion of our payment services revenues to date has been generated through sales from our website, but we intend to continue increasing our direct sales force, both in the United States and abroad, and to continue to expand our other distribution channels.

On June 8, 2000, we completed our acquisition of Network Solutions, Inc., a publicly traded company that provides Internet domain name registration and global registry services. We issued approximately 72.9 million shares of our common stock for all of the outstanding shares of Network Solutions and we also assumed all of Network Solutions' outstanding stock options. The acquisition has been accounted for as a purchase and, accordingly, the total purchase price of approximately \$19.6 billion has been allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. Network Solutions' results of operations have been included in the consolidated financial statements from its date of acquisition. As a result of our acquisition of Network Solutions, we recorded goodwill and other intangible assets of approximately \$19.2 billion. These amounts will be amortized over a three to four year period. Therefore, we will report losses as we incur charges relating to the amortization of acquired intangible assets.

Network Solutions is the exclusive registry and the leading registrar for second level domain names within the .com, .net and .org generic top-level domains (gTLD) under agreements with ICANN and the Department of Commerce (DOC). Internet domain names are unique identities that enable businesses, other organizations and individuals to communicate and conduct commerce on the Internet. As a registry, Network Solutions maintains the master directory of all second level domain names in the .com, .net and .org top-level domains. Network Solutions owns and maintains the shared registration system that allows all registrars, including our own, 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.

As a registrar, Network Solutions markets second level domain name registration services and other value-added services that enable our customers to establish their identities on the web. The Network Solutions Registrar ("the Registrar") markets its services through a number of distribution channels, including the Internet, premier partner and business account partner programs, and strategic alliances. The Registrar has approximately 13.7 million cumulative domain names in the .com, .net and .org top-level domain. Recently, the Registrar signed a key marketing alliance with America Online (AOL) to offer the Registrar's domain name registration and value-added services across AOL brands on a global basis.

In December 1992, Network Solutions entered into the Cooperative Agreement with the National Science Foundation under which Network Solutions was to provide Internet domain name registration services for five top level domains: .com, .net, .org, .edu and .gov. These registration services include the initial two-year

domain name registration and annual re-registration, and throughout the registration term, maintenance of and unlimited modifications to individual domain name records and updates to the master file of domain names. In September 1998, the DOC took over the administration of the Cooperative Agreement from the National Science Foundation. In October 1998, the Cooperative Agreement was amended to extend the flexibility period until September 30, 2000 and to transition to a shared registration system.

On November 10, 1999, Network Solutions, the DOC and ICANN entered into a series of wide-ranging agreements relating to the domain name system. Under these agreements Network Solutions recognized ICANN as the not-for-profit corporation described in the Cooperative Agreement as amended; became an ICANN-accredited registrar and agreed to operate the registry in accordance with the provisions of the registry agreement and the consensus policies established by ICANN in accordance with the terms of that agreement. Network Solutions will be an accredited registrar through November 9, 2004 with a right to renew indefinitely in accordance with the cooperative agreement. As the registry, Network Solutions charges registrars \$6 per registration per year unless increased to cover increases in registry costs under circumstances described in the cooperative agreement.

The term of the registry agreement extends until November 9, 2003, except in the event that Network Solutions effects the legal separation of the ownership of its registry business from its registrar business by May 9, 2001 as described in the cooperative agreement, then the term will be extended until November 9, 2007.

Results of Operations

We have experienced substantial net losses in the past. As of September 30, 2000, we had an accumulated deficit of approximately \$1.9 billion, due in part to \$1.8 billion of goodwill and other intangible asset amortization related to acquisitions.

Revenues

Revenues from authentication services consist of fees for the issuance of digital certificates, fees for digital certificate service provisioning, fees for technology and business process licensing to affiliates and fees for consulting, implementation, training, support and maintenance services. Each of these sources of revenue has different revenue recognition methods. We defer revenues from the sale or renewal of digital certificates and recognize these revenues ratably over the life of the digital certificate, generally 12 months. We defer revenues from the sale of our OnSite managed services and recognize these revenues ratably over the term of the license, generally 12 months. We recognize revenues from the sale of digital certificate technology and business process licensing to affiliates upon delivery of the technology and signing of an agreement, provided the fee is fixed and determinable, collectibility is probable and the arrangement does not require significant production, modification or customization of the software. We recognize revenues from consulting and training services using the percentage-of-completion method for fixed-fee development arrangements or as the services are provided for time-and-materials arrangements. We recognize revenues ratably over the term of the agreement for support and maintenance services.

Revenues from payment services primarily consist of service revenues from transaction processing services. We recognize service revenue ratably over the periods in which the services are provided. Advance customer deposits received are deferred and allocated ratably to revenue over the periods the services are provided.

Domain name registration revenues consist primarily of registration fees charged to customers and registrars for domain name registration services. We defer revenues from the sale or renewal of domain name registration services and recognize these revenues ratably over the registration term.

We accounted for the June 8, 2000 Network Solutions acquisition as a purchase and Network Solutions' revenues, which are derived primarily from web presence services, have been included in our results of operations commencing June 9, 2000. In addition, we also acquired THAWTE in January 2000 and Signio in February 2000. Therefore, comparisons of revenues for the three and nine months ended September 30, 2000 and 1999 may not be relevant, as the businesses

of the combined company were not equivalent.

A comparison of revenues for the three-month periods and the nine-month periods ended September 30, 2000 and 1999 is presented below.

	2000	1999	Change
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	(Dollars in thousands)		
Three-month period:			
Revenues.....	\$173,086	\$22,782	660%
Nine-month period:			
Revenues.....	\$277,411	\$57,100	386%

Revenues increased significantly from the prior year primarily due to the acquisition of THAWTE, Signio and Network Solutions, increased sales of our authentication services, particularly our website digital certificates and VeriSign OnSite services, the expansion of our international affiliate network, and delivery of more training and consulting services. As of September 30, 2000 we have sold over 400,000 website digital certificates, and over 1,400 OnSite service solutions to enterprises, and we now have over 30 affiliates in our international network of affiliates.

A small portion of our revenue mix is from payment transaction services provided by Signio. By the end of the first nine months of 2000, the customer base for these services grew to in excess of 10,600 online merchants using Signio, now VeriSign Payment Services, to payment-enable their online stores and business-to-business commerce activities.

The current quarter results reflect a full quarter of activity from Network Solutions which VeriSign acquired on June 8, 2000. For the three months ended September 30, 2000, the Registrar added nearly 2.2 million new names and the Registry, now VeriSign Global Registry, accounted for 5.1 million new domain names and over 650,000 renewed or extended domain names. The Registry also completed the transfer of over 400,000 domain names between accredited registrars thereby supporting over 6.1 million domain name transactions in the quarter.

No customer accounted for 10% or more of revenues during the three months ended, or during the nine months ended September 30, 2000 or 1999. Revenues from international subsidiaries and affiliates accounted for 10% of revenues in the third quarter of 2000, and 29% of revenues in the third quarter of 1999. For the first nine months of the year, revenues from international subsidiaries and affiliates accounted for 16% of revenues in 2000, and 26% of revenues in 1999.

Costs and Expenses

We accounted for the Network Solutions acquisition as a purchase and Network Solutions' costs and expenses have been included in our results of operations commencing June 9, 2000. In addition, we also acquired THAWTE in January 2000 and Signio in February 2000. Therefore, comparisons of costs and expenses for the three and nine months ended September 30, 2000 and 1999 may not be relevant, as the businesses of the combined company were not equivalent.

Cost of revenues

Cost of revenues consists primarily of costs related to providing digital certificate enrollment and issuance services, payment services, domain name registration services, customer support and training, consulting and development services and costs of facilities and computer equipment used in these activities. In addition, with respect to our digital certificate services, cost of revenues also includes fees paid to third parties to verify certificate applicants' identities, insurance premiums for our service warranty plan and errors and omission insurance and the cost of software resold to customers.

A comparison of cost of revenues for the three-month periods and the nine-month periods ended September 30, 2000 and 1999 is presented below.

	2000	1999	Change
	-----	-----	-----
	(Dollars in thousands)		
Three-month period:			
Cost of revenues.....	\$59,939	\$ 8,405	613%
Percentage of revenues.....	35%	37%	
Nine-month period:			
Cost of revenues.....	\$94,971	\$22,379	324%
Percentage of revenues.....	34%	39%	

During the third quarter of 2000 and during the first nine months of 2000 cost of revenues increased due to an increase in headcount required to support the growth in demand for our products and services and to support the growth of our security consulting and training activities during the period. The cost of insurance premiums for our service warranty plan increased because of greater levels of sales of digital certificates. In addition, we incurred increased expenses for access to third-party databases, higher support charges for our external disaster recovery program and increased expenses related to the cost of software products resold to customers as part of network security solution implementations. Additionally, acquisitions, such as THAWTE, Signio and Network Solutions, have resulted in an increase in our cost of revenues over prior quarters. Future acquisitions, further expansion into international markets and introductions of additional products will result in further increases in cost of revenues, due to additional personnel and related expenses and other factors.

Cost of revenues as a percentage of revenue decreased from 1999 to 2000 primarily due to the overall mix of revenues, the experience of economies of scale on our technology infrastructure and the efficiency gains in the certificate enrollment and issuance process. In addition, revenues derived from our recent acquisitions of THAWTE, Signio and Network Solutions, have a different cost structure from our authentication services. We anticipate that cost of revenues will continue to increase in absolute dollars as a result of continued growth in all of our lines of business.

Sales and marketing

Sales and marketing expenses consist primarily of costs related to sales, marketing, and external affair activities. These expenses include salaries, sales commissions and other personnel-related expenses, travel and related expenses, costs of computer and communications equipment and support services, facilities costs, consulting fees and costs of marketing programs, such as Internet, television, radio and print advertising.

A comparison of sales and marketing expenses for the three-month periods and the nine-month periods ended September 30, 2000 and 1999 is presented below.

	2000	1999	Change
	-----	-----	-----
	(Dollars in thousands)		
Three-month period:			
Sales and marketing.....	\$ 57,974	\$ 8,829	557%
Percentage of revenues.....	33%	39%	
Nine-month period:			
Sales and marketing.....	\$100,492	\$24,492	310%
Percentage of revenues.....	36%	43%	

The Network Solutions acquisition was the primary reason for the increase in sales and marketing expenses in the three and nine month periods of 2000 as compared to those periods in 1999. The Registrar

continues to incur expenses promoting the value of the .com, .net and .org web addresses as well as value-added services including web site design tools and other enhanced service offerings. The remainder of the increase was driven by lead and demand generation activities in our authentication businesses, expansion of our sales force, an increase in international sales expenses, and the effect of a full quarter of sales and marketing expenses from THAWTE and Signio. While the absolute dollar spending increased for sales and marketing expenses, we continue to realize a decline in spending from 1999 to 2000 as a percentage of revenue. This is primarily due to the increase in recurring revenue from existing customers, which tend to have lower acquisition costs associated with them, and the increase in the productivity of the direct and inside sales forces. However, we cannot forecast that these sales and marketing expenses will continue to decline as a percentage of revenues.

We do expect sales and marketing expenses to continue to increase on an absolute dollar basis in the future, primarily related to an expanded sales force, expanded marketing and demand generation activities, development and enhancement of partner and distribution channels and promotional activities for web presence products and services.

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.

A comparison of research and development expenses for the three-month periods and the nine-month periods ended September 30, 2000 and 1999 is presented below.

	2000 -----	1999 -----	Change -----
	(Dollars in thousands)		
Three-month period:			
Research and development.....	\$14,485	\$3,405	325%
Percentage of revenues.....	8%	15%	
Nine-month period:			
Research and development.....	\$26,028	\$9,478	175%
Percentage of revenues.....	9%	17%	

Research and development expenses increased in absolute dollars in the third quarter of 2000 from the third quarter of 1999 primarily due to the acquisition of Network Solutions and from continued investment in the design, testing and deployment of, and technical support for our expanded Internet trust service offerings and technology. The increase reflects the expansion of our engineering staff and related costs required to support our continued emphasis on developing new products and services as well as enhancing existing products and services. The decrease in research and development expenses as a percentage of revenues from 1999 to 2000 is primarily due to different cost structures related to new acquisitions.

We believe that timely development of new and enhanced authentication services, transaction services, web presence services and technology are necessary to maintain our 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. As a result, we expect research and development expenses will continue to increase in absolute dollars. To date, we have expensed all research and development expenditures as incurred.

General and administrative

General and administrative expenses consist primarily of salaries and other

personnel-related expenses for our executive, administrative, legal, finance and human resources personnel, facilities and computer and communications equipment, support services and professional services fees.

A comparison of general and administrative expenses for the three-month periods and the nine-month periods ended September 30, 2000 and 1999 is presented below.

	2000	1999	Change
	-----	-----	-----
	(Dollars in thousands)		
Three-month period:			
General and administrative.....	\$23,869	\$2,142	1,014%
Percentage of revenues.....	14%	9%	
Nine-month period:			
General and administrative.....	\$35,705	\$6,122	483%
Percentage of revenues.....	13%	11%	

The increase in general and administrative expenses for the third quarter, as well as for the first nine months of 2000, over the third quarter and first nine months of 1999 was related to the acquisition of Network Solutions in June 2000 and the acquisition of THAWTE and Signio in the first quarter of 2000. Expenses also increased due to additional staffing levels required to manage and support our expanded operations, the implementation of additional management information systems, and the expansion of our corporate headquarters.

We anticipate that general and administrative expenses will continue to increase on an absolute dollar basis in the future as we expand our administrative and executive staff, add infrastructure, expand facilities and assimilate acquired technologies and businesses.

Write-off of acquired in-process research and development

The portion of the Network Solutions purchase price allocated to in-process research and development ("IPR&D") was \$54 million and was expensed during the quarter ended June 30, 2000. Network Solutions' IPR&D efforts focused on significant and substantial improvements and upgrades to its shared registration system ("SRS"). The SRS is the system that provides shared registration interface to the accredited and licensed registrars into the .com, .net, and .org generic top level domain ("gTLD") name registry. It is through this system that registrars from all over the world are able to register domain names with the central database. Given the high demand on the SRS, it is in need of improvements and upgrades in the area of scalability, security, non-english language capability and next generation resource provisioning protocol.

As of the acquisition date, Network Solutions was in the process of developing technology that would add substantial functionality and features to the SRS. The IPR&D had not yet reached technological feasibility and had no alternative uses. The IPR&D under development may not achieve technical or commercial viability. The technological feasibility of the in-process development efforts is established when the enterprise has completed all planning, designing, coding, and testing activities that are necessary to establish that the technology can be utilized to meet its design specifications including functions, features, and technical performance requirements. This estimate was based on the project costs and milestones. As of September 30, 2000, efforts related to upgrades and improvements in the SRS are continuing, in particular related to non-english language capabilities and security. These efforts are expected to be significantly completed by the end of 2000.

The fair value assigned to IPR&D was estimated by discounting, to present value, the cash flows attributable to the technology once it has reached technological feasibility. A discount rate consistent with the risks of the project was used to estimate the present value of cash flows. The value assigned to IPR&D was the amount attributable to the efforts of Network Solutions up to the time of acquisition. This amount was estimated through

application of the "stage of completion" calculation by multiplying the estimated present value of future cash flows, excluding costs of completion, by the percentage of completion of the purchased research and development project at the time of acquisition.

Amortization of goodwill and other intangible assets

Goodwill and other intangible assets resulted primarily from our acquisitions of THAWTE in January 2000, Signio in February 2000 and Network Solutions in June 2000. We expect to recognize goodwill and other intangible asset amortization charges related to these acquisitions of up to \$1.4 billion per quarter until the goodwill and other intangible asset balances from these acquisitions become fully amortized ending in 2004. In addition, in the event we complete future acquisitions, we expect to incur additional goodwill and other intangible asset amortization charges.

Other Income

Other income consists primarily of interest earned on our cash, cash equivalents and short-term and long-term investments, gains on sale of equity investments and as well as the net effect of foreign currency transaction gains and losses. Other income also includes charges for any gains or losses on the disposal of property and equipment and other miscellaneous expenses.

A comparison of other income for the three-month periods and the nine-month periods ended September 30, 2000 and 1999 is presented below.

	2000	1999	Change
	-----	-----	-----
	(Dollars in thousands)		
Three-month period:			
Other income.....	\$21,602	\$1,566	1,279%
Percentage of revenues.....	12%	7%	
Nine-month period:			
Other income.....	\$63,342	\$4,793	1,222%
Percentage of revenues.....	23%	8%	

The increase in other income in the third quarter of 2000 compared to the third quarter of 1999 is primarily due to increased earnings on funds invested. Investments have increased in part due to our net proceeds of \$121.4 million generated from the follow-on public offering of our common stock during January 1999 and investment of cash generated from operations. The investment base was also significantly increased through the acquisition of Network Solutions, which added over \$875 million of cash and investments. For the first nine months of 2000 the increase over the first nine months of 1999 was also due to a \$32.6 million gain from the sale of shares of Keynote Systems, Inc. We may from time to time derive gains from the sale of our equity investments as considered necessary.

Provision for Income Taxes

No provision has been made for income taxes due to cumulative book losses. As discussed above under Note 2-- Business Combinations -- Purchase Price Allocations, we recorded deferred tax liabilities for Network Solutions and Signio for identifiable intangibles assets that are not deductible for federal and state income tax purposes. As a result of recording the deferred tax liabilities and considering their effect on the combined entity, a corresponding amount of deferred tax asset valuation allowance was reduced and offset against goodwill. Amortization of goodwill for these acquisitions is not deductible for tax purposes.

The Company has elected to treat the acquisition of THAWTE's South African operation as an asset acquisition together with a federal election to include the South African operation in the federal tax return of VeriSign. These elections will allow the goodwill and other intangibles of THAWTE in South Africa to be amortized over 15 years in the United States federal tax return of

Factors That May Affect Future Results of Operations

We have a limited operating history under our current business structure.

We were incorporated in April 1995, and we began introducing our trusted infrastructure services in June 1995. In addition, we have completed four acquisitions in 2000, including the acquisition of Network Solutions. Therefore, we have only a limited operating history on which to base an evaluation of our consolidated business and prospects. Our prospects must be considered in light of the risks and uncertainties encountered by companies in the early stages of development. These risks and uncertainties are often worse for companies in new and rapidly evolving markets and for companies integrating many businesses. Our success will depend on many factors, including, but not limited to, the following:

- . the successful integration of THAWTE, Signio, and Network Solutions;
- . the rate and timing of the growth and use of internet protocol (IP) networks for electronic commerce and communications;
- . the extent to which digital certificates and domain names are used for these communications and/or e-commerce;
- . the continued growth in the number of web sites;
- . the growth in demand for our payment services;
- . the continued evolution of electronic commerce as a viable means of conducting business;
- . the demand for our Internet infrastructure services and web presence services;
- . the competition for any of our services;
- . the perceived security of electronic commerce and communications over IP networks;
- . the perceived security of our services, technology, infrastructure and practices; 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 Internet infrastructure services, our digital certificates and our web presence services to new and existing customers;
- . attract, integrate, train, retain and motivate qualified personnel;
- . respond to competitive developments;
- . successfully introduce new Internet infrastructure services and web presence services; and
- . successfully introduce enhancements to our existing Internet infrastructure services and web presence services to address new technologies and standards and changing market conditions.

We cannot be certain that we will successfully address these risks.

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

Our future success substantially depends on the 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 continue to 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 payments, including the potential for merchant or user impersonation and fraud or theft of stored data and information communicated over IP networks;

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- . other security concerns such as attacks on popular websites by "hackers;"
- . inconsistent quality of service;
- . lack of availability of cost-effective, high-speed systems and service;
- . limited number of local access points for corporate users;
- . inability to integrate business applications on IP networks;
- . the need to operate with multiple and frequently incompatible products;
- . government regulation; and
- . a lack of tools to simplify access to and use of IP networks.

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.

Our near-term success depends, in part, on the growth of the web presence services business

VeriSign may not be able to sustain the revenue growth it has experienced in recent periods. In addition, past revenue growth may not be indicative of future operating results. If VeriSign does not successfully maintain its current position as a leading provider of domain name registration services or develop or market additional value-added products and services, our business could be harmed.

Web presence services will account for a very significant portion of our revenue in at least the near term. Its future success will depend largely on:

- . continued new domain name registrations;
- . re-registration rates of our customers;
- . our ability to maintain our current position as a leading registrar of domain names;
- . the successful development, introduction and market acceptance of new services that address the demands of Internet users;
- . our ability to provide robust domain name registration systems; and
- . our ability to provide a superior customer service infrastructure as a registry and registrar.

Issues arising from implementation agreements with ICANN and the Department of Commerce could harm its registration business

The Department of Commerce has adopted a plan for a phased transition of the Department of Commerce's responsibilities for the domain name system to ICANN. VeriSign faces risks from this transition, including:

- . ICANN could adopt or promote policies, procedures or programs that are unfavorable to our role in the registration of domain names or that are inconsistent with our current or future plans;
- . The Department of Commerce or ICANN could terminate our agreements to be the registry and/or a registrar in the .com, .net and .org top level

domains if they find that it is in violation of our agreements with them;

- . If we do not separate ownership of our registry and registrar by May 2001 in accordance with the registry agreement, the term of the registry agreement will expire in November 2003 and we may not be chosen as the successor registry;

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- . The terms of the registrar accreditation contract could change, as a result of an ICANN-adopted policy, in a manner that is unfavorable to us;
- . The Department of Commerce's or ICANN's interpretation of provisions of our agreements with either of them described above could differ from ours;
- . The Department of Commerce could revoke its recognition of ICANN, as a result of which the Department of Commerce would take the place of ICANN for purposes of the various agreements described above, and could take actions that are harmful to us;
- . ICANN may approve new top level domains and we may not be selected to act as a registrar or registry with respect to those top level domains;
- . 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 the activities of other registrars.

Challenges to ongoing privatization of Internet administration could harm VeriSign's web presence services business

Risks VeriSign faces from challenges by third parties, including other domestic and foreign governmental authorities, to our role in the ongoing privatization of the Internet include:

- . Legal, regulatory or other challenges, including challenges to the agreements governing our relationship with, or to the legal authority underlying the roles and actions of, the Department of Commerce, ICANN and/or us, could be brought;
- . Congress has held two hearings in which various issues about the domain name system have been raised and Congress could take action that is unfavorable to us;
- . Congress has issued a Conference Report directing the General Accounting Office to review the relationship between the Department of Commerce and ICANN and the adequacy of security arrangements under existing Department of Commerce cooperative agreements. An adverse report could cause Congress to take action that is unfavorable to us or the stability of the domain name system;
- . ICANN could fail to maintain its role, potentially resulting in instability in domain name system administration; and
- . Some foreign governments and governmental authorities 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.

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

Our quarterly operating results have varied 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:

- . continued market acceptance of our trusted infrastructure services;

- . the long sales and implementation cycles for, and potentially large order sizes of, some of our Internet trust services and the timing and execution of individual contracts;
- . volume of domain name registrations through our web presence services business and VeriSign's Global Registry Service business;
- . customer renewal rates for our Internet infrastructure services and web presence services;

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- . competition in the web presence services business from competing registrars and registries;
- . the additional introduction of alternative Internet naming systems:
- . the timing of releases of new versions of Internet browsers or other third-party software products and networking equipment that include our digital certificate service interface technology;
- . the mix of all our offered services sold during a quarter;
- . our success in marketing other internet infrastructure services and web presence value added services to our existing customers and to new customers;
- . continued development of our direct and indirect distribution channels, both in the U.S. and abroad;
- . market acceptance of our Internet infrastructure services and new service offerings or our competitors' products and services;
- . our ability to expand operations;
- . our success in assimilating the operations and personnel of any acquired businesses;
- . the amount and timing of expenditures related to expansion of our operations;
- . the impact of price changes in our Internet infrastructure services and web presence services or our competitors' products and services; and
- . general economic conditions and economic conditions specific to IP network and Internet industries.

In addition, we expect a significant increase in our operating expenses as we:

- . amortize goodwill and other intangible assets from our prior acquisitions;
- . increase our sales and marketing operations and activities, and
- . continue to update our systems and infrastructure.

If the increase in our expenses is not accompanied by a corresponding increase in our revenue, our operating results will suffer, particularly as revenues from many 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 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 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 quarters. If this were to occur, the market price of our common stock would likely decline.

We face significant competition.

We anticipate that the market for services that enable trusted and secure

electronic commerce and communications over IP networks will remain intensely competitive. We compete with larger and smaller companies that provide products and services that are similar to some aspects of our Internet infrastructure services. We expect that competition will increase in the near term, and that our primary long-term competitors may not yet have entered the market. Increased competition could result in pricing pressures, reduced margins or the failure of our Internet trust services to achieve or maintain market acceptance, any of which could harm our business. Several of our current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources. As a result, we may not be able to compete effectively.

The introduction of additional competition into the web presence services business could harm our business. This includes, in particular, competition among registrars within a single top-level domain, such as .com, and competition among registrars and registries of existing and potential new top-level domains. We

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currently face competition in the web presence services business from other registrars in the top level domains in which we act as the registry, third level domain name providers such as Internet access providers and registrars and registries of top level domains other than those top level domains for which we act as the registry. As of September 30, 2000, 66 accredited registrars (in addition to us) in the .com, .net and .org top level domains used VeriSign's Global Registry Services shared registration system to register domain names. ICANN has accredited approximately 70 additional registrars as of that date. VeriSign expects these and additional accredited registrars to offer competing web presence services in these top-level domains in the future.

The introduction of potential new top-level domains is currently under review. At its November 2000 meeting in Los Angeles, the ICANN Board of Directors is expected to select the finalists from prospective parties that submitted proposals seeking to sponsor or operate one or more new top-level domains and December 31, 2000 is the target date for completion of negotiations with the new top-level domain registry sponsors or operators.

Future competition in the web presence services business as a registry or registrar could come from many new sources, including:

- . domain name registration resellers;
- . country code registries;
- . Internet access providers; and
- . major telecommunications firms.

Many of these entities have core capabilities to deliver registry and/or registrar services, such as help desks, billing services and network management, along with strong name recognition and Internet industry experience. The recent agreements among ICANN, the Department of Commerce, the Company and other registrars permit flexibility in pricing for and term of registrations. VeriSign's revenue, therefore, could be reduced due to pricing pressures, bundled service offerings and variable terms resulting from increased competition. Some registrars and resellers in the .com, .net and .org top-level domains are already charging lower prices for web presence services in those domains. In addition, other entities are bundling, and may in the future bundle, domain name registrations with other products or services at reduced rates or for free.

Our Internet infrastructure services market is new and evolving.

We target our Internet infrastructure services at the market for trusted and secure electronic commerce and communications over IP networks. This is a new and rapidly evolving market that may not continue to grow. Accordingly, the demand for our Internet infrastructure services is very uncertain. Even if the market for electronic commerce and communications over IP networks grows, our Internet infrastructure services may not be widely accepted. The factors that may affect the level of market acceptance of digital certificates and, consequently, our Internet infrastructure services include the following:

- . market acceptance of products and services based upon authentication

technologies other than those we use;

- . public perception of the security of digital certificates and IP networks;
- . the ability of the Internet infrastructure to accommodate increased levels of usage; and
- . government regulations affecting electronic commerce and communications over IP networks.

Even if digital certificates achieve market acceptance, our Internet infrastructure services may fail to address the market's requirements adequately. If digital certificates do not sustain or increase their acceptance, or if our Internet infrastructure services in particular do not achieve or sustain market acceptance, our business would be materially harmed.

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System interruptions and security breaches could harm our business.

We depend on the uninterrupted operation of our various registration systems, secure data centers and our other computer and communications systems. We must protect these systems from loss, damage or interruption caused by fire, earthquake, power loss, telecommunications failure or 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, and Herndon, Virginia. All of our web presence services systems, including those used in our domain name registry and registrar business are located at our Herndon, Virginia facilities. Any damage or failure that causes interruptions in any of these facilities or our other computer and communications systems could materially harm our business. In addition, our ability to issue digital certificates and register domain names depends on the efficient operation of the Internet connections from customers to our secure data centers and our various registration systems as well as from customers to our registrar and from our registrar and other registrars to the shared registration system. These connections depend upon efficient operation of web browsers, Internet service providers and Internet backbone service providers, all of which have had periodic operational problems or experienced outages in the past. Any of these problems or outages could decrease customer satisfaction.

A failure in the operation of our various registration systems or other events could result in 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 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. The inability of our registrar systems, including our back office billing and collections infrastructure, and telecommunications systems to meet the demands of the increasing number of domain name registration requests and corresponding customer e-mails and telephone calls, including speculative, otherwise abusive and repetitive e-mail domain name registration and modification requests, could result in substantial degradation in our customer support service and our ability to process, bill and collect registration requests in a timely manner.

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 registration operations also depends on our ability to maintain our computer and telecommunications equipment in effective working order and to reasonably protect our systems against interruption and potentially on such maintenance and protection by other registrars in the shared registration system. The root zone servers and top-level domain name zone servers that VeriSign operates are critical hardware to our web presence 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, and 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-ins or other security breaches or compromises 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 Internet infrastructure services and web presence 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.

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Acquisitions could harm our business.

We acquired THAWTE and Signio in February 2000 and Network Solutions in June 2000. We could experience difficulty in integrating the personnel, products, technologies or operations of these companies. In addition, assimilating acquired businesses involves a number of other risks, including, but not limited to:

- . the potential disruption of our business;
- . the potential impairment of relationships with our employees, customers and strategic partners;
- . the additional expenses associated with the amortization of goodwill and other intangible assets, which we expect will be an aggregate of approximately \$20 billion for the three acquisitions and will be amortized straight-line generally from two to four years;
- . unanticipated costs or the incurrence of unknown liabilities;
- . the need to manage more geographically-dispersed operations, such as Network Solutions' offices in Virginia and THAWTE's offices in North Carolina and South Africa;
- . diversion of management's resources from other business concerns;
- . the inability to retain the employees of the acquired businesses;
- . adverse effects on existing customer relationships of THAWTE, Signio or Network Solutions;
- . the difficulty of assimilating the operations and personnel of the acquired businesses;
- . our inability to incorporate acquired technologies successfully into our Internet infrastructure services; 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, our business could be harmed.

Our equity investments in other companies may not yield any returns

We have equity investments in a number of companies. In most instances these investments are in the form of equity securities of private companies for which there is no public market. These companies are typically in the early stage of development and may be expected to incur substantial losses. Therefore, these companies may never become publicly traded companies. Even if they do, an active trading market for their securities may never develop and we may never realize any return on these investments. Although, we have realized gains on the sale of equity investments in the past, we can not expect to experience similar levels of other income in the future. Further, if these companies are not successful, we could incur charges related to write-downs or write-offs of these types of assets. Losses or charges resulting from these investments could harm our operating results.

Technological changes will affect our business.

The emerging nature of the Internet, digital certificate business and the domain name registration business, and their rapid evolution, requires us to continually improve the performance, features and reliability of our Internet infrastructure services and web presence services, particularly in response to competitive offerings. We must also introduce any new Internet infrastructure services and web presence services, as quickly as possible. The success of new Internet infrastructure services and web presence services depends on several factors, including proper new service definition and timely completion, introduction and market acceptance of our new Internet infrastructure services or web presence services. We may not succeed in developing and marketing new Internet infrastructure services and web presence services that respond to competitive and technological developments and changing customer needs. This could harm our business.

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We must manage our growth and expansion.

Our historical growth has placed, and any further growth is likely to continue to place, a significant strain on our resources. We have grown from 26 employees at December 31, 1995 to over 1,800 employees at September 30, 2000. In addition to internal growth, our employee base grew through acquisitions. We have also opened additional sales offices and have significantly expanded our operations, both in the U.S. and abroad, during this time period. To be successful, we will need to implement additional management information systems, develop further 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.

We depend on key personnel.

We depend on the performance of our senior management team and other key employees. Our success will also depend 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. There is intense competition for these personnel. 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 us at any time. In addition, we do not maintain key person life insurance for any of our officers or key employees other than our President and Chief Executive Officer. 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.

VeriSign relies on third parties who maintain and control root zone servers and route Internet communications.

VeriSign currently administers and operates only two of the 13 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, VeriSign's web presence services could be harmed if these volunteer operators fail to properly maintain such servers or abandon such servers.

Further, VeriSign's web presence services 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 the registry agreement, it is required to ensure that the authoritative root will point to the top level domain zone servers designated by it. If ICANN does not do this, VeriSign's business could be harmed.

VeriSign's web presence services also could be harmed if a significant number of Internet service providers decided not to route Internet communications to or from domain names registered by it or if a significant number of Internet service providers decided to provide routing to a set of domain name servers that did not point to its top level domain zone servers.

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. Examples of these types of relationships include AOL/Netscape, Cisco, Microsoft and RSA Security. 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

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we fail to enter into additional relationships, we would have to devote substantially more resources to the distribution, sale and marketing of our Internet infrastructure services and web presence services than we would otherwise. As a result of our emphasis on these relationships, our success in these relationships will depend both on the ultimate success of the other parties to these relationships, particularly in the use and promotion of IP networks for trusted and secure electronic commerce and communications, and on the ability of these parties to market our Internet infrastructure 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, particularly with respect to our web presence services business. To do this we must maintain relationships with Internet access providers and other third parties. Failure of one or more of our strategic relationships to result in the development and maintenance of a market for our Internet infrastructure services or web presence services could harm our business.

Many of our existing relationships do not, and any future relationships may not, afford us any exclusive marketing or distribution rights. In addition, the other parties may not view their relationships with us as significant for their own businesses. Therefore, they could reduce their commitment to us at any time in the future. These parties could also pursue alternative technologies or develop alternative products and services either on their own or in collaboration with others, including our competitors. If we are unable to maintain our relationships or to enter into additional relationships, this could harm our business.

Some of our Internet infrastructure services have lengthy sales and implementation cycles.

We market many of our Internet infrastructure services directly to large companies and government agencies. 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 Internet infrastructure services can be lengthy, potentially lasting from three to six 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.

Our services could have unknown defects.

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. 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.

Public key cryptography technology is subject to risks.

Our Internet infrastructure services 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 encrypt and decode messages. The security afforded by this technology depends on the integrity of a user's private key and that it is not 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

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cryptographic systems could also render some or all of our existing Internet infrastructure 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 decoding of some types of cryptographic messages and of the potential misappropriation of private keys. 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.

Our international operations are subject to certain risks.

Revenues from international subsidiaries and affiliates accounted for approximately 27% of our revenues in the full year of 1999 and 10% of our revenues in the third quarter of 2000. We intend to expand our international operations and international sales and marketing activities. For example, with our acquisition of THAWTE we have additional operations in South Africa and with our acquisition of Network Solutions we have additional operations in Asia and Europe. Expansion into these markets has required and will continue to require significant management attention and resources. We may also need to tailor our Internet infrastructure trust services and web presence 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. In addition, there are risks inherent in doing business on an international basis, including, among others:

- . competition with foreign companies;
- . 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;
- . difficulty of authenticating customer information;
- . political instability;
- . failure of foreign laws to adequately protect our U.S. proprietary rights;
- . seasonal reductions in business activity; and

. potentially adverse tax consequences.

We have licensed to international affiliates the VeriSign Processing Center platform, which is designed to replicate our own secure data centers and allows the affiliate to offer back-end processing of Internet infrastructure services. The VeriSign Processing Center platform provides an affiliate with the knowledge and technology to offer Internet infrastructure 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 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 an affiliate to maintain the privacy 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

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the security of electronic commerce and communication over IP networks generally. For further information, please see "--System interruptions and security breaches could harm our business."

All of our international revenues from sources other than VeriSign Japan are denominated in U.S. dollars. If additional portions of our international revenues were to be denominated in foreign currencies, we could become subject to increased risks relating to foreign currency exchange rate fluctuations.

Our Internet infrastructure services could be affected by government regulation.

Exports of software products utilizing encryption technology are generally restricted by the United States and various non-United States governments. Although we have obtained approval to export our Global Server digital certificate service, and none of our other Internet infrastructure services are currently subject to export controls under United States law, the list of products and countries for which export approval is required could be revised in the future to include more digital certificate products and related services. If we do not obtain required approvals we may not be able to sell specific Internet infrastructure services in international markets. There are currently no federal laws or regulations that specifically control certificate authorities, but a limited number of states have enacted legislation or regulations with respect to certificate authorities. If the market for digital certificates grows, the United States federal or state or non-United States governments may choose to enact further regulations governing certificate authorities or other providers of digital certificate products and related services. These regulations or the costs of complying with these regulations could harm our business.

On July 3, 2000, President Bill Clinton signed a bill, as passed by Congress, known as the Electronic Signatures in Global and National Commerce Act, or "E-Sign." E-Sign is intended to render digital signatures legally equivalent to those signed on paper. The execution of E-Sign could materially and adversely affect our digital certificates services business. For example, there may be an increasing demand for digital signatures and certificates as a result of the new E-Sign law. However, due to competition or other reasons, our services may not be adopted. If we cannot meet market expectations or demand for our products and services does not increase, our business may be materially and adversely affected. Furthermore, a successful implementation of E-Sign may further encourage competitors to enter the marketplace because of the possible increase in demand for digital signatures and certificates. This could effectively lower barriers to entry and increasingly flood the marketplace with competitors. While we cannot assure you that E-Sign will be effectively implemented or how this implementation will affect our business, we must continue to meet the demand and expectations of our customers, our failure to do so could materially and adversely harm our business.

We face risks related to intellectual property rights.

Our success depends on our internally developed technologies and other intellectual property. Despite our precautions, it may be possible for a third party to copy or otherwise obtain and use our intellectual property or trade secrets without authorization. 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, such as public key cryptography technology licensed from RSA and other technology that is used in our products, 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.

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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.

From time to time, we have received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights. Infringement or other claims could be made against us in the future. Any claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel, cause product shipment delays or require 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 product infringement were made against us and 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.

VeriSign is party to legal proceedings that could have a negative financial impact on it.

We are involved in a number of legal proceedings. We cannot reasonably estimate the potential impact of any of these proceedings. An adverse determination in these cases or any other of these proceedings, however, could harm our business. Legal proceedings in which we are involved are expensive and divert the attention of our personnel.

Our stock price, like that of many Internet companies, is highly volatile.

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;
- . actual or anticipated fluctuations in its quarterly or annual registrations or operating results;
- . announcements of technological innovations, acquisitions or investments, developments in Internet governance or corporate actions such as stock splits; and
- . industry conditions and trends.

The stock market has experienced significant price and volume fluctuations that have particularly affected the market prices of the stocks of technology companies, especially Internet-related companies. These broad market or technology or Internet sector fluctuations may adversely affect the market price of our common stock. Recently, the market price of our common stock, like that of many Internet-related companies, has experienced significant fluctuations. For instance, between January 1, 1999, and October 31, 2000, the reported last sale price for our split-adjusted common stock ranged from \$15.00 per share to \$258.50 per share. On October 31, 2000, the reported last sale price of our split-adjusted common stock was \$132 per share.

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. The fact that we have in the past met or exceeded analyst or investor expectations does not necessarily mean that it will 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 its management's attention and resources.

We have implemented anti-takeover provisions.

Provisions of 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 only take action 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 have a classified board of directors, with the board being divided into three classes that serve staggered three-year terms;
- . 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 only be called by the Chairman of the Board, the President or by the board, not by our stockholders.

While we believe these provisions provide for an opportunity to receive a higher bid by requiring potential acquirors to negotiate with our board of directors, these provisions may apply even if the offer may be considered beneficial by some stockholders.

Liquidity and Capital Resources

	Sept. 30, 2000	December 31, 1999	Change

(Dollars in thousands)			
Cash, cash equivalents and short-term investments.....	\$ 1,091,300	\$156,480	597%
Working capital.....	\$ 599,278	\$140,163	328%
Stockholders' equity.....	\$19,659,902	\$298,359	6,489%

At September 30, 2000, our principal source of liquidity was approximately \$1.1 billion of cash, cash equivalents and short-term investments, consisting principally of commercial paper, medium term notes, corporate bonds and notes, market auction securities, United States government agency securities and money market funds. In addition, we hold \$243.6 million of long-term equity minority investments and corporate debt securities.

Net cash provided by operating activities was \$151.1 million in the first

nine months of 2000 compared to net cash provided by operating activities of \$3.5 million in the first nine months of 1999. The increase was primarily due to an overall increase in accounts payable and accrued liabilities and our deferred revenue balance in which we receive payment in advance for many of our products and services.

Net cash provided by investing activities was \$214.6 million in the first nine months of 2000 compared to net cash used of \$88.4 million in the first nine months of 1999. In the first nine months of 2000, net cash provided by investing activities was primarily the result of the cash acquired in our acquisitions, partially offset by increased purchases of short and long-term investments, and costs relating to our acquisitions. Capital expenditures for property and equipment totaled \$32.1 million in the first nine months of 2000 and \$4.3 million in the first nine months of 1999. As of September 30, 2000, we also had commitments under noncancelable operating leases for our facilities for various terms through 2005. During October 2000, the Company entered into three new noncancelable operating leases for facilities with commitment terms through 2011.

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Net cash provided by financing activities was \$61.1 million in the first nine months of 2000 resulting primarily from the issuance of common stock for stock option exercises. In the first nine months of 1999, net cash provided by financing activities was \$131.5 million, primarily from the sale of additional common stock to the public.

We believe our existing cash, cash equivalents and short-term investments and operating cash flows will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months. However, at some time, we may need to raise additional funds through public or private financing, strategic relationships or other arrangements. This additional funding, if needed, might not be available on terms attractive to us, or at all. Failure to raise capital when needed could materially harm our business. If we raise additional funds through the issuance of equity securities, the percentage of our stock owned by our then-current stockholders will be reduced. Furthermore, these equity securities might have rights, preferences or privileges senior to those of our common stock.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 established methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. We expect that the adoption of SFAS No. 133 will have no material impact on our financial position, results of operations or cash flows. We will be required to implement SFAS No. 133 for the year ending December 31, 2001.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate sensitivity

The primary objective of VeriSign's investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we have invested in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline in value. To minimize this risk, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including commercial paper, medium-term notes, corporate bonds and notes, market auction securities, U.S. government and agency securities and money market funds. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. In addition, we generally invest in relatively short-term securities. As of September 30, 2000, 98% of our non-strategic investments mature in less than

one year.

The following table presents the amounts of our cash equivalents and investments that are subject to market risk by range of expected maturity and weighted-average interest rates as of September 30, 2000. This table does not include money market funds because those funds are not subject to market risk.

	Maturing in			Total	Estimated Fair Value
	Six Months or Less	Six Months to One Year	More than One Year		
	(Dollars in thousands)				
Included in cash and cash equivalents.....	\$283,145	\$ --	\$ --	\$283,145	\$283,097
Weighted-average interest rate.....	6.90%	--	--		
Included in short-term investments.....	\$585,732	\$ 8,000	\$ --	\$593,732	\$593,751
Weighted-average interest rate.....	7.00%	7.33%	--		
Included in long-term investments.....	\$ 23,244	\$37,820	\$15,157	\$ 76,221	\$ 76,120
Weighted-average interest rate.....	6.14%	6.52%	7.15%		

Exchange rate risk

VeriSign considers its exposure to foreign currency exchange rate fluctuations to be minimal. All revenues derived from affiliates other than VeriSign Japan are denominated in United States Dollars and, therefore, are not subject to exchange rate fluctuations.

Both the revenues and expenses of our majority-owned subsidiary in Japan are denominated in Japanese Yen, and the revenues and expenses of our activities conducted through South Africa are denominated in South African Rand. In both regions, we believe this serves as a natural hedge against exchange rate fluctuations because although an unfavorable change in the exchange rate of the foreign currency against the United States Dollar will result in lower revenues when translated to United States Dollars, operating expenses will also be lower in these circumstances. Our subsidiaries in Sweden and Hong Kong have not had significant operations to date.

Because of our minimal exposure to foreign currencies, we have not engaged in any hedging transactions to date.

Equity price risk

We own shares of common stock of certain public companies. We value these investments using the closing fair market value stated in the Wall Street Journal for the last day of each month. These investments are subject to market price volatility. We reflect these investments in our balance sheet at their market value, with the unrealized gains and losses excluded from earnings and reported in the "Accumulated other comprehensive income" component of stockholders' equity. As a result of recent market price volatility of our publicly traded investments, we experienced a \$23.1 million unrealized loss on these investments during the third quarter of 2000. In addition, we have invested in equity instruments of several privately held companies many of which can still be considered in the startup or development stages. These investments are accounted for under the cost method. We do not hedge against equity price changes.

ITEM 1. LEGAL PROCEEDINGS

As of October 31, 2000, Network Solutions, Inc. was a defendant in seventeen active lawsuits involving domain name disputes between trademark owners and domain name holders. Network Solutions is drawn into such disputes, in part, as a result of claims by trademark owners that Network Solutions is legally required, upon request by a trademark owner, to terminate the contractual right between Network Solutions and a domain name holder that registered a domain name, which is alleged to be similar to the trademark in question. On October 25, 1999, however, the Ninth Circuit Court of Appeals ruled in Network Solutions' favor and against Lockheed Corporation, holding that Network Solutions' services do not make Network Solutions liable for contributory infringement to trademark owners. Thus, Network Solutions believes, this type of suit should decline in frequency. The holders of the domain name registrations in dispute have, in turn, questioned our right, absent a court order, to take any action that affects their contractual rights to the domain names in question. Although 82 of these kinds of situations over the past six and a half years have resulted in suits actually naming Network Solutions as a defendant, as of October 31, 2000, no adverse judgment has been rendered and no award of damages has ever been made against Network Solutions. Network Solutions believes that it has meritorious defenses and vigorously defends itself against these claims.

On January 13, 2000, the Department of Justice Antitrust Division issued a Civil Investigative Demand seeking information and documents concerning the then-pending acquisition by VeriSign of THAWTE. VeriSign provided certain information and documents to the Department of Justice, and closed the THAWTE transaction on February 1, 2000. VeriSign completed its initial response to the Civil Investigative Demand on March 1, 2000, and a supplemental production of documents was completed May 9, 2000. On September 14, 2000, VeriSign was notified that senior officials at the Department of Justice had reviewed a report by the investigatory staff regarding the transaction, and that the Department had concerns about the potential competitive effects of the transaction. Representatives of VeriSign met with and provided additional information to the Department of Justice during October 2000. The Department of Justice ultimately may raise objections to the transaction that would require VeriSign to negotiate a settlement with the Department of Justice to resolve such objections, or to defend against a legal action challenging the transaction. While VeriSign believes the transaction does not violate the antitrust laws, it is possible for there to be a settlement or adverse court ruling that could have an adverse material effect on the Company, and may include the licensing or divestiture of assets acquired in the transaction.

On March 15, 2000, a group of eight plaintiffs filed suit against the United States Department of Commerce, the National Science Foundation and Network Solutions, Inc. in the United States District Court for the Northern District of California. The case, entitled William Hoefer et al. v. U.S. Department of Commerce, et al., Civil Action No. 000918-VRW, challenged the lawfulness of the registration fees that Network Solutions was authorized to charge for domain name registrations from September 1995 to November 1999. The suit purports to be brought on behalf of all domain name registrants who paid registration fees during that period and seeks approximately \$1.7 billion in damages. On June 19, 2000 the plaintiffs filed their first amended complaint, adding two plaintiffs and naming VeriSign as a defendant.

All of the defendants filed motions to transfer the suit to the Federal District Court in the District of Columbia and the court granted those motions on June 28, 2000. The same attorney who unsuccessfully challenged Network Solutions in a similar action known as Thomas, et al. v. Network Solutions, et al., filed this new action on behalf of eight former and current domain name registrants. The suit contains eight causes of action against the defendants based on alleged violations of Art. I, Section 8 and the Fifth Amendment of the U.S. Constitution, the Independent Offices Appropriations Act (31 U.S.C. Section 9701), the Administrative Procedure Act, the Sherman Act, and the California Unfair Competition Act, Section 17200. The case was docketed with the Federal District Court in the District of Columbia on July 28, 2000 and on August 4, 2000 the plaintiffs dismissed the case. Four days later, the same attorney refiled the same case in the United States District Court for the Eastern District of Virginia. Network Solutions filed a motion to dismiss the case and the

plaintiffs responded by filing a First Amended Complaint on September 7, 2000.

We now have refiled another Motion to Dismiss. The current versions of the suit does not name VeriSign as a defendant. The suit contains fourteen causes of action against the Appropriations Act (31 U.S.C. Section 9701), the Administrative Procedure Act, the Chief Financial Officer's Act (31 U.S.C. Section 902), and the Sherman Act. On October 10, 2000, Network Solutions filed its motion to dismiss the case. On October 24, 2000, the National Science Foundation filed a motion to transfer the case back to the Federal District Court in the District of Columbia.

On June 15, 2000, plaintiff David Moran filed a putative shareholder derivative complaint on behalf of himself and others similarly situated against Charles Stuckey, Jr., James Bidzos, Richard L. Earnest, Dr. Taher Elgamal, James K. Sims, Joseph B. Lassiter III, Robert P. Badavas, and against nominal defendant VeriSign, Inc. The case is captioned Moran v. Stuckey, et.al., No. 1810 NC (Del. Ch. 2000). The complaint alleges, among other things, that the directors of RSA Security mismanaged RSA's business, failed to protect its intellectual property or enforce the terms of its license agreement with VeriSign, and that VeriSign violated the terms of the licensing agreement and competed against RSA. On August 2, 2000, a second shareholder complaint was filed against the Company and the aforementioned directors of RSA Security, Inc. by plaintiff James V. Biglan. That case is captioned Biglan v. Stuckey, et al. Civ. Action No. 18190NC (Del. Ch. 2000). On September 25, 2000 the Court ordered the cases consolidated under the Moran caption and named lead counsel for plaintiffs in this matter. Defendants are to respond to the Complaint no later than December 11, 2000. While VeriSign cannot ascertain the outcome of this matter presently, VeriSign believes that the claims against it are without merit and intends to vigorously defend itself against these claims.

VeriSign is involved in various other investigations, claims and lawsuits arising in the normal conduct of our business, none of which, in our opinion will harm our 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. An unfavorable outcome may have a material adverse effect on VeriSign's financial position or results of operations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by	
		Reference	Filed
-----	-----	-----	-----
10.01	Lease between Ellis-Middlefield Business Park and VeriSign, Inc. at Building 1 455 East Middlefield Road dated October 27, 2000		X
10.02	Lease between Ellis-Middlefield Business Park and VeriSign, Inc. at Buildings 2 and 3 487 and 501 East Middlefield Road dated October 27, 2000		X
10.03	Lease between Ellis-Middlefield Business Park and VeriSign, Inc. at Building 4 575 East Middlefield Road dated October 27, 2000		X
10.04	Lease between Sobrato Development Companies #792 and VeriSign, Inc. at Building 5 685 East Middlefield Road dated October 27, 2000		X
27.01	Financial Data Schedule (Available in EDGAR version only)		X

(b) Reports on Form 8-K

The following reports were filed on Form 8-K/A, during the quarter ended September 30, 2000:

- . Amended Current Report on Form 8-K/A dated August 22, 2000 was filed

SIGNATURES

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

VERISIGN, INC.

Date: November 13, 2000

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

Date: November 13, 2000

/s/ Dana L. Evan
By: _____
Dana L. Evan
Executive Vice President of
Finance and Administration and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

SUMMARY OF TRADEMARKS

The following trademarks and service marks of VeriSign, Inc., which may be registered in certain jurisdictions, may be referenced in this Form 10-Q:

Trademarks

Authenticated Payment(TM)
Authenticated Payment Services(TM)
Authenticated Payment Solution(TM)
Commerce Site(TM)
dot com biz card(TM)
dot com directory(TM)
dot com essentials(TM)
dot com mail(TM)
dot com people(TM)
dot com promotions(TM)
dot com toolkit(TM)
Global Site(TM)
ImageCafe(TM)
idNames(TM)
Internet Trust Company(TM)
Network Solutions(R)
OnSite(R)
Secure Site(TM)
SecureIT(TM)
THAWTE(TM)
The Sign of Trust on the Internet(R)
VeriSign(R)
VeriSign Logo
VeriSign Service Center(TM)
VeriSign Processing Center(TM)
WebPass(R)

Service Marks

Authentication Services BureauSM
Digital ID CenterSM
Digital NotarizationSM ServiceSM
Electronic Credentials For SSM
Global Trust NetworkSM

GoSecure!SM
NetSure Protection Plan
PayFlowSM
SignioSM
The Internet Trust CompanySM
V-CommerceSM
"V" Checkmark DesignSM
VeriSign Trust NetworkSM
WebTrustSM
WorldtrustSM

All other brand or product names are trademarks or registered trademarks of their respective holders.

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EXHIBITS

As required under Item 6--Exhibits and Reports on Form 8-K, the exhibits filed as part of this report are provided in this separate section. The exhibits included in this section is as follows:

Exhibit Number	Exhibit Description
-----	-----
10.01	Lease between Ellis-Middlefield Business Park and VeriSign, Inc. at Building 1 455 East Middlefield Road dated October 27, 2000
10.02	Lease between Ellis-Middlefield Business Park and VeriSign, Inc. at Buildings 2 and 3 487 and 501 East Middlefield Road dated October 27, 2000
10.03	Lease between Ellis-Middlefield Business Park and VeriSign, Inc. at Building 4 575 East Middlefield Road dated October 27, 2000
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27.01	Financial Data Schedule (Available in EDGAR version only)

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Lease between
Ellis-Middlefield Business Park
And
VeriSign, Inc.
Building 1
455 East Middlefield Road

[LETTERHEAD OF SOBRATO DEVELOPMENT COMPANIES]

Lease between
Ellis-Middlefield Business Park and VeriSign, Inc.
Building 1 - 455 East Middlefield Road

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1. PARTIES: THIS LEASE, is entered into on this 27 day of October, 2000 ("Effective Date") between Ellis-Middlefield Business Park, a California Limited Partnership, whose address is 10600 North De Anza Boulevard, Suite 200, Cupertino, CA 95014 and VeriSign, Inc., a Delaware corporation, whose address is 1350 Charleston Road, Mountain View, California, 94043, hereinafter called respectively Landlord and Tenant.

2. PREMISES:

A. Definitions.

i. Building 1. The term "Building 1" or "Building" shall mean that single-story building consisting of 32,500 rentable square feet and all improvements therein, shown as Building 1 on Exhibit "A", commonly known as 455

East Middlefield Road, Mountain View, California, and including parking for approximately 104 cars.

ii. Building 2. The term "Building 2" shall mean that 2-story building consisting of 49,362 rentable square feet and all improvements therein, shown as Building 2 on Exhibit "A", commonly known as 487 East Middlefield Road,

Mountain View, California.

iii. Building 3. The term "Building 3" shall mean that 2-story building consisting of 49,362 rentable square feet and all improvements therein, shown as Building 3 on Exhibit "A", commonly known as 501 East Middlefield Road,

Mountain View, California.

iv. Building 4. The term "Building 4" shall mean that 4-story office building consisting of approximately 100,000 rentable square feet and all improvements therein, which Landlord intends to construct in the location labeled as Building 4 on Exhibit "A", commonly known as 575 East Middlefield

Road, Mountain View, California. As part of construction of Building 4, Landlord shall demolish an existing single-story building of 28,800 square feet currently encumbering the site.

v. Common Area. The term "Common Area" shall initially mean that certain real property and all improvements thereon surrounding Building 1, Building 2, and Building 3, including all parking and landscaped areas. At the commencement of the lease for Building 4, the term "Common Area" shall mean that certain real property and all improvements thereon surrounding Building 1, Building 2, Building 3, and Building 4, including all parking and landscaped areas as shown on Exhibit "A".

vi. Project. The term "Project" shall mean that certain real property currently consisting of three parcels (APN 160-052-16, 160-052-17, and 160-052-20 respectively) totaling approximately 10.8 acres along East Middlefield Road in Mountain View, California, and all improvements constructed thereon, consisting of Building 1, Building 2, Building 3, Building 4, and the Common Area as shown in Exhibit "A".

vii. Premises. The term "Premises" shall mean Building 1 and the right to use and obligation to maintain the Common Area. Tenant acknowledges Landlord's right, subject to receipt of all necessary governmental approvals, to

and hereby consents to Landlord's construction of Building 4 and Common Area.

B. Grant: Landlord hereby leases the Premises to Tenant, and Tenant hires the Premises from Landlord.

C. Recordation of New Parcel Map: Tenant consents to recordation by Landlord of a new parcel map ("Parcel Map") that would combine the three existing parcels currently comprising the Project into one larger parcel to facilitate Landlord's development and construction of Building 4; provided, however, that Landlord's failure to record the Parcel Map shall in no way invalidate this Lease.

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D. Building 4 Development Approval: The parties acknowledge that Landlord is currently negotiating with the city of Mountain View ("City") to rezone the Property and obtain a transit-oriented development ("TOD") permit for construction of Building 4 and the Common Area, generally consistent with Exhibit "A". As part of such permit approval, Tenant agrees to: (i)

participate in the Valley Transportation Authority's ("VTA") Eco-Pass program for employees of Tenant within the VTA service area; (ii) provide transit subsidies as required by the City for employees of Tenant outside the VTA service area; and (iii) otherwise work cooperatively with Landlord and the City towards meeting Tenant-applicable requirements of TOD permit approval. In the event Landlord, in spite of its reasonable best efforts, it is unable to obtain timely TOD approval to construct Building 4 as generally shown on Exhibit "A",

this Lease shall in no way be invalidated; however, in such event, Landlord shall notify Tenant in writing and the following changes to the Lease shall take effect sixty (60) days following such notice: (i) Lease Exhibit "A" shall be

superceded by the attached Exhibit "A-1" and all references in the Lease to

Exhibit "A" shall change to Exhibit "A-1"; and (ii) the definition of Building 4

in Lease Section 2.(iv) shall be changed to read as follows: The term "Building 4" shall mean that single-story building consisting of 28,800 rentable square feet and all improvements therein, shown as Building 4 on Exhibit "A-1",

commonly known as 575 East Middlefield Road, Mountain View, California.

3. USE:

A. Permitted Uses: Tenant shall use the Premises as permitted under applicable zoning laws only for the following purposes and shall not change the use of the Premises without the prior written consent of Landlord: Office, research and development, marketing, light manufacturing, data center, ancillary storage and other incidental uses. Tenant shall use only the number of parking spaces allocated to Tenant under this Lease. All commercial trucks and delivery vehicles shall (i) be parked at the rear of the Building, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Project, and (iii) permitted to remain within the Project only so long as is reasonably necessary to complete the loading and unloading. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws.

B. Uses Prohibited: Tenant shall not commit or suffer to be committed on the Premises any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the Premises, nor allow any sale by auction or any other use of the Premises for an unlawful purpose. Tenant shall not (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the building in excess of the load limits for which such items are designed or set any load on the floor in excess of the load limits for which for which the floor is designed, or (iii) generate dust, fumes or waste products which create a fire or health hazard or damage the Premises or any portion of the Project, including without limitation the soils or ground water in or around the Project. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Premises outside of the Building without Landlord's prior approval, which approval may be withheld in its reasonable discretion.

C. Advertisements and Signs: Tenant will not place or permit to be placed, in, upon or about the Premises any signs in violation of the city and other governing authority having jurisdiction. Tenant will not place or permit to be placed upon the Premises any large prominent outdoor signs, advertisements or notices without the written consent of Landlord as to type, size, design, lettering, coloring and location, which consent will not be unreasonably withheld. Any sign placed on the Premises shall be removed by Tenant, at its sole cost, prior to the Expiration Date or promptly following the earlier termination of the Lease, and Tenant shall repair, at its sole cost, any damage or injury to the Premises caused thereby, and if not so removed, then Landlord may have same so removed at Tenant's expense.

D. Covenants, Conditions and Restrictions: This Lease is subject to the effect of (i) any covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or documents of record; and (ii) any

zoning laws of the city, county and state where the Building is situated (collectively referred to herein as "Restrictions") and Tenant will conform to and will not violate the terms of any such Restrictions.

4. TERM AND RENTAL:

A. Base Monthly Rent: The term ("Lease Term") shall be for one hundred thirty two (132) months, commencing November 1, 2000 ("Commencement Date"), and ending October 31, 2011 ("Expiration Date"). Notwithstanding the parties' agreement that the Lease Term begins on the Commencement Date, this Lease and all of the obligations of Landlord and Tenant shall be binding and in full force and effect from and after the Effective Date. In addition to all other sums payable by Tenant under this Lease, Tenant shall pay base monthly rent ("Base Monthly Rent") for the Premises according to the following schedule:

Months 01-12:	\$243,750.00 per month
Months 13-24:	\$253,500.00 per month
Months 25-36:	\$263,640.00 per month
Months 37-48:	\$274,186.00 per month
Months 49-60:	\$285,153.00 per month
Months 61-72:	\$296,559.00 per month
Months 73-84:	\$308,422.00 per month
Months 85-96:	\$320,758.00 per month
Months 97-108:	\$333,589.00 per month
Months 109-120:	\$346,932.00 per month
Months 121-132:	\$360,810.00 per month

Base Monthly Rent shall be due in advance on or before the first day of each calendar month during the Lease Term. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and without prior notice or demand, at the address specified in Section 1 of this Lease or at such place or places as may be designated in writing by Landlord during the Lease Term. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment. Concurrently with Tenant's execution of this Lease, Tenant shall pay to Landlord the sum of \$243,750.00 as prepaid rent for the first month of the Lease.

B. Late Charges: Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant shall not be received by Landlord or its designee within five (5) business days after receipt by Tenant of written notice from Landlord that such installment or sum was not received when due, Tenant shall pay to Landlord a late charge equal to five (5%) percent of such overdue amount, which late charge shall be due and payable on the same date that the overdue amount was due. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and reasonable attorneys' fees and costs. If any rent or other sum due from Tenant remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to

Landlord interest on any rent that is not paid when due at the Agreed Interest Rate specified in Section 19.J following the date such amount became due until paid. Acceptance by Landlord of such late charge shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for four (4) consecutive installments of Base Monthly Rent, then the Base Monthly Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary.

C. Security Deposit: Concurrently with Tenant's execution of this Lease, Tenant has deposited with Landlord the sum of Two Hundred Forty Three Thousand Five Hundred and No/100 Dollars (\$243,500.00) ("Security "Deposit"). Landlord shall not be deemed a trustee of the Security Deposit, may use the Security Deposit in business, and shall not be required to segregate it from its general accounts. Tenant shall not be entitled to interest on the Security Deposit. If Tenant defaults with respect to any provisions of the Lease, including but not limited to the provisions relating to payment of Base Monthly Rent or other charges, Landlord may, to the extent reasonably necessary to remedy Tenant's default, use any or

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all of the Security Deposit towards payment of the following: (i) Base Monthly Rent or other charges in default; (ii) any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default including, but not limited to Tenant's failure to restore or clean the Premises following vacation thereof. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) days after written demand from Landlord, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its full original amount, and shall pay to Landlord such other sums as necessary to reimburse Landlord for any sums paid by Landlord. If Tenant shall be in either monetary default or material non-monetary default more than four (4) times in any twelve (12) month period, then the Security Deposit shall, within ten (10) days after demand by Landlord, be increased by Tenant to an amount equal to three (3) times the Base Monthly Rent. Tenant may not assign or encumber the Security Deposit without the consent of Landlord. Any attempt to do so shall be void and shall not be binding on Landlord. The Security Deposit shall be returned to Tenant within thirty (30) days after the Expiration Date and surrender of the Premises to Landlord, less any amount deducted in accordance with this Section, together with Landlord's written notice itemizing the amounts and purposes for such deduction. In the event of termination of Landlord's interest in this Lease, Landlord may deliver or credit the Security Deposit to Landlord's successor in interest in the Premises and thereupon be relieved of further responsibility with respect to the Security Deposit.

Landlord agrees that in lieu of a cash Security Deposit, Tenant may deposit a letter of credit ("Letter of Credit") substantially in the form attached hereto as Exhibit "B". Landlord shall be entitled to draw against the Letter of Credit

at any time provided only that Landlord certifies to the issuer of the Letter of Credit that Tenant is in default under the Lease. Tenant shall keep the letter of credit in effect during the entire Lease Term, as the same may be extended, plus a period of four (4) weeks after expiration of the Lease Term. At least thirty (30) days prior to expiration of any Letter of Credit, the term thereof shall be renewed or extended for a period of at least one (1) year. Tenant's failure to so renew or extend the Letter of Credit shall be a material default of this Lease by Tenant. In the event Landlord draws against the Letter of Credit, Tenant shall replenish the existing Letter of Credit or cause a new Letter of Credit to be issued such that the aggregate amount of letters of credit available to Landlord at all times during the Lease Term is the amount of the Security Deposit originally required.

5. CONSTRUCTION:

A. Landlord's Obligations: Except as specifically provided in this paragraph, prior to Commencement Date Landlord shall ensure that the existing Building and Building systems are in good operating condition and repair including the foundation, structural components, exterior walls, plumbing, HVAC, sprinklers, electrical (including panels and outlets), doors (both shipping and personnel), roof structure and membrane, exterior landscaping, irrigation and lighting, and parking lot. "Good operating condition and repair" as used in this paragraph means that all of the foregoing systems for which Landlord is responsible shall be fully operational and functional for use for the purposes

for which such systems were intended, and there is no deferred maintenance required. Without limitation of the foregoing: (i) the roof membrane shall be inspected by a reputable and licensed roofing contractor or roofing inspector and repaired as necessary to put into good operating condition and repair based on such inspection; (ii) the HVAC system shall be inspected by a reputable and licensed HVAC contractor and repaired as necessary to put into good operating condition and repair based on such inspection, as evidenced by a report by such contractor; (iii) all windows shall be washed inside and out, and there shall be no cracked or broken windows; (iv) all burned out, discolored or broken lightbulbs, ballasts and lenses shall be replaced; and (v) the parking lot shall be re-sealed and striped by a reputable and licensed asphalt contractor provided, however, that Landlord shall have sixty days from the Commencement Date to complete the parking lot re-sealing and striping.

6. ACCEPTANCE OF POSSESSION AND COVENANTS TO SURRENDER:

A. Delivery and Acceptance: On the Commencement Date, Landlord shall deliver and Tenant shall accept possession of the Premises. Tenant acknowledges that it has had an opportunity to conduct, and has conducted, such inspections of the Premises as it deems

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necessary to evaluate its condition. Except as otherwise specifically provided herein, Tenant agrees to accept possession of the Premises in its then existing condition, subject to all Restrictions and without representation or warranty by Landlord.

B. Early Access: Tenant shall be allowed early access and occupancy of the Premises from September 1, 2000 until the Commencement Date ("Early Access Period") for the purpose of constructing Tenant Improvements and otherwise preparing for its occupancy. Tenant shall be subject to all the terms and conditions of the Lease during the Early Access Period except that no Base Monthly Rent or other expenses shall be due or payable.

C. Condition Upon Surrender: Tenant further agrees on the Expiration Date or on the sooner termination of this Lease, to surrender the Premises to Landlord in good condition and repair, normal wear and tear excepted. In this regard, "normal wear and tear" shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of the best standards for maintenance, repair replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. In any event, Tenant shall cause the following to be done prior to the Expiration Date or sooner termination of this Lease: (i) all interior walls shall be painted or cleaned so that they appear freshly painted, (ii) all tiled floors shall be cleaned and waxed, (iii) all carpets shall be cleaned and shampooed, (iv) all broken, marred, stained or nonconforming acoustical ceiling tiles shall be replaced, (v) all cabling placed above the ceiling by Tenant or Tenant's contractors shall be removed unless such cabling has been placed in trays especially designed for such purpose and is not weighing directly on the ceiling, (vi) all windows shall be washed; (vii) the HVAC system shall be serviced by a reputable and licensed service firm and left in "good operating condition and repair" as evidenced by a report by such firm, (viii) the plumbing and electrical systems and lighting shall be placed in good order and repair (including replacement of any burned out, discolored or broken light bulbs, ballasts, or lenses. On or before the Expiration Date or sooner termination of this Lease, Tenant shall remove all its personal property and trade fixtures from the Premises. All property and fixtures not so removed shall be deemed as abandoned by Tenant. At the expiration of the Lease Term, Landlord shall not have the right to require that Tenant remove from the Premises any Alterations (as defined in Section 7 below) made with Landlord's consent unless Landlord, at the time of granting such consent, indicates that the subject Alteration must be removed upon the expiration of the Lease Term. With respect to Permitted Alterations as defined in Section 7A. below, Tenant shall ascertain from Landlord within ninety (90) days before the Expiration Date whether Landlord desires to have such Permitted Alterations removed. If Landlord so elects, Tenant shall, at its sole cost and expense, remove such Alterations as Landlord has required and shall repair and restore the affected areas of the Premises prior to the Expiration Date to a standard open office plan with materials and finishes consistent with the other open office areas within the Premises. Such repair and restoration shall include causing the Premises to be brought into compliance with all applicable building codes and laws in effect at the time of the removal to the extent such compliance is necessitated by the repair and restoration work.

D. Failure to Surrender: If the Premises are not surrendered at the Expiration Date or sooner termination of this Lease in the condition required by this Section 6, Tenant shall be deemed in a holdover tenancy pursuant to this Section 6.D. and Tenant shall indemnify, defend, and hold Landlord harmless against loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay and costs incurred by Landlord in returning the Premises to the required condition, plus interest at the Agreed Interest Rate. Any holding over after the termination or Expiration Date with Landlord's express written consent, shall be construed as month-to-month tenancy, terminable on thirty (30) days written notice from either party, and Tenant shall pay as Base Monthly Rent to Landlord a rate equal to one hundred twenty five percent (125%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. Any holding over shall otherwise be on the terms and conditions herein specified, except those provisions relating to the Lease Term and any options to extend or renew, which provisions shall be of no further force and effect following the expiration of the applicable exercise period. If Tenant remains in

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possession of the Premises after the Expiration Date or sooner termination of this Lease without Landlord's consent, Tenant's continued possession shall be on the basis of a tenancy at sufferance and Tenant shall pay as rent during the holdover period an amount equal to one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. This provision shall survive the termination or expiration of the Lease.

7. ALTERATIONS AND ADDITIONS:

A. Tenant's Alterations: Tenant shall not make, or suffer to be made, any alteration or addition to the Premises ("Alterations"), or any part thereof, without obtaining Landlord's prior written consent and delivering to Landlord the proposed architectural and structural plans for all such Alterations at least fifteen (15) days prior to the start of construction. If such Alterations affect the structure of the Building, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant's plans. After obtaining Landlord's consent, which consent shall state whether or not Landlord will require Tenant to remove such Alteration at the expiration or earlier termination of this Lease, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits. Tenant agrees to provide Landlord (i) written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15" X 21") vellum as-built drawings, and (iii) a certificate of occupancy for the work upon completion of the Alterations. All Alterations shall be constructed in compliance with all applicable building codes and laws including, without limitation, the Americans with Disabilities Act of 1990 as amended from time to time. Upon the Expiration Date, all Alterations, except movable furniture and trade fixtures, shall become a part of the realty and belong to Landlord but shall nevertheless be subject to removal by Tenant as provided in Section 6 above. Alterations which are not deemed as trade fixtures include heating, lighting, electrical systems, air conditioning, walls, carpeting, or any other installation which has become an integral part of the Premises (excepting backup power generators or a UPS system, which Tenant shall have the right to remove). All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and expense.

Notwithstanding the foregoing, Tenant shall be entitled, without obtaining Landlord's consent, to make Alterations which do not affect the structure of the Building and which do not cost more than Seventy Thousand Dollars (\$70,000.00) per Alteration ("Permitted Alterations"); provided, however, that: (i) Tenant shall still be required to comply with all other provisions of this paragraph; and (ii) such Permitted Alterations are subject to removal by Tenant at Landlord's election pursuant to Section 6.C. above at the expiration or earlier termination of the Lease.

B. Free From Liens: Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for Tenant. In the event Tenant fails to discharge any such lien within sixty (60) days after receiving notice of the filing, Landlord shall be entitled to discharge the lien at Tenant's expense and all resulting costs incurred by Landlord, including attorney's fees shall be due

from Tenant as additional rent.

C. Compliance With Governmental Regulations: The term Laws or Governmental Regulations shall include all federal, state, county, city or governmental agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Tenant, at Tenant's sole expense shall make all repairs, replacements, alterations, or improvements needed to comply with all Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant.

The foregoing notwithstanding, if any repair, replacement, alteration or improvement is required to the Building foundation, exterior load bearing walls, roof structure or any other structural component of the Building (excluding structural components installed by Tenant) as a

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result of any Governmental Regulations and such required work is not caused by Tenant's specific use or Alterations, the cost of such repair, replacement, alteration or improvement shall be allocated between Landlord and Tenant such that Tenant shall pay to Landlord upon completion of such work, the portion of the cost equal to the product of such cost multiplied by a fraction, the numerator of which is the number of years remaining in the Lease Term, the denominator of which is the useful life (in years) of the repair, replacement, alteration or addition; provided, however, that if the Tenant thereafter exercises a renewal option, then upon Tenant's exercise of the renewal option, the numerator of the fraction shall be adjusted to the sum of: (i) the Lease Term remaining at the time the repair, replacement, alteration or addition was made; and (ii) the number of years in the Option Term; and Landlord's reimbursement obligation shall immediately thereafter be re-calculated.

8. MAINTENANCE OF PREMISES:

A. Landlord's Obligations: Landlord at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, the foundation, exterior load bearing walls and roof structure, and all other structural components of the Building, excluding any components installed by Tenant.

B. Tenant's Obligations: Tenant shall clean, maintain, repair and replace when necessary the Premises and every part thereof through regular inspections and servicing, including but not limited to: (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including caulking, and skylights, (v) all electrical facilities and equipment, (vi) all automatic fire extinguisher equipment, (vii) the parking lot and all underground utility facilities servicing the Premises, (viii) the roof membrane system, and (ix) all waterscape, landscaping and shrubbery. All wall surfaces and floor tile are to be maintained in an as good a condition as when Tenant took possession free of holes, gouges, or defacements. With respect to items (ii) and (viii) above, Tenant shall provide Landlord a copy of a service contract between Tenant and a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord.

If as a part of Tenant's fulfillment of its maintenance obligations during the last three (3) years of the Lease Term a replacement of the roof membrane is necessary, Landlord shall reimburse Tenant for the cost of the replacement less the sum of (i) Thirty Thousand Dollars (\$30,000.00) plus (ii) that portion of the cost over \$30,000.00 equal to the product of such cost multiplied by a fraction, the numerator of which is the number of years remaining in the Lease Term, the denominator of which is the useful life (in years) of the roof replacement; provided, however, that if the roof replacement is made during the initial Lease Term and Tenant thereafter exercises a renewal option, then upon Tenant's exercise of the renewal option, the numerator of the fraction shall be adjusted to the sum of: (i) the Lease Term remaining at the time the roof

replacement was made; and (ii) the number of years in the Option Term; and Landlord's reimbursement obligation shall immediately thereafter be recalculated.

C. Common Area Cost Sharing: Pursuant to Tenant's maintenance obligations under this Lease, Tenant is solely responsible for the Common Area so long as it is leasing all buildings within the Project. In the event Tenant does not lease all buildings within the Project, Tenant shall remain obligated for such expenses; however, the Lease shall be amended to provide for Landlord's management of the Common Area and reimbursement by Tenant of only its pro rata share, such share to be calculated based on leased square footage within the Project.

D. Waiver of Liability: Failure by Landlord to perform any defined services, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, except to the extent due to Landlord's active negligence or willful misconduct, nor be construed as an eviction of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein break down or for any

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cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same promptly, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom, except to the extent due to Landlord's active negligence or willful misconduct. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the cost of such repairs from the rent. Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

9. HAZARD INSURANCE:

A. Tenant's Use: Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article prohibited by the standard form of fire insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the maintenance of reasonable fire and public liability insurance covering the Premises and appurtenances.

B. Landlord's Insurance: Landlord agrees to purchase and keep in force fire, extended coverage insurance in an amount equal to the replacement cost of the Building (not including any Tenant Improvements or Alterations paid for by Tenant) as determined by Landlord's insurance company's appraisers. At Landlord's election, such fire and property damage insurance may be endorsed to cover loss caused by such additional perils against which Landlord may elect to insure, including earthquake and/or flood, and shall contain reasonable deductibles. Additionally Landlord may maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, and (ii) rental loss insurance covering a twelve (12) month period. Tenant agrees to pay Landlord as additional rent, on demand, the full cost of said insurance as evidenced by insurance billings to Landlord, and in the event of damage covered by said insurance, the amount of any deductible under such policy. Payment shall be due to Landlord within ten (10) days after written invoice to Tenant. It is understood and agreed that Tenant's obligation under this Section will be prorated to reflect the Lease Commencement and Expiration Dates.

C. Tenant's Insurance: Tenant agrees, at its sole cost, to insure its

personal property, Tenant Improvements, and Alterations for their full replacement value (without depreciation) and to obtain worker's compensation and public liability and property damage insurance for occurrences within the Premises with a combined single limit of not less than Five Million Dollars (\$5,000,000.00). Tenant's liability insurance shall be primary insurance containing a cross-liability endorsement, and shall provide coverage on an "occurrence" rather than on a "claims made" basis. Tenant shall name Landlord and Landlord's lender as an additional insured and shall deliver a copy of the policies and renewal certificates to Landlord. All such policies shall provide for thirty (30) days' prior written notice to Landlord of any cancellation, termination, or reduction in coverage.

D. Waiver: Landlord and Tenant hereby waive all rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, or to the Premises or its contents, which may arise from any risk covered by their respective insurance policies (or which would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above. The Parties shall use their reasonable efforts to obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be.

10. TAXES: Tenant shall be liable for and shall pay as additional rental, prior to delinquency, the following: (i) all taxes and assessments levied against Tenant's personal property and

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trade or business fixtures; (ii) all real estate taxes and assessment installments or other impositions or charges which may be levied on the Premises or upon the occupancy of the Premises, including any substitute or additional charges which may be imposed applicable to the Lease Term; and (iii) real estate tax increases due to an increase in assessed value resulting from a sale, transfer or other change of ownership of the Premises as it appears on the City and County tax bills during the Lease Term. All real estate taxes shall be prorated to reflect the Lease Commencement and Expiration Dates. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or Buildings, Tenant shall pay and discharge its pro rata share of such tax or excise on rents or other tax before it becomes delinquent; except that this provision is not intended to cover net income taxes, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant cannot pay and discharge its pro rata share of such tax on behalf of Landlord, then Landlord may increase the Base Monthly Rent by the exact amount of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to pay Landlord a fee consistent with the fees charged by a third party appeal firm for such services.

Notwithstanding the foregoing, if property taxes increase during the first three years of the Lease Term as a result of a reassessment due to a voluntary change of ownership, Tenant shall be responsible for payment of the resulting property tax increase as follows: during the first twelve months, Tenant shall be responsible for payment of thirty three percent (33%) of the tax increase; during the second twelve months, Tenant shall be responsible for payment of sixty seven percent (67%) of the tax increase, thereafter Tenant shall be responsible for payment of the entire tax increase.

11. UTILITIES: Tenant shall pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. Landlord shall not be liable for loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish utilities to the Premises, and in such event Tenant shall not be entitled to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease.

12. TOXIC WASTE AND ENVIRONMENTAL DAMAGE:

A. Tenant's Responsibility: Without the prior written consent of Landlord, Tenant or Tenant's agents, employees, contractors and invitees ("Tenant's Agents") shall not bring, use, or permit upon the Premises, or generate, create, release, emit, or dispose (nor permit any of the same) from the Premises any

chemicals, toxic or hazardous gaseous, liquid or solid materials or waste, including without limitation, material or substance having characteristics of ignitability, corrosivity, reactivity, or toxicity or substances or materials which are listed on any of the Environmental Protection Agency's lists of hazardous wastes or which are identified in Division 22 Title 26 of the California Code of Regulations as the same may be amended from time to time or any other similar wastes, materials or substances which are or may become regulated by or under the authority of any applicable local, state or federal laws, judgments, ordinances, orders, rules, regulations, codes or other governmental restrictions, guidelines or requirements ("Hazardous Materials") except for those substances customary in typical office uses for which no consent shall be required. In order to obtain consent, Tenant shall deliver to Landlord its written proposal describing the toxic material to be brought onto the Premises, measures to be taken for storage and disposal thereof, safety measures to be employed to prevent pollution of the air, ground, surface and ground water. Landlord's approval may be withheld in its reasonable judgment. In the event Landlord consents to Tenant's use of Hazardous Materials on the Premises or such consent is not required, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal laws, ordinances or regulations and will provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits required for the

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use and handling of Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises free from any Hazardous Materials arising from Tenant's bringing, using, permitting, generating, creating, releasing, emitting or disposing of Hazardous Materials; and (v) properly close the facility with regard to Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with Hazardous Materials and obtain a closure certificate from the local administering agency prior to the Expiration Date. Landlord acknowledges and consents to the storage on the Premises by Tenant of diesel fuel for Tenant's emergency generators, such storage to be in above-ground tanks reasonably approved by Landlord.

B. Tenant's Indemnity Regarding Hazardous Materials: Tenant shall, at its sole cost and expense, comply with all laws pertaining to, and shall with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and Landlord's trustees, shareholders, directors, officers, employees, partners, affiliates, and agents from, any claims, liabilities, costs or expenses incurred or suffered arising from the bringing, using, permitting, generating, emitting or disposing of Hazardous Materials by Tenant or Tenant's Agents through the surface soils of the Premises during the Lease Term or the violation of any Governmental Regulation or environmental law, by Tenant or Tenant's Agents. Tenant's foregoing indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1980 ("RCRA") or any other federal, state, county or municipal law, ordinance or regulation now or hereafter in effect; (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) all costs of defending such claims; (iv) losses attributable to diminution in the value of the Premises or the Building; (v) loss or restriction of use of rentable space in the Building; (vi) adverse effect on the marketing of any space in the Building; and (vi) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation. This Section 12.B shall survive the expiration or termination of this Lease.

C. Actual Release by Tenant: Tenant agrees to notify Landlord of any lawsuits or orders which relate to the remedying of or actual release of Hazardous Materials on or into the soils or ground water at or under the

Premises. Tenant shall also provide Landlord all notices required by Section 25359.7(b) of the Health and Safety Code and all other notices required by law to be given to Landlord in connection with Hazardous Materials. Without limiting the foregoing, Tenant shall also deliver to Landlord, within twenty (20) days after receipt thereof, any written notices from any governmental agency alleging a material violation of, or material failure to comply with, any federal, state or local laws, regulations, ordinances or orders, the violation of which or failure to comply with poses a foreseeable and material risk of contamination of the ground water or injury to humans (other than injury solely to Tenant or Tenant's Agents).

In the event of any release on or into the Premises or into the soil or ground water under the Premises, the Building or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant or Tenant's Agents, Tenant agrees to comply, at its sole cost, with all laws, regulations, ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and its Lender to attempt to eliminate and mitigate any financial exposure to such Lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable

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monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Property has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with acceptable customary practices for the type and severity of such contamination and all applicable laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under 12.B of this Lease to indemnify, defend and hold Landlord harmless from any claims liabilities, costs or expenses incurred or suffered by Landlord. Tenant shall provide Landlord prompt written notice of Tenant's monitoring, cleanup and remedial steps.

In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable law, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 12.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by mediation and/or arbitration pursuant to this Lease.

D. Environmental Monitoring: Landlord and its agents shall have the right to inspect, investigate, sample and monitor the Premises including any air, soil, water, ground water or other sampling or any other testing, digging, drilling or analysis to determine whether Tenant is complying with the terms of this Section 12. If Landlord discovers that Tenant is not in compliance with the terms of this Section 12, any such costs incurred by Landlord, including attorneys' and consultants' fees, shall be due and payable by Tenant to Landlord within thirty (30) days following Landlord's written demand therefore.

E. Landlord's Indemnity Regarding Hazardous Materials: Landlord shall, at its sole cost and expense, with counsel reasonably acceptable to Tenant, indemnify, defend, and hold Tenant harmless from any claims, liabilities, costs or expenses incurred or suffered by Tenant related to the release, existence, removal, investigation, monitoring or remediation of Hazardous Materials which are present or which come to be present on or beneath the Premises except to the extent the presence of such Hazardous Materials is caused by Tenant or Tenant's agents. Landlord's indemnification and hold harmless obligations include, without limitation, (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or CERCLA, RCRA, or any other federal, state, county or municipal law, ordinance or regulation now or hereinafter in effect, (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source, and (iii) all costs of defending such claims. In no event shall Landlord be liable for any consequential damages suffered or incurred by Tenant as a result of any such contamination.

13. TENANT'S DEFAULT: The occurrence of any of the following shall constitute a default and breach of this Lease by Tenant: (i) Tenant's failure to pay the Base Monthly Rent including additional rent or any other payment due under this Lease within five (5) business days after receipt by Tenant of written notice from Landlord that such Base Monthly Rent or other payment was not received when due, (ii) the abandonment of the Premises by Tenant; (iii) Tenant's failure to observe and perform any other required provision of this Lease, where such failure continues for thirty (30) days after written notice from Landlord; provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Tenant shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion; (iv) Tenant's making of any general assignment for the benefit of creditors; (v) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days after the filing); (vi) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or (vii) the attachment, execution or other judicial seizure of substantially all of Tenant's

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assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days.

A. Remedies: In the event of any such default by Tenant, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises, and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The term "rent", as used herein, is defined as the minimum monthly installments of Base Monthly Rent and all other sums required to be paid by Tenant pursuant to this Lease, all such other sums being deemed as additional rent due hereunder. As used in (i) and (ii) above, "worth at the time of award" shall be computed by allowing interest at a rate equal to the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum. As used in (iii) above, "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent.

B. Right to Re-enter: In the event of any such default by Tenant, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord in any manner permitted by law.

C. Abandonment: If Landlord does not elect to terminate this Lease as provided in Section 13.A or 13.B above, then the provisions of California Civil Code Section 1951.4, (Landlord may continue the lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply and Landlord may from time to time, without terminating this Lease, either recover all rental as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its reasonable

discretion may deem advisable, with the right to make alterations and repairs to the Premises. In the event that Landlord elects to so relet, rentals received by Landlord from such reletting shall be applied in the following order to: (i) the payment of any indebtedness other than Base Monthly Rent due hereunder from Tenant to Landlord; (ii) the payment of any cost of such reletting; (iii) the payment of the cost of any alterations and repairs to the Premises; and (iv) the payment of Base Monthly Rent due and unpaid hereunder. The residual rentals, if any, shall be held by Landlord and applied in payment of future Base Monthly Rent as the same may become due and payable hereunder. Landlord shall have the obligation to market the space but shall have no obligation to relet the Premises following a default if Landlord has other comparable available space within the Building or Project. In the event the portion of rentals received from such reletting which is applied to the payment of rent hereunder during any month be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

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D. No Termination: Landlord's re-entry or taking possession of the Premises pursuant to 13.B or 13.C shall not be construed as an election to terminate this Lease unless written notice of such intention is given to Tenant or unless the termination is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

E. Non-Waiver: Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of default. No payment by Tenant or receipt by Landlord of a lesser amount than any installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Tenant any further notice or demand. Furthermore, the Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenant's Tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver thereof by Landlord. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute acceptance of the surrender of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

F. Performance by Landlord: If Tenant fails to perform any obligation required under this Lease or by law or governmental regulation, Landlord in its sole discretion may, after ten (10) days prior written notice to Tenant, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate (as defined in Section 19.J) within ten (10) days of Landlord's written notice for such payment.

G. Habitual Default: The provisions of Section 13 notwithstanding, the Parties agree that if Tenant has been in either monetary default or material non-monetary default (beyond applicable notice and cure periods) in the performance of any (but not necessarily the same) term or condition of this Lease for four or more times during any twelve (12) month period during the Lease Term, then such conduct shall, at the election of the Landlord, represent a separate event of default which cannot be cured by Tenant. Tenant acknowledges that the purpose of this provision is to prevent repetitive defaults by Tenant, which work a hardship upon Landlord and deprive Landlord of

Tenant's timely performance under this Lease.

14. LANDLORD'S LIABILITY:

A. Limitation on Landlord's Liability: In the event of Landlord's failure to perform any of its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("Mortgagee") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure, including such time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effectuate a cure. Tenant agrees that each of the Mortgagees to whom this Lease

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has been assigned is an expressed third-party beneficiary hereof. Tenant waives any right under California Civil Code Section 1950.7 or any other present or future law to the collection of any payment or deposit from Mortgagee or any purchaser at a foreclosure sale of Mortgagee's interest unless Mortgagee or such purchaser shall have actually received and not refunded the applicable payment or deposit. Tenant further waives any right to terminate this Lease and to vacate the Premises on Landlord's default under this Lease, except in the event of a constructive eviction under law. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief.

B. Limitation on Tenant's Recourse': If Landlord is a corporation, trust, partnership, joint venture, unincorporated association or other form of business entity, then (i) the obligations of Landlord shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, owners, stockholders, or other principals or representatives except to the extent of their interest in the Premises. Tenant shall have recourse only to the interest of Landlord in the Premises or for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations.

C. Indemnification of Landlord: As a material part of the consideration rendered to Landlord, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises, from any cause arising at any time to the fullest extent permitted by law, except to the extent caused by the willful misconduct or active negligence of Landlord, and Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord, and their shareholders, directors, officers, trustees, employees, partners, affiliates and agents from any claims, liabilities, costs or expenses incurred or suffered arising from the use of occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease, or any damage or injury to person or property from any cause, except to the extent caused by the willful misconduct or active negligence of Landlord or from the failure of Tenant to keep the Premises in good condition and repair as herein provided, except to the extent due to the active negligence or willful misconduct of Landlord. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant and Tenant's Agents, Tenant will indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from any such claim or liability including Landlord's costs and expenses and reasonable attorney's fees incurred in defending such claims.

15. DESTRUCTION OF PREMISES:

A. Landlord's Obligation to Restore: In the event of a destruction of the Premises during the Lease Term Landlord shall repair the same to a similar condition to that which existed prior to such destruction. Such destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base Monthly Rent while repairs are being made, such proportionate reduction to be based upon the extent to which the repairs interfere with Tenant's business in the Premises, as reasonably determined by Landlord. In no event shall Landlord be required to replace or restore

Alterations, Tenant Improvements, or Tenant's fixtures or personal property. With respect to a destruction which Landlord is obligated to repair or may elect to repair under the terms of this Section, Tenant waives the provisions of Section 1932, and Section 1933, Subdivision 4, of the Civil Code of the State of California, and any other similarly enacted statute, and the provisions of this Section 15 shall govern in the case of such destruction.

B. Limitations on Landlord's Restoration Obligation: Notwithstanding the provisions of Section 15.A, Landlord shall have no obligation to repair, or restore the Premises if any of the following occur: (i) if the repairs cannot be made within two hundred seventy (270) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Building elects not to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is not fully covered by the insurance (plus any deductible amount) maintained by Landlord, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease

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Term, (v) Tenant is in default pursuant to the provisions of Section 13, or (vi) Tenant has vacated the Premises for more than the immediately preceding one hundred twenty (120) days. In any such event Landlord may elect either to complete the repair or restoration, or terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction. Tenant shall also have a right to terminate this Lease if the repairs cannot be made within two hundred seventy (270) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities, by providing Landlord written notice of its election within sixty (60) days following the damage or destruction.

16. CONDEMNATION: If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder as reasonably determined by Tenant, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser ("Vesting Date") and Base Monthly Rent payable hereunder shall be adjusted so that Tenant is required to pay for the remainder of the Lease Term only such portion of Base Monthly Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder as reasonably determined by Tenant, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord, and Tenant shall have no claim thereto; except Landlord shall cooperate with Tenant, without cost to Landlord, to recover compensation for damage to or taking of any Alterations, Tenant Improvements, or for Tenant's moving costs, loss of or damage to Tenant's personal property, loss to Tenant because of interruption of business, Tenant's loss of goodwill, and the value attributable to any leasehold value for the difference between the market value of the Premises for the remainder or the term above the value, at the date of taking, of the rent payable for the remainder of the term. Tenant will have no right to pursue a claim based upon the residual value of the Land after expiration of the term or pursue claims or retain any award to which Landlord is entitled so as inequitably to diminish Landlord's award. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any other similarly enacted statute, and the provisions of this Section 16 shall govern in the case of a taking.

17. ASSIGNMENT OR SUBLEASE:

A. Consent by Landlord: Except as specifically provided in this Section 17, Tenant may not assign, sublet, hypothecate, or allow a third party to use the Premises without the express written consent of Landlord, which consent shall not be unreasonably withheld or delayed. In the event Tenant desires to assign this Lease or any interest herein or sublet the Premises or any part thereof, Tenant shall deliver to Landlord (i) executed counterparts of any agreement and of all ancillary agreements with the proposed assignee/subtenant, (ii) current financial statements of the transferee covering the preceding three years, (iii) the nature of the proposed transferee's business to be carried on in the Premises, (iv) a statement outlining all consideration to be given on account of

the Transfer, and (v) a current financial statement of Tenant. Landlord may condition its approval of any Transfer on receipt of a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer. At Landlord's request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed assignment or sublease. Landlord shall have a eight (8) business-day period following receipt of all the foregoing within which to notify Tenant in writing that Landlord elects to: (i) terminate this Lease in the event the proposed sublease or assignment is for substantially all of space in the Premises (provided, however, that Landlord shall not have the right to terminate on any sublease or assignment expiring, including any options in favor of sublessee/assignee, more than three (3) years prior to the Lease Expiration Date, including any options under this Lease which have been exercised by Tenant); (ii) permit Tenant to assign or sublet such space to the named assignee/subtenant on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the 30-day period, Landlord shall be deemed to have

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elected option (ii) above. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises on the date upon which the proposed sublease or transfer was to commence, and from such date forward, Base Monthly Rent and all other costs and charges shall be adjusted based upon the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Building. In the event Landlord elects option (ii) above, Landlord's written consent to the proposed assignment or sublease shall not be unreasonably withheld, provided and upon the condition that: (i) the proposed assignee or subtenant is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed assignment or sublease is in form reasonably satisfactory to Landlord; (iii) the proposed sublease will not result in there being more than two (2) subtenants within the Premises at any time during the Lease Term; (iv) Tenant reimburses Landlord on demand for any reasonable costs that may be incurred by Landlord in connection with said assignment or sublease, including the costs of making investigations as to the acceptability of the proposed assignee or subtenant and legal costs (not to exceed \$2,000.00 per occurrence) incurred in connection with the granting of any requested consent; and (v) Tenant shall not have advertised or publicized in any way the availability of the Premises without prior notice to Landlord. In the event all or any one of the foregoing conditions are not satisfied, Landlord shall be considered to have acted reasonably if it withholds its consent.

B. Assignment or Subletting Consideration: Landlord and Tenant hereby agree that fifty percent (50%) of any rent or other economic consideration (not including any payments for Tenant's furniture or other personal property owned by Tenant, any payment for utilities or for other office services provided by Tenant); (i) realized by Tenant under any sublease or assignment, or (ii) realized by any subtenant under any sub-sublease of the Premises, in excess of the Base Monthly Rent payable hereunder after deducting reasonable subletting and assignment costs directly related to such sublease or assignment including lease commissions, attorneys fees, costs of demising or otherwise preparing the sublease space for occupancy, and the unamortized cost of Alterations applicable to the space so sublet or assigned, shall be paid to Landlord. Tenant's obligation to pay over Landlord's portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord's right to terminate the Lease and relating to the allocation of excess rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the Parties to be commercially reasonable. No assignment or subletting by Tenant shall relieve it of any obligation under this Lease. Any assignment or subletting which conflicts with the provisions hereof shall be void.

C. No Release: Any assignment or sublease shall be made only if and shall not be effective until the assignee or subtenant shall execute, acknowledge, and deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the assignee or subtenant shall assume all the applicable obligations of this Lease on the part of Tenant to be performed or observed and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease. Notwithstanding any such sublease or assignment and the acceptance of rent by Landlord from any subtenant or assignee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any

licensee, subtenant, assignee or any other person claiming under or through any subtenant or assignee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend and hold Landlord harmless from and against all losses, liabilities, damages, costs and expenses (including reasonable attorney fees) resulting from any claims that may be made against Landlord by the proposed assignee or subtenant (except to the extent caused by Landlord's gross negligence or willful misconduct) or by any real estate brokers or other persons claiming compensation in connection with the proposed assignment or sublease.

D. Reorganization of Tenant: The provisions of this Section 17.D shall apply if Tenant is a corporation and: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where

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Tenant is not the surviving corporation, or (ii) there is a sale or transfer to one person or entity (or to any group of related persons or entities) of stock possessing more than 50% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, and after such sale or transfer of stock Tenant's stock is no longer publicly traded. In a transaction under clause (i) the surviving corporation shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such surviving corporation assumes the obligations of Tenant hereunder, and in a transaction under clause (ii) the transferee or buyer shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such transferee or buyer assumes the obligations of Tenant under the Lease.

E. Permitted Transfers: Notwithstanding anything contained in this Section 17, so long as Tenant otherwise complies with the provisions of this Article, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior consent, and Landlord shall not be entitled to terminate the Lease or to receive any part of any subrent resulting therefrom that would otherwise be due pursuant to Sections 17.A and 17.B. Tenant may sublease all or part of the Premises or assign its interest in this Lease to (i) any corporation which controls, is controlled by, or is under common control with the original Tenant to this Lease by means of an ownership interest of more than 50%; (ii) a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation, so long as the surviving corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction; and (iii) a corporation which purchases or otherwise acquires all or substantially all of the assets of Tenant so long as such acquiring corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction.

F. Effect of Default: In the event of Tenant's default, Tenant hereby assigns all rents due from any assignment or subletting to Landlord as security for performance of its obligations under this Lease, and Landlord may collect such rents as Tenant's Attorney-in-Fact, except that Tenant may collect such rents unless a default occurs as described in Section 13 above. A termination of the Lease due to Tenant's default shall not automatically terminate an assignment or sublease then in existence; rather at Landlord's election, such assignment or sublease shall survive the Lease termination, the assignee or subtenant shall attorn to Landlord, and Landlord shall undertake the obligations of Tenant under the sublease or assignment; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the subtenant or assignee, or for any acts or omissions of Tenant and Tenant's Agents.

G. Conveyance by Landlord: As used in this Lease, the term "Landlord" is defined only as the owner for the time being of the Premises, so that in the event of any sale or other conveyance of the Premises or in the event of a master lease of the Premises, Landlord shall be entirely freed and relieved of all its covenants and obligations hereunder, and it shall be deemed and construed, without further agreement between the Parties and the purchaser at any such sale or the master tenant of the Premises, that the purchaser or master tenant of the Premises has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder. Such transferor shall transfer and deliver Tenant's security deposit to the purchaser at any such sale or the master tenant of the Premises, and thereupon the transferor shall be discharged from any further liability in reference thereto.

F. Successors and Assigns: Subject to the provisions this Section 17, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all Parties hereto; and all Parties hereto comprising Tenant shall be jointly and severally liable hereunder.

18. OPTION TO EXTEND THE LEASE TERM:

A. Grant and Exercise of Option: Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 18.A, two (2) options (the "Options") to extend the Lease Term for an additional term (the "Option Term"). Each Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no later than nine (9) months prior to the date the Lease Term would expire but for such exercise, time being of

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the essence for the giving of such notice. If Tenant exercises the Option, all of the terms, covenants and conditions of this Lease except for the grant of additional Options pursuant to this Section, provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the greater of (i) the Base Monthly Rent applicable to the period immediately prior to the commencement of the Option Term, and (ii) ninety five percent (95%) of the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, if Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease (beyond applicable cure periods) either at the time Tenant exercises the Option or at any time thereafter prior to the commencement date of the Option Term, then Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the Lease Term shall not be extended pursuant to this Section 18.A. As used herein, the term "Fair Market Rental" is defined as the rental and all other monetary payments, including any escalations and adjustments thereto (including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises, based upon the current use and other potential uses of the Premises, as determined by the rents then being obtained for new leases of space comparable in age and quality to the Premises in the same real estate submarket as the Building. The appraisers shall be instructed that the foregoing five percent (5%) discount is intended to offset comparable rents that include the following costs which Landlord will not incur in the event Tenant exercises its option (i) brokerage commissions, (ii) tenant improvement allowances, (iii) building improvement costs, and (iv) vacancy costs.

B. Determination of Fair Market Rental: If Tenant exercises the Option, Landlord shall send Tenant notice no later than two hundred forty (240) days before to the Lease Expiration Date setting forth the Fair Market Rental for the Option Term. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after the date of Landlord's notice setting forth Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 18.C below. If Tenant does not send Landlord a notice as provided in the previous sentence, Landlord's determination of Fair Market Rental shall be the basis for computing the Base Monthly Rent payable by Tenant during the Option Term. If Tenant elects to resolve the disagreement as provided in Section 18.C and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent ninety five percent (95%) of the Fair Market Rental as determined by Landlord in the manner provided above. If the Fair Market Rental as finally determined pursuant to Section 18.C is greater than Landlord's determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and ninety five percent (95%) of the Fair Market Rental as so determined in Section 18.C within thirty (30) days after such determination. If the Fair Market Rental as finally determined in Section 18.C is less than Landlord's determination, the difference between the amount paid by Tenant and ninety five percent (95%) of the Fair Market Rental as so determined in Section 18.C shall be credited against the next installments of Base Monthly Rent due from Tenant to Landlord hereunder.

C. Resolution of a Disagreement over the Fair Market Rental: Any disagreement regarding Fair Market Rental shall be resolved as follows:

1. Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at a mutually agreeable time and place, in an attempt to resolve the disagreement.

2. If within the 30-day period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above.

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3. If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two appraisals so submitted differ by less than ten percent (10%), the average of the two shall be deemed as Fair Market Rental. If the two appraisals differ by more than 10%, the appraisers shall immediately select a third appraiser who shall, within thirty (30) days after his selection, make and submit to Landlord and Tenant a determination of Fair Market Rental. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be Fair Market Rental.

4. All appraisers specified pursuant to this Section shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant: All Options provided to Tenant in this Lease are personal and granted to VeriSign, Inc. (and any permitted transferee pursuant to Section 17.E. above) and are not exercisable by any third party should Tenant assign or sublet all or a portion of its rights under this Lease, unless Landlord consents to permit exercise of any option by any assignee or subtenant, in Landlord's sole and absolute discretion. In the event Tenant has multiple options to extend this Lease, a later option to extend the Lease cannot be exercised unless the prior option has been properly exercised.

19. GENERAL PROVISIONS:

A. Attorney's Fees: In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of any sum due hereunder, to interpret the Lease, or because of the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees including the expense of expert witnesses, depositions and court testimony as part of its costs which shall be deemed to have accrued on the commencement of such action. The prevailing party shall also be entitled to recover all costs and expenses including reasonable attorney's fees incurred in enforcing any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties: Tenant represents and warrants that it is duly formed and in good standing, and is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord, authorizing the execution of the Lease.

C. Brokers: Tenant represents it has not utilized or contacted a real estate broker or finder with respect to this Lease other than Cornish & Carey Commercial and Tenant agrees to indemnify, defend and hold Landlord harmless against any claim, cost, liability or cause of action asserted by any other broker or finder claiming through Tenant.

D. Choice of Law: This Lease shall be governed by and construed in accordance with California law. Except as provided in Section 19.E, venue shall be Santa Clara County.

E. Dispute Resolution: Landlord and Tenant and any other party that may become a party to this Lease or be deemed a party to this Lease including any subtenants agree that, except for any claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court (which small claims court shall be the sole court of competent jurisdiction), any controversy, dispute, or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Lease, including any claim based on contract, tort, or statute, shall be resolved at the request of any party to this agreement through a two-step dispute resolution process administered by J.A.M.S. or another judicial mediation service mutually acceptable to the parties located in Santa Clara County, California. The dispute resolution process shall involve first, mediation, followed, if necessary, by final and binding arbitration administered by and in accordance with the then existing rules and practices of J.A.M.S. or other judicial mediation service selected. In the event of any

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dispute subject to this provision, either party may initiate a request for mediation and the parties shall use reasonable efforts to promptly select a J.A.M.S. mediator and commence the mediation. In the event the parties are not able to agree on a mediator within thirty (30) days, J. A. M. S. or another judicial mediation service mutually acceptable to the parties shall appoint a mediator. The mediation shall be confidential and in accordance with California Evidence Code (S) 1119 et. seq. The mediation shall be held in Santa Clara County, California and in accordance with the existing rules and practice of J.A.M.S. (or other judicial and mediation service selected). The parties shall use reasonable efforts to conclude the mediation within sixty (60) days of the date of either party's request for mediation. The mediation shall be held prior to any arbitration or court action (other than a claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court which are not subject to this mediation/arbitration provision and may be filed directly with a court of competent jurisdiction). Should the prevailing party in any dispute subject to this Section 19.E attempt an arbitration or a court action before attempting to mediate, the prevailing party shall not be entitled to attorney's fees that might otherwise be available to them in a court action or arbitration and in addition thereto, the party who is determined by the arbitrator to have resisted mediation, shall be sanctioned by the arbitrator or judge.

IF A MEDIATION IS CONDUCTED BUT IS UNSUCCESSFUL, IT SHALL BE FOLLOWED BY FINAL AND BINDING ARBITRATION ADMINISTERED BY AND IN ACCORDANCE WITH THE THEN EXISTING RULES AND PRACTICES OF J.A.M.S. OR THE OTHER JUDICIAL AND MEDIATION SERVICE SELECTED, AND JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET. SEQ, AS SAID STATUTES THEN APPEAR, INCLUDING ANY AMENDMENTS TO SAID STATUTES OR SUCCESSORS TO SAID STATUTES OR AMENDED STATUTES, EXCEPT THAT IN NO EVENT SHALL THE PARTIES BE ENTITLED TO PROPOUND INTERROGATORIES OR REQUEST FOR ADMISSIONS DURING THE ARBITRATION PROCESS. THE ARBITRATOR SHALL BE A RETIRED JUDGE OR A LICENSED CALIFORNIA ATTORNEY. THE VENUE FOR ANY SUCH ARBITRATION OR MEDIATION SHALL BE IN SANTA CLARA COUNTY, CALIFORNIA.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LANDLORD: /s/ JMS

TENANT: /s/ DLE

F. Entire Agreement: This Lease and the exhibits attached hereto contains all of the agreements and conditions made between the Parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease

supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord: Upon prior notice to Tenant and subject to Tenant's reasonable

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security regulations, Tenant shall permit Landlord and his agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any reasonable loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes: (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; (iv) performing any obligations of Landlord under the Lease including remediation of Hazardous Materials if determined to be the responsibility of Landlord, (v) posting and keeping posted thereon notices of non-responsibility for any construction, alteration or repair thereof, as required or permitted by any law, and (vi) showing the Premises to Landlord's or the Master Landlord's existing or potential successors, purchaser, tenants and lenders. Tenant shall permit Landlord and his agents, at any time within one hundred eighty (180) days prior to the Expiration Date (or at any time during the Lease if Tenant is in default hereunder), to place upon the Premises "For Lease" signs and exhibit the Premises to real estate brokers and prospective tenants at reasonable hours.

H. Estoppel Certificates: At any time during the Lease Term, each party (the "Responding Party") shall, within ten (10) business days following written notice from the other party (the "Requesting Party"), execute and deliver to the Requesting Party a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Responding Party's knowledge, any uncured defaults on Requesting Party's part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Requesting Party may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Requesting Party's interest in the Premises. The Responding Party's failure to deliver such statement within such time shall be conclusive upon the Responding Party that this Lease is in full force and effect without modification, except as may be represented by the Requesting Party, and that there are no uncured defaults in Requesting Party's performance. Tenant agrees to provide, within five (5) days of Landlord's request, Tenant's most recent three (3) years of audited financial statements for Landlord's use in financing or sale of the Premises or Landlord's interest therein.

I. Exhibits: All exhibits referred to are attached to this Lease and incorporated by reference.

J. Interest: All rent due hereunder, if not paid when due, shall bear interest at the rate of the Reference Rate published by Bank of America, San Francisco Branch, plus two percent (2%) per annum from that date until paid in full ("Agreed Interest Rate"). This provision shall survive the expiration or sooner termination of the Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment (including late charges) shall be considered to the extent permitted by law to be an expense or a fee, premium, or penalty rather than interest.

K. This section intentionally left blank.

L. No Presumption Against Drafter: Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation,

validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

M. Notices: All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, or by personal delivery addressed to the party to be notified at the address for such party specified in Section 1 of this Lease, or to such other place

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as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party. When this Lease requires service of a notice, that notice shall satisfy rather than supplement any similar statutorily required notice, including any notice required by Code of Civil Procedure Section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of such notice in the manner described in the first sentence of this Section 19.M. shall satisfy such statutory requirement.

N. Property Management: In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of three percent (3%) of the Base Monthly Rent.

O. Rent: All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as "additional rent", shall be deemed as rent.

P. Representations: Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth herein, Tenant relied on no statement of Landlord or its employees or agents for that purpose.

Q. Rights and Remedies: Subject to Section 14 above, All rights and remedies hereunder are cumulative and not alternative to the extent permitted by law, and are in addition to all other rights and remedies in law and in equity.

R. Severability: If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. Submission of Lease: Submission of this document for examination or signature by the parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

T. Subordination: This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively "Encumbrances") which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance ("Holder") require that this Lease be prior and superior thereto, within seven (7) days after written request of Landlord to Tenant, Tenant shall execute, have acknowledged and deliver all documents or instruments, in the commercially reasonable form presented to Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all Encumbrances which are now or may hereafter be executed covering the Premises or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant's rights under this Lease as long as Tenant is not in default either at the time Holder recognizes such rights or at any time thereafter.

Within ten (10) business days after Landlord's written request, Tenant shall execute any documents in commercially reasonable form required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance, provided that within those documents the Tenant's rights under this Lease are recognized only as long as Tenant is not in default. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such encumbrance.

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Landlord shall cause the existing lender to furnish to Tenant, within sixty (60) days of the date of both parties' execution of this Lease, with a written agreement providing for (i) recognition by the lender of all of the terms and conditions of this Lease; and (ii) continuation of this Lease upon foreclosure of existing lender's security interest in the Premises. In the event that Landlord is unable to provide such agreement, Tenant's sole remedy shall be termination of the Lease, which election shall be made within fourteen (14) days following the expiration of such sixty (60) day period.

U. Survival of Indemnities: All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. Time: Time is of the essence hereunder.

W. Transportation Demand Management Programs: Should a government agency or municipality require Landlord to institute TDM (Transportation Demand Management) facilities and/or programs, Tenant agrees that the cost of TDM imposed facilities and programs required on the Premises, including but not limited to employee showers, lockers, cafeteria, or lunchroom facilities, shall be paid by Tenant. Further, any ongoing costs or expenses associated with a TDM program which are required for the Premises and not provided by Tenant, such as an on-site TDM coordinator, shall be provided by Landlord with such costs being included as additional rent and reimbursed to Landlord by Tenant within thirty (30) days after demand. If TDM facilities and programs are instituted on a Project wide basis, Tenant shall pay its proportionate share of such costs in accordance with Section 8 above.

X. Waiver of Right to Jury Trial: Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

Y. Recordation: A short form Memorandum of Lease, in form and content reasonably acceptable to the parties, will be executed in recordable form by each party following execution of this Lease, delivered to Tenant, and may be recorded by Tenant at its expense.

20. RIGHT OF FIRST OFFER TO PURCHASE:

A. Grant and Exercise of Option: In the event Landlord elects to sell the Building either separately or as part of a larger sale including other building(s) within the Project ("Offered Property"), Landlord (referred to hereinafter in this Section 20 as "Seller") hereby grants Tenant a right of first offering to purchase. Prior to Seller committing to sell its interest in the Offered Property to a third party, Seller shall give Tenant written notice of such desire and the terms and other information under which Seller intends to sell the Offered Property. Provided at the time of such written notice: (i) Tenant leases at least two buildings within the Project; and (ii) Tenant is not in default under the Lease beyond the expiration of any applicable cure period, Tenant shall have the option, which must be exercised, if at all, by written notice to Seller within fifteen (15) days after Tenant's receipt of Seller's notice, to purchase Seller's interest in the Offered Property at the sales price and terms of sale specified in the notice. In the event Tenant timely exercises such option to purchase its interest in the Offered Property, Seller shall sell its interest in the Offered Property to Tenant, and Tenant shall purchase its

interest in the Offered Property from Seller in accordance with the price and terms specified in Seller's notice. Seller and Tenant shall, in good faith, attempt to reach agreement on the terms of a mutually acceptable purchase agreement consistent with the terms set forth in Seller's notice within thirty (30) days of Tenant's exercise of its option to purchase. In the event either: (i) Tenant fails to exercise Tenant's option within said 15-day period; or (ii) after Tenant's exercise, Seller and Tenant are unable to reach agreement on a mutually acceptable purchase agreement within the subsequent 30-day period; Seller shall have one hundred eighty (180) days thereafter to sell its interest in the Offered Property at no less than ninety percent (90%) of the sales price and upon substantially the same other terms of sale as specified in the notice to Tenant. In the event

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Seller fails to sell its interest in the Offered Property within said one hundred eighty (180) day period or in the event Seller proposes to sell its interest in the Offered Property at less than ninety percent (90%) of the sales price or on other material terms which are more favorable to the prospective buyer than that proposed to Tenant, Seller shall be required to resubmit such offer to Tenant in accordance with this Right of First Offering except that Tenant shall be required to respond to any resubmission within a seven (7) day period.

B. Exclusions: This Right of First Offering shall automatically terminate (i) upon the expiration or sooner termination of the Lease, or (ii) in the event of a foreclosure or other involuntary transfer of Landlord's interest in the Building. Further, this Right of First Offering shall not apply to transfers (but shall survive such transfers) of all or a portion of the Building or Project to (i) John A. Sobrato and/or John M. Sobrato (individually and collectively "Sobrato"), (ii) any immediate family member of Sobrato, (iii) any trust established, in whole or in part, for the benefit of Sobrato and/or any immediate family member of Sobrato, (iv) any partnership in which Sobrato or any immediate family member, either directly or indirectly (e.g., through a partnership or corporate entity or a trust) retains a general partner interest, and/or (v) any corporation under the control, either directly or indirectly, by Sobrato or any immediate family member of Sobrato.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year first above written.

Landlord: Ellis-Middlefield Business Park, Tenant: VeriSign, Inc.
a California Limited Partnership a Delaware corporation

By: /s/ John M. Sobrato

* By: /s/ Dana L. Evan

Its: G.P.

Its: CFO

* By: /s/ Stratton D. Sclavos

Its: President/CEO

* NOTE: This lease must either: (i) be signed by two (2) officers of such corporation: one being the chairman of the board, the president, or a vice president, and the other being the secretary, an assistant secretary, the chief financial officer or an assistant treasurer; or (ii) signed by the chief financial officer and accompanied by a corporate resolution authorizing such signing. With respect to item (i) above, if one (1) individual is signing in two (2) of the foregoing capacities, that individual must sign twice; once as one officer and again as the other officer and in such event, Tenant must deliver to Landlord a certified copy of a corporate resolution authorizing the signatory to execute this Lease.

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Exhibit "A" - Premises, Building & Project

[PLAN OF BUILDINGS SHOWN HERE]

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Exhibit "A-1" - Premises, Buildings & Project

[PLAN OF BUILDINGS SHOWN HERE]

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EXHIBIT "B" - Draft Letter of Credit

Lease between
Ellis-Middlefield Business Park
And
VeriSign, Inc.
Buildings 2 and 3
487 and 501 East Middlefield Road

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[letterhead of Sobrato Development Companies]

Lease between
Ellis-Middlefield Business Park and VeriSign, Inc.
Buildings 2 & 3 - 487 & 501 East Middlefield Road

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1. PARTIES: THIS LEASE, is entered into on this 27 day of October, 2000 ("Effective Date") between Ellis-Middlefield Business Park, a California Limited Partnership, whose address is 10600 North De Anza Boulevard, Suite 200, Cupertino, CA 95014 and VeriSign, Inc., a Delaware corporation, whose address is 1350 Charleston Road, Mountain View, California, 94043, hereinafter called respectively Landlord and Tenant.

2. PREMISES:

A. Definitions.

i. Building 1. The term "Building 1" shall mean that single-story building consisting of 32,500 rentable square feet and all improvements therein, shown as Building 1 on Exhibit "A", commonly known as 455 East Middlefield Road, -----
Mountain View, California.

ii. Building 2. The term "Building 2" shall mean that 2-story building consisting of 49,362 rentable square feet and all improvements therein, shown as Building 2 on Exhibit "A", commonly known as 487 East Middlefield Road, -----
Mountain View, California, and including parking rights for approximately 158 cars.

iii. Building 3. The term "Building 3" shall mean that 2-story building consisting of 49,362 rentable square feet and all improvements therein, shown as Building 3 on Exhibit "A", commonly known as 501 East Middlefield Road, -----
Mountain View, California, and including parking rights for approximately 158 cars.

iv. Building 4. The term "Building 4" shall mean that 4-story office building consisting of approximately 100,000 rentable square feet and all improvements therein, which Landlord intends to construct in the location labeled as Building 4 on Exhibit "A", commonly known as 575 East Middlefield -----
Road, Mountain View, California. As part of construction of Building 4, Landlord shall demolish an existing single-story building of 28,800 square feet currently encumbering the site.

v. Common Area. The term "Common Area" shall initially mean that certain real property and all improvements thereon surrounding Building 1, Building 2, and Building 3, including all parking and landscaped areas. At the commencement of the lease for Building 4, the term "Common Area" shall mean that certain real property and all improvements thereon surrounding Building 1, Building 2, Building 3, and Building 4, including all parking and landscaped areas as shown on Exhibit "A".

vi. Project. The term "Project" shall mean that certain real property currently consisting of three parcels (APN 160-052-16, 160-052-17, and 160-052-20 respectively) totaling approximately 10.8 acres along East Middlefield Road in Mountain View, California, and all improvements constructed thereon, consisting of Building 1, Building 2, Building 3, Building 4, and the Common Area as shown in Exhibit "A".

vii. Premises. The term "Premises" shall mean Building 2 and Building 3 (collectively "Buildings"), and a right to use and obligation to maintain the Common Area in accordance with the terms and conditions of the CC&R Declaration and this Lease. Tenant acknowledges Landlord's right to and hereby consents to Landlord's construction of Building 4 and Common Area.

B. Grant: Landlord hereby leases the Premises to Tenant, and Tenant hires the Premises from Landlord.

C. Recordation of New Parcel Map: Tenant consents to recordation by Landlord of a new parcel map ("Parcel Map") that would combine the three existing parcels currently comprising the Project into one larger parcel to

facilitate Landlord's development and construction of Building 4; provided, however, that Landlord's failure to record the Parcel Map shall in no way invalidate this Lease.

D. Building 4 Development Approval: The parties acknowledge that Landlord is currently negotiating with the city of Mountain View ("City") to rezone the Property and obtain a transit-oriented development ("TOD") permit for construction of Building 4 and the Common Area, generally consistent with Exhibit "A". As part of such permit approval, Tenant agrees to: (i)

participate in the Valley Transportation Authority's ("VTA") Eco-Pass program for employees of Tenant within the VTA service area; (ii) provide transit subsidies as required by the City for employees of Tenant outside the VTA service area; and (iii) otherwise work cooperatively with Landlord and the City towards meeting Tenant-applicable requirements of TOD permit approval. In the event Landlord, in spite of its reasonable best efforts, it is unable to obtain timely TOD approval to construct Building 4 as generally shown on Exhibit "A",

this Lease shall in no way be invalidated; however, in such event, Landlord shall notify Tenant in writing and the following changes to the Lease shall take effect sixty (60) days following such notice: (i) Lease Exhibit "A" shall be

superceded by the attached Exhibit "A-1" and all references in the Lease to

Exhibit "A" shall change to Exhibit "A-1"; and (ii) the definition of Building 4

in Lease Section 2.(iv) shall be changed to read as follows: The term "Building 4" shall mean that single-story building consisting of 28,800 rentable square feet and all improvements therein, shown as Building 4 on Exhibit "A-1",

commonly known as 575 East Middlefield Road, Mountain View, California.

3. USE:

A. Permitted Uses: Tenant shall use the Premises as permitted under applicable zoning laws only for the following purposes and shall not change the use of the Premises without the prior written consent of Landlord: Office, research and development, marketing, light manufacturing, data center, ancillary storage and other incidental uses. Tenant shall use only the number of parking spaces allocated to Tenant under this Lease. All commercial trucks and delivery vehicles shall (i) be parked at the rear of the Buildings, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Project, and (iii) permitted to remain within the Project only so long as is reasonably necessary to complete the loading and unloading. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws.

B. Uses Prohibited: Tenant shall not commit or suffer to be committed on the Premises any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the Premises, nor allow any sale by auction or any other use of the Premises for an unlawful purpose. Tenant shall not (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the Buildings in excess of the load limits for which such items are designed or set any load on the floor in excess of the load limits for which the floor is designed, or (iii) generate dust, fumes or waste products which create a fire or health hazard or damage the Premises or any portion of the Project, including without limitation the soils or ground water in or around the Project. No materials, supplies, equipment, finished products or semi-

finished products, raw materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Premises outside of the Buildings without Landlord's prior approval, which approval may be withheld in its reasonable discretion.

C. Advertisements and Signs: Tenant will not place or permit to be placed, in, upon or about the Premises any signs in violation of the city and other governing authority having jurisdiction. Tenant will not place or permit to be placed upon the Premises any large prominent outdoor signs, advertisements or notices without the written consent of Landlord as to type, size, design, lettering, coloring and location, which consent will not be unreasonably withheld. Any sign placed on the Premises shall be removed by Tenant, at its sole cost, prior to the Expiration Date or promptly following the earlier termination of the Lease, and Tenant shall repair, at its sole cost, any damage or injury to the Premises caused thereby, and if not so removed, then Landlord may have same so removed at Tenant's expense.

D. Covenants, Conditions and

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Restrictions: This Lease is subject to the effect of (i) any covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or documents of record; and (ii) any zoning laws of the city, county and state where the Buildings are situated (collectively referred to herein as "Restrictions") and Tenant will conform to and will not violate the terms of any such Restrictions.

4. TERM AND RENTAL:

A. Base Monthly Rent: The term ("Lease Term") shall be for one hundred thirty two (132) months, commencing November 1, 2000 ("Commencement Date"), and ending October 31, 2011 ("Expiration Date"). Notwithstanding the parties' agreement that the Lease Term begins on the Commencement Date, this Lease and all of the obligations of Landlord and Tenant shall be binding and in full force and effect from and after the Effective Date. In addition to all other sums payable by Tenant under this Lease, Tenant shall pay base monthly rent ("Base Monthly Rent") for the Premises according to the following schedule:

Building 2:

Months 01-12:	\$370,215.00 per month
Months 13-24:	\$385,024.00 per month
Months 25-36:	\$400,425.00 per month
Months 37-48:	\$416,442.00 per month
Months 49-60:	\$433,099.00 per month
Months 61-72:	\$450,423.00 per month
Months 73-84:	\$468,440.00 per month
Months 85-96:	\$487,178.00 per month
Months 97-108:	\$506,665.00 per month
Months 109-120:	\$526,931.00 per month
Months 121-132:	\$548,009.00 per month

Building 3:

Months 01-12:	\$370,215.00 per month
Months 13-24:	\$385,024.00 per month
Months 25-36:	\$400,425.00 per month
Months 37-48:	\$416,442.00 per month
Months 49-60:	\$433,099.00 per month
Months 61-72:	\$450,423.00 per month
Months 73-84:	\$468,440.00 per month
Months 85-96:	\$487,178.00 per month
Months 97-108:	\$506,665.00 per month
Months 109-120:	\$526,931.00 per month
Months 121-132:	\$548,009.00 per month

Base Monthly Rent shall be due in advance on or before the first day of each calendar month during the Lease Term. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and without prior notice or demand, at the address specified in Section 1 of this Lease or at such place or places as may be designated in writing by Landlord during the Lease Term. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly

installment. Concurrently with Tenant's execution of this Lease, Tenant shall pay to Landlord the sum of \$243,750.00 as prepaid rent for the first month of the Lease.

B. Late Charges: Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant shall not be received by Landlord or its designee within five (5) business days after receipt by Tenant of written notice from Landlord that such installment or sum was not received when due, Tenant shall pay to Landlord a late charge equal to five (5%) percent of such overdue amount, which late charge shall be due and payable on the same date that the overdue amount was due. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and reasonable attorneys' fees and costs. If any rent or other sum due from Tenant remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the Agreed Interest Rate specified in Section 19.J following the date such amount became due until paid. Acceptance by Landlord of such late charge shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for four (4) consecutive installments of Base Monthly Rent,

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then the Base Monthly Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary.

C. Security Deposit: Concurrently with Tenant's execution of this Lease, Tenant has deposited with Landlord the sum of Seven Hundred Forty Thousand Four Hundred Thirty and No/100 Dollars (\$740,430.00) ("Security Deposit"). Landlord shall not be deemed a trustee of the Security Deposit, may use the Security Deposit in business, and shall not be required to segregate it from its general accounts. Tenant shall not be entitled to interest on the Security Deposit. If Tenant defaults with respect to any provisions of the Lease, including but not limited to the provisions relating to payment of Base Monthly Rent or other charges, Landlord may, to the extent reasonably necessary to remedy Tenant's default, use any or all of the Security Deposit towards payment of the following: (i) Base Monthly Rent or other charges in default; (ii) any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default including, but not limited to Tenant's failure to restore or clean the Premises following vacation thereof. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) days after written demand from Landlord, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its full original amount, and shall pay to Landlord such other sums as necessary to reimburse Landlord for any sums paid by Landlord. If Tenant shall be in either monetary default or material non-monetary default more than four (4) times in any twelve (12) month period, then the Security Deposit shall, within ten (10) days after demand by Landlord, be increased by Tenant to an amount equal to three (3) times the Base Monthly Rent. Tenant may not assign or encumber the Security Deposit without the consent of Landlord. Any attempt to do so shall be void and shall not be binding on Landlord. The Security Deposit shall be returned to Tenant within thirty (30) days after the Expiration Date and surrender of the Premises to Landlord, less any amount deducted in accordance with this Section, together with Landlord's written notice itemizing the amounts and purposes for such deduction. In the event of termination of Landlord's interest in this Lease, Landlord may deliver or credit the Security Deposit to Landlord's successor in interest in the Premises and thereupon be relieved of further responsibility with respect to the Security Deposit.

Landlord agrees that in lieu of a cash Security Deposit, Tenant may deposit a letter of credit ("Letter of Credit") substantially in the form attached hereto as Exhibit "B". Landlord shall be entitled to draw against the Letter of Credit

at any time provided only that Landlord certifies to the issuer of the Letter of Credit that Tenant is in default under the Lease. Tenant shall keep the letter

of credit in effect during the entire Lease Term, as the same may be extended, plus a period of four (4) weeks after expiration of the Lease Term. At least thirty (30) days prior to expiration of any Letter of Credit, the term thereof shall be renewed or extended for a period of at least one (1) year. Tenant's failure to so renew or extend the Letter of Credit shall be a material default of this Lease by Tenant. In the event Landlord draws against the Letter of Credit, Tenant shall replenish the existing Letter of Credit or cause a new Letter of Credit to be issued such that the aggregate amount of letters of credit available to Landlord at all times during the Lease Term is the amount of the Security Deposit originally required.

5. CONSTRUCTION:

A. Landlord's Obligations: Except as specifically provided in this paragraph, prior to Commencement Date Landlord shall ensure that the existing Buildings and Building systems are in good operating condition and repair including the foundation, structural components, exterior walls, plumbing, HVAC, sprinklers, electrical (including panels and outlets), doors (both shipping and personnel), roof structure and membrane, exterior landscaping, irrigation and lighting, and parking lot. "Good operating condition and repair" as used in this paragraph means that all of the foregoing systems for which Landlord is responsible shall be fully operational and functional for use for the purposes for which such systems were intended, and there is no deferred maintenance required. Without limitation of the foregoing: (i) the roof membrane shall be inspected by a reputable and licensed roofing contractor or roofing inspector and repaired as necessary to put into good operating condition and repair based on

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such inspection; (ii) the HVAC system shall be inspected by a reputable and licensed HVAC contractor and repaired as necessary to put into good operating condition and repair based on such inspection, as evidenced by a report by such contractor; (iii) all windows shall be washed inside and out, and there shall be no cracked or broken windows; (iv) all burned out, discolored or broken lightbulbs, ballasts and lenses shall be replaced; and (v) the parking lot shall be re-sealed and striped by a reputable and licensed asphalt contractor provided, however, that Landlord shall have sixty days from the Commencement Date to complete the parking lot re-sealing and striping.

6. ACCEPTANCE OF POSSESSION AND COVENANTS TO SURRENDER:

A. Delivery and Acceptance: On the Commencement Date, Landlord shall deliver and Tenant shall accept possession of the Premises. Tenant acknowledges that it has had an opportunity to conduct, and has conducted, such inspections of the Premises as it deems necessary to evaluate its condition. Except as otherwise specifically provided herein, Tenant agrees to accept possession of the Premises in its then existing condition, subject to all Restrictions and without representation or warranty by Landlord.

B. Early Access: Tenant shall be allowed early access and occupancy of the Premises from September 1, 2000 until the Commencement Date ("Early Access Period") for the purpose of constructing Tenant Improvements and otherwise preparing for its occupancy. Tenant shall be subject to all the terms and conditions of the Lease during the Early Access Period except that no Base Monthly Rent or other expenses shall be due or payable.

C. Condition Upon Surrender: Tenant further agrees on the Expiration Date or on the sooner termination of this Lease, to surrender the Premises to Landlord in good condition and repair, normal wear and tear excepted. In this regard, "normal wear and tear" shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of the best standards for maintenance, repair replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. In any event, Tenant shall cause the following to be done prior to the Expiration Date or sooner termination of this Lease: (i) all interior walls shall be painted or cleaned so that they appear freshly painted, (ii) all tiled floors shall be cleaned and waxed, (iii) all carpets shall be cleaned and shampooed, (iv) all broken, marred, stained or nonconforming acoustical ceiling tiles shall be replaced, (v) all cabling placed above the ceiling by Tenant or Tenant's contractors shall be removed unless such cabling has been placed in trays especially designed for such purpose and is not weighing directly on the ceiling, (vi) all windows shall be washed; (vii) the HVAC system shall be serviced by a reputable and licensed service firm and left in "good operating

condition and repair" as evidenced by a report by such firm, (viii) the plumbing and electrical systems and lighting shall be placed in good order and repair (including replacement of any burned out, discolored or broken light bulbs, ballasts, or lenses. On or before the Expiration Date or sooner termination of this Lease, Tenant shall remove all its personal property and trade fixtures from the Premises. All property and fixtures not so removed shall be deemed as abandoned by Tenant. At the expiration of the Lease Term, Landlord shall not have the right to require that Tenant remove from the Premises any Alterations (as defined in Section 7 below) made with Landlord's consent unless Landlord, at the time of granting such consent, indicates that the subject Alteration must be removed upon the expiration of the Lease Term. With respect to Permitted Alterations as defined in Section 7A. below, Tenant shall ascertain from Landlord within ninety (90) days before the Expiration Date whether Landlord desires to have such Permitted Alterations removed. If Landlord so elects, Tenant shall, at its sole cost and expense, remove such Alterations as Landlord has required and shall repair and restore the affected areas of the Premises prior to the Expiration Date to a standard open office plan with materials and finishes consistent with the other open office areas within the Premises. Such repair and restoration shall include causing the Premises to be brought into compliance with all applicable building codes and laws in effect at the time of the removal to the extent such compliance is necessitated by the repair and restoration work.

D. Failure to Surrender: If the Premises are not surrendered at the Expiration Date or sooner termination of this Lease in the condition required by this Section 6, Tenant shall be deemed in a holdover tenancy pursuant to this Section 6.D. and Tenant shall indemnify, defend, and hold Landlord harmless against loss or liability resulting from delay by Tenant in so surrendering the Premises including, without

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limitation, any claims made by any succeeding tenant founded on such delay and costs incurred by Landlord in returning the Premises to the required condition, plus interest at the Agreed Interest Rate. Any holding over after the termination or Expiration Date with Landlord's express written consent, shall be construed as month-to-month tenancy, terminable on thirty (30) days written notice from either party, and Tenant shall pay as Base Monthly Rent to Landlord a rate equal to one hundred twenty five percent (125%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. Any holding over shall otherwise be on the terms and conditions herein specified, except those provisions relating to the Lease Term and any options to extend or renew, which provisions shall be of no further force and effect following the expiration of the applicable exercise period. If Tenant remains in possession of the Premises after the Expiration Date or sooner termination of this Lease without Landlord's consent, Tenant's continued possession shall be on the basis of a tenancy at sufferance and Tenant shall pay as rent during the holdover period an amount equal to one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. This provision shall survive the termination or expiration of the Lease.

7. ALTERATIONS AND ADDITIONS:

A. Tenant's Alterations': Tenant shall not make, or suffer to be made, any alteration or addition to the Premises ("Alterations"), or any part thereof, without obtaining Landlord's prior written consent and delivering to Landlord the proposed architectural and structural plans for all such Alterations at least fifteen (15) days prior to the start of construction. If such Alterations affect the structure of the Buildings, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant's plans. After obtaining Landlord's consent, which consent shall state whether or not Landlord will require Tenant to remove such Alteration at the expiration or earlier termination of this Lease, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits. Tenant agrees to provide Landlord (i) written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15" X 21") vellum as-built drawings, and (iii) a certificate of occupancy for the work upon completion of the Alterations. All Alterations shall be constructed in compliance with all applicable building codes and laws including, without limitation, the Americans with Disabilities Act of 1990 as amended from time to time. Upon the Expiration Date, all Alterations, except movable furniture and trade fixtures, shall become a part of the realty and belong to

Landlord but shall nevertheless be subject to removal by Tenant as provided in Section 6 above. Alterations which are not deemed as trade fixtures include heating, lighting, electrical systems, air conditioning, walls, carpeting, or any other installation which has become an integral part of the Premises (excepting backup power generators or a UPS system, which Tenant shall have the right to remove). All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and expense.

Notwithstanding the foregoing, Tenant shall be entitled, without obtaining Landlord's consent, to make Alterations which do not affect the structure of the Buildings and which do not cost more than Seventy Thousand Dollars (\$70,000.00) per Alteration ("Permitted Alterations"); provided, however, that: (i) Tenant shall still be required to comply with all other provisions of this paragraph; and (ii) such Permitted Alterations are subject to removal by Tenant at Landlord's election pursuant to Section 6.C. above at the expiration or earlier termination of the Lease.

B. Free From Liens: Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for Tenant. In the event Tenant fails to discharge any such lien within sixty (60) days after receiving notice of the filing, Landlord shall be entitled to discharge the lien at Tenant's expense and all resulting costs incurred by Landlord, including attorney's fees shall be due from Tenant as additional rent.

C. Compliance With Governmental Regulations: The term Laws or Governmental Regulations shall include all federal, state, county, city or governmental agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures

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regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Tenant, at Tenant's sole expense shall make all repairs, replacements, alterations, or improvements needed to comply with all Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant.

The foregoing notwithstanding, if any repair, replacement, alteration or improvement is required to the Buildings foundation, exterior load bearing walls, roof structure or any other structural component of the Buildings (excluding structural components installed by Tenant) as a result of any Governmental Regulations and such required work is not caused by Tenant's specific use or Alterations, the cost of such repair, replacement, alteration or improvement shall be allocated between Landlord and Tenant such that Tenant shall pay to Landlord upon completion of such work, the portion of the cost equal to the product of such cost multiplied by a fraction, the numerator of which is the number of years remaining in the Lease Term, the denominator of which is the useful life (in years) of the repair, replacement, alteration or addition; provided, however, that if the Tenant thereafter exercises a renewal option, then upon Tenant's exercise of the renewal option, the numerator of the fraction shall be adjusted to the sum of: (i) the Lease Term remaining at the time the repair, replacement, alteration or addition was made; and (ii) the number of years in the Option Term; and Landlord's reimbursement obligation shall immediately thereafter be re-calculated.

8. Maintenance of Premises:

A. Landlord's Obligations: Landlord at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, the foundation, exterior load bearing walls and roof structure, and all other structural components of the Buildings, excluding any components installed by Tenant.

B. Tenant's Obligations: Tenant shall clean maintain, repair and replace when necessary the Premises and every part thereof through regular inspections and servicing, including but not limited to: (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including

caulking, and skylights, (v) all electrical facilities and equipment, (vi) all automatic fire extinguisher equipment, (vii) the parking lot and all underground utility facilities servicing the Premises, (viii) all elevator equipment; (ix) the roof membrane system, and (x) all waterscape, landscaping and shrubbery. All wall surfaces and floor tile are to be maintained in an as good a condition as when Tenant took possession free of holes, gouges, or defacements. With respect to items (ii), (viii) and (ix) above, Tenant shall provide Landlord a copy of a service contract between Tenant & a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord.

If as a part of Tenant's fulfillment of its maintenance obligations during the last three (3) years of the Lease Term a replacement of the roof membrane is necessary, Landlord shall reimburse Tenant for the cost of the replacement less the sum of (i) Thirty Thousand Dollars (\$30,000.00) plus (ii) that portion of the cost over \$30,000.00 equal to the product of such cost multiplied by a fraction, the numerator of which is the number of years remaining in the Lease Term, the denominator of which is the useful life (in years) of the roof replacement; provided, however, that if the roof replacement is made during the initial Lease Term and Tenant thereafter exercises a renewal option, then upon Tenant's exercise of the renewal option, the numerator of the fraction shall be adjusted to the sum of: (i) the Lease Term remaining at the time the roof replacement was made; and (ii) the number of years in the Option Term; and Landlord's reimbursement obligation shall immediately thereafter be re-calculated.

C. Common Area Cost Sharing: Pursuant to Tenant's maintenance obligations under this Lease, Tenant is solely responsible for the Common Area so long as it is leasing all buildings within the Project. In the event Tenant does not lease all buildings within the Project, Tenant shall remain obligated for such expenses;

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however, the Lease shall be amended to provide for Landlord's management of the Common Area and reimbursement by Tenant of only its pro rata share, such share to be calculated based on leased square footage within the Project.

D. Waiver of Liability: Failure by Landlord to perform any defined services, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, except to the extent due to Landlord's active negligence or willful misconduct, nor be construed as an eviction of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein break down or for any cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same promptly, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom, except to the extent due to Landlord's active negligence or willful misconduct. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the cost of such repairs from the rent. Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

9. Hazard Insurance:

A. Tenant's Use: Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article prohibited by the standard form of fire insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the maintenance of reasonable fire and public liability insurance

covering the Premises and appurtenances.

B. Landlord's Insurance: Landlord agrees to purchase and keep in force fire, extended coverage insurance in an amount equal to the replacement cost of the Buildings (not including any Tenant Improvements or Alterations paid for by Tenant) as determined by Landlord's insurance company's appraisers. At Landlord's election, such fire and property damage insurance may be endorsed to cover loss caused by such additional perils against which Landlord may elect to insure, including earthquake and/or flood, and shall contain reasonable deductibles. Additionally Landlord may maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, and (ii) rental loss insurance covering a twelve (12) month period. Tenant agrees to pay Landlord as additional rent, on demand, the full cost of said insurance as evidenced by insurance billings to Landlord, and in the event of damage covered by said insurance, the amount of any deductible under such policy. Payment shall be due to Landlord within ten (10) days after written invoice to Tenant. It is understood and agreed that Tenant's obligation under this Section will be prorated to reflect the Lease Commencement and Expiration Dates.

C. Tenant's Insurance: Tenant agrees, at its sole cost, to insure its personal property, Tenant Improvements, and Alterations for their full replacement value (without depreciation) and to obtain worker's compensation and public liability and property damage insurance for occurrences within the Premises with a combined single limit of not less than Ten Million Dollars (\$10,000,000.00). Tenant's liability insurance shall be primary insurance containing a cross-liability endorsement, and shall provide coverage on an "occurrence" rather than on a "claims made" basis. Tenant shall name Landlord and Landlord's lender as an additional insured and shall deliver a copy of the policies and renewal certificates to Landlord. All such policies shall provide for thirty (30)

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days' prior written notice to Landlord of any cancellation, termination, or reduction in coverage.

D. Waiver: Landlord and Tenant hereby waive all rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, or to the Premises or its contents, which may arise from any risk covered by their respective insurance policies (or which would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above. The Parties shall use their reasonable efforts to obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be.

10. Taxes: Tenant shall be liable for and shall pay as additional rental, prior to delinquency, the following: (i) all taxes and assessments levied against Tenant's personal property and trade or business fixtures; (ii) all real estate taxes and assessment installments or other impositions or charges which may be levied on the Premises or upon the occupancy of the Premises, including any substitute or additional charges which may be imposed applicable to the Lease Term; and (iii) real estate tax increases due to an increase in assessed value resulting from a sale, transfer or other change of ownership of the Premises as it appears on the City and County tax bills during the Lease Term. All real estate taxes shall be prorated to reflect the Lease Commencement and Expiration Dates. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or Buildings, Tenant shall pay and discharge its pro rata share of such tax or excise on rents or other tax before it becomes delinquent; except that this provision is not intended to cover net income taxes, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant cannot pay and discharge its pro rata share of such tax on behalf of Landlord, then Landlord may increase the Base Monthly Rent by the exact amount of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to pay Landlord a fee consistent with the fees charged by a third party

appeal firm for such services.

Notwithstanding the foregoing, if property taxes increase during the first three years of the Lease Term as a result of a reassessment due to a voluntary change of ownership, Tenant shall be responsible for payment of the resulting property tax increase as follows: during the first twelve months, Tenant shall be responsible for payment of thirty three percent (33%) of the tax increase; during the second twelve months, Tenant shall be responsible for payment of sixty seven percent (67%) of the tax increase, thereafter Tenant shall be responsible for payment of the entire tax increase.

11. Utilities: Tenant shall pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. Landlord shall not be liable for loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish utilities to the Premises, and in such event Tenant shall not be entitled to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease.

12. Toxic Waste and Environmental Damage:

A. Tenant's Responsibility: Without the prior written consent of Landlord, Tenant or Tenant's agents, employees, contractors and invitees ("Tenant's Agents") shall not bring, use, or permit upon the Premises, or generate, create, release, emit, or dispose (nor permit any of the same) from the Premises any chemicals, toxic or hazardous gaseous, liquid or solid materials or waste, including without limitation, material or substance having characteristics of ignitability, corrosivity, reactivity, or toxicity or substances or materials which are listed on any of the Environmental Protection Agency's lists of hazardous wastes or which are identified in Division 22 Title 26 of the California Code of Regulations as the same may be amended from time to time or any other similar wastes, materials or substances which are or may become regulated by or under the authority of any applicable local, state or federal laws, judgments, ordinances, orders, rules, regulations, codes or other governmental restrictions, guidelines or requirements

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("Hazardous Materials") except for those substances customary in typical office uses for which no consent shall be required. In order to obtain consent, Tenant shall deliver to Landlord its written proposal describing the toxic material to be brought onto the Premises, measures to be taken for storage and disposal thereof, safety measures to be employed to prevent pollution of the air, ground, surface and ground water. Landlord's approval may be withheld in its reasonable judgment. In the event Landlord consents to Tenant's use of Hazardous Materials on the Premises or such consent is not required, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal laws, ordinances or regulations and will provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits required for the use and handling of Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises free from any Hazardous Materials arising from Tenant's bringing, using, permitting, generating, creating, releasing, emitting or disposing of Hazardous Materials; and (v) properly close the facility with regard to Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with Hazardous Materials and obtain a closure certificate from the local administering agency prior to the Expiration Date. Landlord acknowledges and consents to the storage on the Premises by Tenant of diesel fuel for Tenant's emergency generators, such storage to be in above-ground tanks reasonably approved by Landlord.

B. Tenant's Indemnity Regarding Hazardous Materials: Tenant shall, at its sole cost and expense, comply with all laws pertaining to, and shall with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and Landlord's trustees, shareholders, directors, officers, employees, partners, affiliates, and agents from, any claims, liabilities, costs or expenses incurred or suffered arising from the bringing, using, permitting, generating, emitting or disposing of Hazardous Materials by Tenant or Tenant's Agents through the surface soils of the Premises during the Lease Term or the violation of any Governmental Regulation or environmental law, by Tenant or

Tenant's Agents. Tenant's foregoing indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1980 ("RCRA") or any other federal, state, county or municipal law, ordinance or regulation now or hereafter in effect; (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) all costs of defending such claims; (iv) losses attributable to diminution in the value of the Premises or the Buildings; (v) loss or restriction of use of rentable space in the Buildings; (vi) adverse effect on the marketing of any space in the Buildings; and (vii) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation. This Section 12.B shall survive the expiration or termination of this Lease.

C. Actual Release by Tenant: Tenant agrees to notify Landlord of any lawsuits or orders which relate to the remedying of or actual release of Hazardous Materials on or into the soils or ground water at or under the Premises. Tenant shall also provide Landlord all notices required by Section 25359.7(b) of the Health and Safety Code and all other notices required by law to be given to Landlord in connection with Hazardous Materials. Without limiting the foregoing, Tenant shall also deliver to Landlord, within twenty (20) days after receipt thereof, any written notices from any governmental agency alleging a material violation of, or material failure to comply with, any federal, state or local laws, regulations, ordinances or orders, the violation of which or failure to comply with poses a foreseeable and

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material risk of contamination of the ground water or injury to humans (other than injury solely to Tenant or Tenant's Agents).

In the event of any release on or into the Premises or into the soil or ground water under the Premises, the Buildings or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant or Tenant's Agents, Tenant agrees to comply, at its sole cost, with all laws, regulations, ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and its Lender to attempt to eliminate and mitigate any financial exposure to such Lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Property has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with acceptable customary practices for the type and severity of such contamination and all applicable laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under 12.B of this Lease to indemnify, defend and hold Landlord harmless from any claims liabilities, costs or expenses incurred or suffered by Landlord. Tenant shall provide Landlord prompt written notice of Tenant's monitoring, cleanup and remedial steps.

In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable law, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 12.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by mediation and/or arbitration pursuant to this Lease.

D. Environmental Monitoring: Landlord and its agents shall have the right to inspect, investigate, sample and monitor the Premises including any air, soil, water, ground water or other sampling or any other testing, digging, drilling or analysis to determine whether Tenant is complying with the terms of this Section 12. If Landlord discovers that Tenant is not in compliance with the

terms of this Section 12, any such costs incurred by Landlord, including attorneys' and consultants' fees, shall be due and payable by Tenant to Landlord within thirty (30) days following Landlord's written demand therefore.

E. Landlord's Indemnity Regarding Hazardous Materials: Landlord shall, at its sole cost and expense, with counsel reasonably acceptable to Tenant, indemnify, defend, and hold Tenant harmless from any claims, liabilities, costs or expenses incurred or suffered by Tenant related to the release, existence, removal, investigation, monitoring or remediation of Hazardous Materials which are present or which come to be present on or beneath the Premises except to the extent the presence of such Hazardous Materials is caused by Tenant or Tenant's agents. Landlord's indemnification and hold harmless obligations include, without limitation, (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or CERCLA, RCRA, or any other federal, state, county or municipal law, ordinance or regulation now or hereinafter in effect, (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source, and (iii) all costs of defending such claims. In no event shall Landlord be liable for any consequential damages suffered or incurred by Tenant as a result of any such contamination.

13. Tenant's Default: The occurrence of any of the following shall constitute a default and breach of this Lease by Tenant: (i) Tenant's failure to pay the Base Monthly Rent including additional rent or any other payment due under this Lease within five (5) business days after receipt by Tenant of written notice from Landlord that such Base Monthly Rent or other payment was not received when due, (ii) the abandonment of the Premises by Tenant; (iii) Tenant's failure to observe and perform any

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other required provision of this Lease, where such failure continues for thirty (30) days after written notice from Landlord; provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Tenant shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion; (iv) Tenant's making of any general assignment for the benefit of creditors; (v) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days after the filing); (vi) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or (vii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days.

A. Remedies: In the event of any such default by Tenant, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises, and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The term "rent", as used herein, is defined as the minimum monthly installments of Base Monthly Rent and all other

sums required to be paid by Tenant pursuant to this Lease, all such other sums being deemed as additional rent due hereunder. As used in (i) and (ii) above, "worth at the time of award" shall be computed by allowing interest at a rate equal to the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum. As used in (iii) above, "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent.

B. Right to Re-enter: In the event of any such default by Tenant, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord in any manner permitted by law.

C. Abandonment: If Landlord does not elect to terminate this Lease as provided in Section 13.A or 13.B above, then the provisions of California Civil Code Section 1951.4, (Landlord may continue the lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply and Landlord may from time to time, without terminating this Lease, either recover all rental as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its reasonable discretion may deem advisable, with the right to make alterations and repairs to the Premises. In the event that Landlord elects to so relet, rentals received by Landlord from such reletting shall be applied in the following order to: (i) the payment of any indebtedness other than Base Monthly Rent due hereunder from Tenant to Landlord; (ii) the payment of any cost of such reletting; (iii) the payment of the cost of any alterations and repairs to the Premises; and (iv)

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the payment of Base Monthly Rent due and unpaid hereunder. The residual rentals, if any, shall be held by Landlord and applied in payment of future Base Monthly Rent as the same may become due and payable hereunder. Landlord shall have the obligation to market the space but shall have no obligation to relet the Premises following a default if Landlord has other comparable available space within the Buildings or Project. In the event the portion of rentals received from such reletting which is applied to the payment of rent hereunder during any month be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

D. No Termination: Landlord's re-entry or taking possession of the Premises pursuant to 13.B or 13.C shall not be construed as an election to terminate this Lease unless written notice of such intention is given to Tenant or unless the termination is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

E. Non-Waiver: Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of default. No payment by Tenant or receipt by Landlord of a lesser amount than any installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Tenant any further notice or demand. Furthermore, the Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenant's Tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver thereof by Landlord. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute acceptance of the surrender

of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

F. Performance by Landlord: If Tenant fails to perform any obligation required under this Lease or by law or governmental regulation, Landlord in its sole discretion may, after ten (10) days prior written notice to Tenant, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate (as defined in Section 19.J) within ten (10) days of Landlord's written notice for such payment.

G. Habitual Default: The provisions of Section 13 notwithstanding, the Parties agree that if Tenant has been in either monetary default or material non-monetary default (beyond applicable notice and cure periods) in the performance of any (but not necessarily the same) term or condition of this Lease for four or more times during any twelve (12) month period during the Lease Term, then such conduct shall, at the election of the Landlord, represent a separate event of default which cannot be cured by Tenant. Tenant acknowledges that the purpose of this provision is to prevent repetitive defaults by Tenant, which work a hardship upon Landlord and deprive Landlord of Tenant's timely performance under this Lease.

14. Landlord's Liability:

A. Limitation on Landlord's Liability: In the event of Landlord's failure to perform any of

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its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("Mortgagee") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure, including such time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effectuate a cure. Tenant agrees that each of the Mortgagees to whom this Lease has been assigned is an expressed third-party beneficiary hereof. Tenant waives any right under California Civil Code Section 1950.7 or any other present or future law to the collection of any payment or deposit from Mortgagee or any purchaser at a foreclosure sale of Mortgagee's interest unless Mortgagee or such purchaser shall have actually received and not refunded the applicable payment or deposit. Tenant further waives any right to terminate this Lease and to vacate the Premises on Landlord's default under this Lease, except in the event of a constructive eviction under law. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief.

B. Limitation on Tenant's Recourse: If Landlord is a corporation, trust, partnership, joint venture, unincorporated association or other form of business entity, then (i) the obligations of Landlord shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, owners, stockholders, or other principals or representatives except to the extent of their interest in the Premises. Tenant shall have recourse only to the interest of Landlord in the Premises or for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations.

C. Indemnification of Landlord: As a material part of the consideration rendered to Landlord, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises, from any cause arising at any time to the fullest extent permitted by law, except to the extent caused by the willful misconduct or active negligence

of Landlord, and Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord, and their shareholders, directors, officers, trustees, employees, partners, affiliates and agents from any claims, liabilities, costs or expenses incurred or suffered arising from the use of occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease, or any damage or injury to person or property from any cause, except to the extent caused by the willful misconduct or active negligence of Landlord or from the failure of Tenant to keep the Premises in good condition and repair as herein provided, except to the extent due to the active negligence or willful misconduct of Landlord. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant and Tenant's Agents, Tenant will indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from any such claim or liability including Landlord's costs and expenses and reasonable attorney's fees incurred in defending such claims.

15. Destruction of Premises:

A. Landlord's Obligation to Restore: In the event of a destruction of the Premises during the Lease Term Landlord shall repair the same to a similar condition to that which existed prior to such destruction. Such destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base Monthly Rent while repairs are being made, such proportionate reduction to be based upon the extent to which the repairs interfere with Tenant's business in the Premises, as reasonably determined by Landlord. In no event shall Landlord be required to replace or restore Alterations, Tenant Improvements, or Tenant's fixtures or personal property. With respect to a destruction which Landlord is obligated to repair or may elect to repair under the terms of this Section, Tenant waives the provisions of Section 1932, and Section 1933, Subdivision 4, of the Civil Code of the State of California, and any

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other similarly enacted statute, and the provisions of this Section 15 shall govern in the case of such destruction.

B. Limitations on Landlord's Restoration Obligation: Notwithstanding the provisions of Section 15.A, Landlord shall have no obligation to repair, or restore the Premises if any of the following occur: (i) if the repairs cannot be made within two hundred seventy (270) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Buildings elects not to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is not fully covered by the insurance (plus any deductible amount) maintained by Landlord, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease Term, (v) Tenant is in default pursuant to the provisions of Section 13, or (vi) Tenant has vacated the Premises for more than the immediately preceding one hundred twenty (120) days. In any such event Landlord may elect either to complete the repair or restoration, or terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction. Tenant shall also have a right to terminate this Lease if the repairs cannot be made within two hundred seventy (270) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities, by providing Landlord written notice of its election within sixty (60) days following the damage or destruction.

16. Condemnation: If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder as reasonably determined by Tenant, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser ("Vesting Date") and Base Monthly Rent payable hereunder shall be adjusted so that Tenant is required to pay for the remainder of the Lease Term only such portion of Base Monthly Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder as reasonably determined by Tenant, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord, and Tenant shall have no claim thereto; except Landlord shall

cooperate with Tenant, without cost to Landlord, to recover compensation for damage to or taking of any Alterations, Tenant Improvements, or for Tenant's moving costs, loss of or damage to Tenant's personal property, loss to Tenant because of interruption of business, Tenant's loss of goodwill, and the value attributable to any leasehold value for the difference between the market value of the Premises for the remainder or the term above the value, at the date of taking, of the rent payable for the remainder of the term. Tenant will have no right to pursue a claim based upon the residual value of the Land after expiration of the term or pursue claims or retain any award to which Landlord is entitled so as inequitably to diminish Landlord's award. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any other similarly enacted statute, and the provisions of this Section 16 shall govern in the case of a taking.

17. Assignment or Sublease:

A. Consent by Landlord: Except as specifically provided in this Section 17, Tenant may not assign, sublet, hypothecate, or allow a third party to use the Premises without the express written consent of Landlord, which consent shall not be unreasonably withheld or delayed. In the event Tenant desires to assign this Lease or any interest herein or sublet the Premises or any part thereof, Tenant shall deliver to Landlord (i) executed counterparts of any agreement and of all ancillary agreements with the proposed assignee/subtenant, (ii) current financial statements of the transferee covering the preceding three years, (iii) the nature of the proposed transferee's business to be carried on in the Premises, (iv) a statement outlining all consideration to be given on account of the Transfer, and (v) a current financial statement of Tenant. Landlord may condition its approval of any Transfer on receipt of a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer.

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At Landlord's request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed assignment or sublease. Landlord shall have a eight (8) business-day period following receipt of all the foregoing within which to notify Tenant in writing that Landlord elects to: (i) terminate this Lease in the event the proposed sublease or assignment is for substantially all of space in the Premises (provided, however, that Landlord shall not have the right to terminate on any sublease or assignment expiring, including any options in favor of sublessee/assignee, more than three (3) years prior to the Lease Expiration Date, including any options under this Lease which have been exercised by Tenant); (ii) permit Tenant to assign or sublet such space to the named assignee/subtenant on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the 30-day period, Landlord shall be deemed to have elected option (ii) above. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises on the date upon which the proposed sublease or transfer was to commence, and from such date forward, Base Monthly Rent and all other costs and charges shall be adjusted based upon the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Buildings. In the event Landlord elects option (ii) above, Landlord's written consent to the proposed assignment or sublease shall not be unreasonably withheld, provided and upon the condition that: (i) the proposed assignee or subtenant is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed assignment or sublease is in form reasonably satisfactory to Landlord; (iii) the proposed sublease will not result in there being more than two (2) subtenants within the Premises at any time during the Lease Term; (iv) Tenant reimburses Landlord on demand for any reasonable costs that may be incurred by Landlord in connection with said assignment or sublease, including the costs of making investigations as to the acceptability of the proposed assignee or subtenant and legal costs (not to exceed \$2,000.00 per occurrence) incurred in connection with the granting of any requested consent; and (v) Tenant shall not have advertised or publicized in any way the availability of the Premises without prior notice to Landlord. In the event all or any one of the foregoing conditions are not satisfied, Landlord shall be considered to have acted reasonably if it withholds its consent.

B. Assignment or Subletting Consideration: Landlord and Tenant hereby agree that fifty percent (50%) of any rent or other economic consideration (not including any payments for Tenant's furniture or other personal property owned by Tenant, any payment for utilities or for other office services provided by Tenant); (i) realized by Tenant under any sublease or assignment, or (ii)

realized by any subtenant under any sub-sublease of the Premises, in excess of the Base Monthly Rent payable hereunder after deducting reasonable subletting and assignment costs directly related to such sublease or assignment including lease commissions, attorneys fees, costs of demising or otherwise preparing the sublease space for occupancy, and the unamortized cost of Alterations applicable to the space so sublet or assigned, shall be paid to Landlord. Tenant's obligation to pay over Landlord's portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord's right to terminate the Lease and relating to the allocation of excess rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the Parties to be commercially reasonable. No assignment or subletting by Tenant shall relieve it of any obligation under this Lease. Any assignment or subletting which conflicts with the provisions hereof shall be void.

C. No Release: Any assignment or sublease shall be made only if and shall not be effective until the assignee or subtenant shall execute, acknowledge, and deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the assignee or subtenant shall assume all the applicable obligations of this Lease on the part of Tenant to be performed or observed and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease. Notwithstanding any such sublease or assignment and the acceptance of rent by Landlord from any subtenant or assignee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed

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and for all acts and omissions of any licensee, subtenant, assignee or any other person claiming under or through any subtenant or assignee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend and hold Landlord harmless from and against all losses, liabilities, damages, costs and expenses (including reasonable attorney fees) resulting from any claims that may be made against Landlord by the proposed assignee or subtenant (except to the extent caused by Landlord's gross negligence or willful misconduct) or by any real estate brokers or other persons claiming compensation in connection with the proposed assignment or sublease.

D. Reorganization of Tenant: The provisions of this Section 17.D shall apply if Tenant is a corporation and: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where Tenant is not the surviving corporation, or (ii) there is a sale or transfer to one person or entity (or to any group of related persons or entities) of stock possessing more than 50% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, and after such sale or transfer of stock Tenant's stock is no longer publicly traded. In a transaction under clause (i) the surviving corporation shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such surviving corporation assumes the obligations of Tenant hereunder, and in a transaction under clause (ii) the transferee or buyer shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such transferee or buyer assumes the obligations of Tenant under the Lease.

E. Permitted Transfers: Notwithstanding anything contained in this Section 17, so long as Tenant otherwise complies with the provisions of this Article, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior consent, and Landlord shall not be entitled to terminate the Lease or to receive any part of any subrent resulting therefrom that would otherwise be due pursuant to Sections 17.A and 17.B. Tenant may sublease all or part of the Premises or assign its interest in this Lease to (i) any corporation which controls, is controlled by, or is under common control with the original Tenant to this Lease by means of an ownership interest of more than 50%; (ii) a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation, so long as the surviving corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction; and (iii) a corporation which purchases or otherwise acquires all or substantially all of the assets of Tenant so long as such acquiring corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction.

F. Effect of Default: In the event of Tenant's default, Tenant hereby assigns all rents due from any assignment or subletting to Landlord as security for performance of its obligations under this Lease, and Landlord may collect such rents as Tenant's Attorney-in-Fact, except that Tenant may collect such rents unless a default occurs as described in Section 13 above. A termination of the Lease due to Tenant's default shall not automatically terminate an assignment or sublease then in existence; rather at Landlord's election, such assignment or sublease shall survive the Lease termination, the assignee or subtenant shall attorn to Landlord, and Landlord shall undertake the obligations of Tenant under the sublease or assignment; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the subtenant or assignee, or for any acts or omissions of Tenant and Tenant's Agents.

G. Conveyance by Landlord: As used in this Lease, the term "Landlord" is defined only as the owner for the time being of the Premises, so that in the event of any sale or other conveyance of the Premises or in the event of a master lease of the Premises, Landlord shall be entirely freed and relieved of all its covenants and obligations hereunder, and it shall be deemed and construed, without further agreement between the Parties and the purchaser at any such sale or the master tenant of the Premises, that the purchaser or master tenant of the Premises has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder. Such transferor shall transfer and deliver Tenant's security deposit to the purchaser at any such sale or the master tenant of the Premises, and

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thereupon the transferor shall be discharged from any further liability in reference thereto.

F. Successors and Assigns: Subject to the provisions this Section 17, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all Parties hereto; and all Parties hereto comprising Tenant shall be jointly and severally liable hereunder.

18. Option to Extend the Lease Term:

A. Grant and Exercise of Option: Provided Tenant simultaneously exercises its option to extend the lease term for Building 4, Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 18.A, two (2) options (the "Options") to extend the Lease Term for an additional term (the "Option Term"). Each Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no later than nine (9) months prior to the date the Lease Term would expire but for such exercise, time being of the essence for the giving of such notice. If Tenant exercises the Option, all of the terms, covenants and conditions of this Lease except for the grant of additional Options pursuant to this Section, provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the greater of (i) the Base Monthly Rent applicable to the period immediately prior to the commencement of the Option Term, and (ii) ninety five percent (95%) of the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, if Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease (beyond applicable cure periods) either at the time Tenant exercises the Option or at any time thereafter prior to the commencement date of the Option Term, then Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the Lease Term shall not be extended pursuant to this Section 18.A. As used herein, the term "Fair Market Rental" is defined as the rental and all other monetary payments, including any escalations and adjustments thereto (including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises, based upon the current use and other potential uses of the Premises, as determined by the rents then being obtained for new leases of space comparable in age and quality to the Premises in the same real estate submarket as the Buildings. The appraisers shall be instructed that the foregoing five percent (5%) discount is intended to offset comparable rents that include the following costs which Landlord will not incur in the event Tenant exercises its option (i) brokerage commissions, (ii) tenant improvement allowances, (iii) building improvement costs, and (iv) vacancy costs.

B. Determination of Fair Market Rental: If Tenant exercises the Option, Landlord shall send Tenant notice no later than two hundred forty (240) days before to the Lease Expiration Date setting forth the Fair Market Rental for the Option Term. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after the date of Landlord's notice setting forth Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 18.C below. If Tenant does not send Landlord a notice as provided in the previous sentence, Landlord's determination of Fair Market Rental shall be the basis for computing the Base Monthly Rent payable by Tenant during the Option Term. If Tenant elects to resolve the disagreement as provided in Section 18.C and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent ninety five percent (95%) of the Fair Market Rental as determined by Landlord in the manner provided above. If the Fair Market Rental as finally determined pursuant to Section 18.C is greater than Landlord's determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and ninety five percent (95%) of the Fair Market Rental as so determined in Section 18.C within thirty (30) days after such determination. If the Fair Market Rental as finally determined in Section 18.C is less than Landlord's determination, the difference between the amount paid by Tenant and ninety five percent (95%) of the Fair Market Rental as so determined in Section 18.C shall be credited against the next installments of Base Monthly

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Rent due from Tenant to Landlord hereunder.

C. Resolution of a Disagreement over the Fair Market Rental: Any disagreement regarding Fair Market Rental shall be resolved as follows:

1. Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at a mutually agreeable time and place, in an attempt to resolve the disagreement.

2. If within the 30-day period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above.

3. If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two appraisals so submitted differ by less than ten percent (10%), the average of the two shall be deemed as Fair Market Rental. If the two appraisals differ by more than 10%, the appraisers shall immediately select a third appraiser who shall, within thirty (30) days after his selection, make and submit to Landlord and Tenant a determination of Fair Market Rental. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be Fair Market Rental.

4. All appraisers specified pursuant to this Section shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant: All Options provided to Tenant in this Lease are personal and granted to VeriSign, Inc. (and any permitted transferee pursuant to Section 17.E. above) and are not exercisable by any third party should Tenant assign or sublet all or a portion of its rights under this Lease, unless Landlord consents to permit exercise of any option by any assignee or subtenant, in Landlord's sole and absolute discretion. In the event Tenant has multiple options to extend this Lease, a later option to extend the Lease cannot be exercised unless the prior option has been properly exercised.

19. General Provisions:

A. Attorney's Fees: In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of

any sum due hereunder, to interpret the Lease, or because of the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees including the expense of expert witnesses, depositions and court testimony as part of its costs which shall be deemed to have accrued on the commencement of such action. The prevailing party shall also be entitled to recover all costs and expenses including reasonable attorney's fees incurred in enforcing any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties: Tenant represents and warrants that it is duly formed and in good standing, and is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord, authorizing the execution of the Lease.

C. Brokers: Tenant represents it has not utilized or contacted a real estate broker or finder with respect to this Lease other than Cornish & Carey Commercial and Tenant agrees to indemnify, defend and hold Landlord harmless against any claim, cost, liability or cause of action asserted by any other broker or finder claiming through Tenant.

D. Choice of Law: This Lease shall be governed by and construed in accordance with California law. Except as provided in Section 19.E, venue shall be Santa Clara County.

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E. Dispute Resolution: Landlord and Tenant and any other party that may become a party to this Lease or be deemed a party to this Lease including any subtenants agree that, except for any claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court (which small claims court shall be the sole court of competent jurisdiction), any controversy, dispute, or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Lease, including any claim based on contract, tort, or statute, shall be resolved at the request of any party to this agreement through a two-step dispute resolution process administered by J.A.M.S. or another judicial mediation service mutually acceptable to the parties located in Santa Clara County, California. The dispute resolution process shall involve first, mediation, followed, if necessary, by final and binding arbitration administered by and in accordance with the then existing rules and practices of J.A.M.S. or other judicial mediation service selected. In the event of any dispute subject to this provision, either party may initiate a request for mediation and the parties shall use reasonable efforts to promptly select a J.A.M.S. mediator and commence the mediation. In the event the parties are not able to agree on a mediator within thirty (30) days, J.A.M.S. or another judicial mediation service mutually acceptable to the parties shall appoint a mediator. The mediation shall be confidential and in accordance with California Evidence Code (S) 1119 et. seq. The mediation shall be held in Santa Clara County, California and in accordance with the existing rules and practice of J.A.M.S. (or other judicial and mediation service selected). The parties shall use reasonable efforts to conclude the mediation within sixty (60) days of the date of either party's request for mediation. The mediation shall be held prior to any arbitration or court action (other than a claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court which are not subject to this mediation/arbitration provision and may be filed directly with a court of competent jurisdiction). Should the prevailing party in any dispute subject to this Section 19.E attempt an arbitration or a court action before attempting to mediate, the prevailing party shall not be entitled to attorney's fees that might otherwise be available to them in a court action or arbitration and in addition thereto, the party who is determined by the arbitrator to have resisted mediation, shall be sanctioned by the arbitrator or judge.

IF A MEDIATION IS CONDUCTED BUT IS UNSUCCESSFUL, IT SHALL BE FOLLOWED BY FINAL AND BINDING ARBITRATION ADMINISTERED BY AND IN ACCORDANCE WITH THE THEN EXISTING RULES AND PRACTICES OF J.A.M.S. OR THE OTHER JUDICIAL AND MEDIATION SERVICE SELECTED, AND JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET. SEQ, AS SAID STATUTES THEN APPEAR, INCLUDING ANY AMENDMENTS TO SAID STATUTES OR SUCCESSORS TO SAID STATUTES

OR AMENDED STATUTES, EXCEPT THAT IN NO EVENT SHALL THE PARTIES BE ENTITLED TO PROPOUND INTERROGATORIES OR REQUEST FOR ADMISSIONS DURING THE ARBITRATION PROCESS. THE ARBITRATOR SHALL BE A RETIRED JUDGE OR A LICENSED CALIFORNIA ATTORNEY. THE VENUE FOR ANY SUCH ARBITRATION OR MEDIATION SHALL BE IN SANTA CLARA COUNTY, CALIFORNIA.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT

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DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LANDLORD: /s/ JMS TENANT: /s/ DLE

F. Entire Agreement: This Lease and the exhibits attached hereto contains all of the agreements and conditions made between the Parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord: Upon prior notice to Tenant and subject to Tenant's reasonable security regulations, Tenant shall permit Landlord and his agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any reasonable loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes: (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; (iv) performing any obligations of Landlord under the Lease including remediation of Hazardous Materials if determined to be the responsibility of Landlord, (v) posting and keeping posted thereon notices of non-responsibility for any construction, alteration or repair thereof, as required or permitted by any law, and (vi) showing the Premises to Landlord's or the Master Landlord's existing or potential successors, purchaser, tenants and lenders. Tenant shall permit Landlord and his agents, at any time within one hundred eighty (180) days prior to the Expiration Date (or at any time during the Lease if Tenant is in default hereunder), to place upon the Premises "For Lease" signs and exhibit the Premises to real estate brokers and prospective tenants at reasonable hours.

H. Estoppel Certificates: At any time during the Lease Term, each party (the "Responding Party") shall, within ten (10) business days following written notice from the other party (the "Requesting Party"), execute and deliver to the Requesting Party a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Responding Party's knowledge, any uncured defaults on Requesting Party's part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Requesting Party may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Requesting Party's interest in the Premises. The Responding Party's failure to deliver such statement within such time shall be conclusive upon the Responding Party that this Lease is in full force and effect without modification, except as may be represented by the Requesting Party, and that there are no uncured defaults in Requesting Party's performance. Tenant agrees to provide, within five (5) days of Landlord's request, Tenant's most recent three (3) years of audited financial statements for Landlord's use in financing or sale of the

Premises or Landlord's interest therein.

I. Exhibits: All exhibits referred to are attached to this Lease and incorporated by reference.

J. Interest: All rent due hereunder, if not paid when due, shall bear interest at the rate of the Reference Rate published by Bank of America, San Francisco Branch, plus two percent (2%) per annum from that date until paid in full ("Agreed Interest Rate"). This provision shall survive the expiration or sooner termination of the Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment (including late

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charges) shall be considered to the extent permitted by law to be an expense or a fee, premium, or penalty rather than interest.

K. This section intentionally left blank.

L. No Presumption Against Drafter: Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

M. Notices: All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, or by personal delivery addressed to the party to be notified at the address for such party specified in Section 1 of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party. When this Lease requires service of a notice, that notice shall satisfy rather than supplement any similar statutorily required notice, including any notice required by Code of Civil Procedure Section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of such notice in the manner described in the first sentence of this Section 19.M. shall satisfy such statutory requirement.

N. Property Management: In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of three percent (3%) of the Base Monthly Rent.

O. Rent: All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as "additional rent", shall be deemed as rent.

P. Representations: Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth herein, Tenant relied on no statement of Landlord or its employees or agents for that purpose.

Q. Rights and Remedies: Subject to Section 14 above, All rights and remedies hereunder are cumulative and not alternative to the extent permitted by law, and are in addition to all other rights and remedies in law and in equity.

R. Severability: If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. Submission of Lease: Submission of this document for examination or

signature by the parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

T. Subordination: This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively "Encumbrances") which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance ("Holder") require that this Lease be prior and superior thereto, within seven (7) days after written request of Landlord to Tenant, Tenant shall execute, have acknowledged and deliver all documents or instruments, in the commercially reasonable form presented to Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all Encumbrances which are now or may hereafter be executed covering the Premises or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that in

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the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant's rights under this Lease as long as Tenant is not in default either at the time Holder recognizes such rights or at any time thereafter. Within ten (10) business days after Landlord's written request, Tenant shall execute any documents in commercially reasonable form required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance, provided that within those documents the Tenant's rights under this Lease are recognized only as long as Tenant is not in default. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such encumbrance.

Landlord shall cause the existing lender to furnish to Tenant, within sixty (60) days of the date of both parties' execution of this Lease, with a written agreement providing for (i) recognition by the lender of all of the terms and conditions of this Lease; and (ii) continuation of this Lease upon foreclosure of existing lender's security interest in the Premises. In the event that Landlord is unable to provide such agreement, Tenant's sole remedy shall be termination of the Lease, which election shall be made within fourteen (14) days following the expiration of such sixty (60) day period.

U. Survival of Indemnities: All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. Time: Time is of the essence hereunder.

W. Transportation Demand Management Programs: Should a government agency or municipality require Landlord to institute TDM (Transportation Demand Management) facilities and/or programs, Tenant agrees that the cost of TDM imposed facilities and programs required on the Premises, including but not limited to employee showers, lockers, cafeteria, or lunchroom facilities, shall be paid by Tenant. Further, any ongoing costs or expenses associated with a TDM program which are required for the Premises and not provided by Tenant, such as an on-site TDM coordinator, shall be provided by Landlord with such costs being included as additional rent and reimbursed to Landlord by Tenant within thirty (30) days after demand. If TDM facilities and programs are instituted on a Project wide basis, Tenant shall pay its proportionate share of such costs in accordance with Section 8 above.

X. Waiver of Right to Jury Trial: Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or

Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

Y. Recordation: A short form Memorandum of Lease, in form and content reasonably acceptable to the parties, will be executed in recordable form by each party following execution of this Lease, delivered to Tenant, and may be recorded by Tenant at its expense.

20. Right of First offer to purchase:

A. Grant and Exercise of Option: In the event Landlord elects to sell the Buildings either separately or as part of a larger sale including other building(s) within the Project ("Offered Property"), Landlord (referred to hereinafter in this Section 20 as "Seller") hereby grants Tenant a right of first offering to purchase. Prior to Seller committing to sell its interest in the Offered Property to a third party, Seller shall give Tenant written notice of such desire and the terms and other information under which Seller intends to sell the Offered Property. Provided at the time of such written notice: (i) Tenant leases at least two buildings within the Project; and (ii) Tenant is not in default under the Lease beyond the expiration of any applicable cure period, Tenant shall have the option, which must be exercised, if at all, by written notice to Seller within fifteen (15) days after Tenant's receipt of Seller's notice, to

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purchase Seller's interest in the Offered Property at the sales price and terms of sale specified in the notice. In the event Tenant timely exercises such option to purchase its interest in the Offered Property, Seller shall sell its interest in the Offered Property to Tenant, and Tenant shall purchase its interest in the Offered Property from Seller in accordance with the price and terms specified in Seller's notice. Seller and Tenant shall, in good faith, attempt to reach agreement on the terms of a mutually acceptable purchase agreement consistent with the terms set forth in Seller's notice within thirty (30) days of Tenant's exercise of its option to purchase. In the event either: (i) Tenant fails to exercise Tenant's option within said 15-day period; or (ii) after Tenant's exercise, Seller and Tenant are unable to reach agreement on a mutually acceptable purchase agreement within the subsequent 30-day period; Seller shall have one hundred eighty (180) days thereafter to sell its interest in the Offered Property at no less than ninety percent (90%) of the sales price and upon substantially the same other terms of sale as specified in the notice to Tenant. In the event Seller fails to sell its interest in the Offered Property within said one hundred eighty (180) day period or in the event Seller proposes to sell its interest in the Offered Property at less than ninety percent (90%) of the sales price or on other material terms which are more favorable to the prospective buyer than that proposed to Tenant, Seller shall be required to resubmit such offer to Tenant in accordance with this Right of First Offering except that Tenant shall be required to respond to any resubmission within a seven (7) day period.

B. Exclusions: This Right of First Offering shall automatically terminate (i) upon the expiration or sooner termination of the Lease, or (ii) in the event of a foreclosure or other involuntary transfer of Landlord's interest in the Buildings. Further, this Right of First Offering shall not apply to transfers (but shall survive such transfers) of all or a portion of the Buildings or Project to (i) John A. Sobrato and/or John M. Sobrato (individually and collectively "Sobrato"), (ii) any immediate family member of Sobrato, (iii) any trust established, in whole or in part, for the benefit of Sobrato and/or any immediate family member of Sobrato, (iv) any partnership in which Sobrato or any immediate family member, either directly or indirectly (e.g., through a partnership or corporate entity or a trust) retains a general partner interest, and/or (v) any corporation under the control, either directly or indirectly, by Sobrato or any immediate family member of Sobrato.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year first above written.

Landlord: Ellis-Middlefield Business Park, Tenant: VeriSign, Inc.
a California Limited Partnership a Delaware corporation

By: /s/ John M. Sobrato

* By:/s/ Dana L. Evan

Its: G.P.

Its: CFO

* By: /s/ Stratton D. Sclavos

Its: President / CEO

* NOTE: This lease must either: (i) be signed by two (2) officers of such corporation: one being the chairman of the board, the president, or a vice president, and the other being the secretary, an assistant secretary, the chief financial officer or an assistant treasurer; or (ii) signed by the chief financial officer and accompanied by a corporate resolution authorizing such signing. With respect to item (i) above, if one (1) individual is signing in two (2) of the foregoing capacities, that individual must sign twice; once as one officer and again as the other officer and in such event, Tenant must deliver to Landlord a certified copy of a corporate resolution authorizing the signatory to execute this Lease.

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Exhibit "A" - Premises, Buildings & Project

[MAP APPEARS HERE]

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Exhibit "A-1" - Premises, Buildings & Project

[MAP APPEARS HERE]

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EXHIBIT "B" - Draft Letter of Credit

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Lease between
Ellis-Middlefield Business Park
And
VeriSign, Inc.
Building 4
575 East Middlefield Road

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Lease between
Ellis-Middlefield Business Park and VeriSign, Inc.
Building 4 - 575 East Middlefield Road

[LOGO OF SOBRATO DEVELOPMENT COMPANIES]

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[LETTERHEAD HEAD OF SOBRATO DEVELOPMENT COMPANIES]

1. PARTIES: THIS LEASE, is entered into on this 27 day of October, 2000

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("Effective Date") between Ellis-Middlefield Business Park, a California Limited Partnership, whose address is 10600 North De Anza Boulevard, Suite 200, Cupertino, CA 95014 and VeriSign, Inc., a Delaware corporation, whose address is 1350 Charleston Road, Mountain View, California, 94043, hereinafter called respectively Landlord and Tenant.

2. PREMISES:

A. Definitions.

i. Building 1. The term "Building 1" or "Building" shall mean that single-story building consisting of 32,500 rentable square feet and all improvements therein, shown as Building 1 on Exhibit "A", commonly known as 455

East Middlefield Road, Mountain View, California.

ii. Building 2. The term "Building 2" shall mean that 2-story building consisting of 49,362 rentable square feet and all improvements therein, shown as Building 2 on Exhibit "A", commonly known as 487 East Middlefield Road,

Mountain View, California.

iii. Building 3. The term "Building 3" shall mean that 2-story building consisting of 49,362 rentable square feet and all improvements therein, shown as Building 3 on Exhibit "A", commonly known as 501 East Middlefield Road,

Mountain View, California.

iv. Building 4. The term "Building 4" shall mean that 4-story office building consisting of approximately 102,000 rentable square feet and all improvements therein, which Landlord intends to construct in the location labeled as Building 4 on Exhibit "A", commonly known as 575 East Middlefield

Road, Mountain View, California, and including parking at a ratio of 3.2 spaces per 1,000 square feet of Building. As part of construction of Building 4, Landlord shall demolish an existing single-story building of 28,800 square feet currently encumbering the site.

v. Common Area. The term "Common Area" shall mean that certain real property and all improvements thereon surrounding Building 1, Building 2,

Building 3, and Building 4, including all parking and landscaped areas as shown on Exhibit "A".

vi. Project. The term "Project" shall mean that certain real property currently consisting of three parcels (APN 160-052-16, 160-052-17, and 160-052-20 respectively) totaling approximately 10.8 acres along East Middlefield Road in Mountain View, California, and all improvements constructed thereon consisting of Building 1, Building 2, Building 3, Building 4, and the Common Area as shown in Exhibit "A".

vii. Premises. The term "Premises" shall mean Building 4 and the right to use and obligation to maintain the Common Area. Tenant acknowledges Landlord's right, subject to receipt of all necessary governmental approvals, to and hereby consents to Landlord's construction of Building 4 and Common Area.

B. Grant: Landlord hereby leases the Premises to Tenant, and Tenant hires the Premises from Landlord.

C. Recordation of New Parcel Map: Tenant consents to recordation by Landlord of a new parcel map ("Parcel Map") that would combine the three existing parcels currently comprising the Project into one larger parcel to facilitate Landlord's development and construction of Building 4; provided, however, that Landlord's failure to record the Parcel Map shall in no way invalidate this Lease.

D. Building 4 Development Approval: The parties acknowledge that Landlord is currently negotiating with the city of Mountain View ("City") to rezone the Property and obtain a transit-oriented development ("TOD") permit for construction of Building 4 and the Common

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Area, generally consistent with Exhibit "A". As part of such permit approval,

Tenant agrees to: (i) participate in the Valley Transportation Authority's ("VTA") Eco-Pass program for employees of Tenant within the VTA service area; (ii) provide transit subsidies as required by the City for employees of Tenant outside the VTA service area; and (iii) otherwise work cooperatively with Landlord and the City towards meeting Tenant-applicable requirements of TOD permit approval. In the event Landlord, in spite of its reasonable best efforts, is unable to obtain TOD approval to construct Building 4 as generally shown on Exhibit "A" on or before March 31, 2001, this Lease shall in no way be

invalidated; however, in such event, Landlord shall notify Tenant in writing and the following changes to the Lease shall take effect sixty (60) days following such notice: (i) Lease Exhibit "A" shall be superceded by the attached Exhibit

"A-1" and all references in the Lease to Exhibit "A" shall change to Exhibit "A-1"; (ii) the definition of Building 4 in Lease Section 2.A.(iv) shall be changed

to read as follows: The term "Building 4" shall mean that existing single-story building consisting of 28,800 rentable square feet and all improvements therein, shown as Building 4 on Exhibit "A-1", commonly known as 575 East Middlefield

Road, Mountain View, California, and including parking for approximately 105 cars; (iii) the amount of the Security Deposit required under the first sentence of Section 4.C. below shall be reduced to Two Hundred Sixteen Thousand and No/100 Dollars (\$216,000.00); (iv) Exhibits "C", "D", "E", and "F" shall be eliminated from this Lease; and (v) Section 5 below shall be entirely deleted and the following substituted in its place: Prior to the Commencement Date Landlord shall ensure that the existing Building and Building systems are in good operating condition and repair including the foundation, structural components, exterior walls, plumbing, HVAC, sprinklers, electrical (including panels and outlets), doors (both shipping and personnel), roof structure and membrane, exterior landscaping, irrigation and lighting, and parking lot. "Good operating condition and repair" as used in this paragraph means that all of the foregoing systems for which Landlord is responsible shall be fully operational and functional for use for the purposes for which such systems were intended, and there is no deferred maintenance required. Without limitation of the foregoing: (i) the roof membrane shall be inspected by a reputable and licensed roofing contractor or roofing inspector and repaired as necessary to put into good operating condition and repair based on such inspection; (ii) the HVAC

system shall be inspected by a reputable and licensed HVAC contractor and repaired as necessary to put into good operating condition and repair based on such inspection, as evidenced by a report by such contractor; (iii) all windows shall be washed inside and out, and there shall be no cracked or broken windows; (iv) all burned out, discolored or broken lightbulbs, ballasts and lenses shall be replaced; and (v) the parking lot shall be re-sealed and striped by a reputable and licensed asphalt contractor provided, however, that Landlord shall have sixty days from the Commencement Date to complete the parking lot re-sealing and striping.

3. USE:

A. Permitted Uses: Tenant shall use the Premises as permitted under applicable zoning laws only for the following purposes and shall not change the use of the Premises without the prior written consent of Landlord: Office, research and development, marketing, light manufacturing, data center, ancillary storage and other incidental uses. Tenant shall use only the number of parking spaces allocated to Tenant under this Lease. All commercial trucks and delivery vehicles shall (i) be parked at the rear of the Building, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Project, and (iii) permitted to remain within the Project only so long as is reasonably necessary to complete the loading and unloading. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws.

B. Uses Prohibited: Tenant shall not commit or suffer to be committed on the Premises any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the Premises, nor allow any sale by auction or any other use of the Premises for an unlawful purpose. Tenant shall not (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the building in excess of the load limits for which such items are designed or set any load on the floor in excess of the load limits for which for which the floor is designed, or (iii) generate

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dust, fumes or waste products which create a fire or health hazard or damage the Premises or any portion of the Project, including without limitation the soils or ground water in or around the Project. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Premises outside of the Building without Landlord's prior approval, which approval may be withheld in its reasonable discretion.

C. Advertisements and Signs: Tenant will not place or permit to be placed, in, upon or about the Premises any signs in violation of the city and other governing authority having jurisdiction. Tenant will not place or permit to be placed upon the Premises any large prominent outdoor signs, advertisements or notices without the written consent of Landlord as to type, size, design, lettering, coloring and location, which consent will not be unreasonably withheld. Any sign placed on the Premises shall be removed by Tenant, at its sole cost, prior to the Expiration Date or promptly following the earlier termination of the Lease, and Tenant shall repair, at its sole cost, any damage or injury to the Premises caused thereby, and if not so removed, then Landlord may have same so removed at Tenant's expense.

D. Covenants, Conditions and Restrictions: This Lease is subject to the effect of (i) any covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or documents of record; and (ii) any zoning laws of the city, county and state where the Building is situated (collectively referred to herein as "Restrictions") and Tenant will conform to and will not violate the terms of any such Restrictions.

4. TERM AND RENTAL:

A. Base Monthly Rent: The term ("Lease Term") shall be for one hundred twenty (120) months, with a commencement date ("Commencement Date") of either: (i) substantial completion of construction as determined pursuant to Section 5.B, estimated to occur on August 1 2002; or (ii) sixty (60) days following Landlord's notice to Tenant pursuant to Section 2.D. above that Landlord is unable to obtain timely TOD approval, and ending one hundred twenty (120) months

thereafter ("Expiration Date"). Notwithstanding the parties' agreement that the Lease Term begins on the Commencement Date, this Lease and all of the obligations of Landlord and Tenant shall be binding and in full force and effect from and after the Effective Date. In addition to all other sums payable by Tenant under this Lease, Tenant shall pay as base monthly rent ("Base Monthly Rent") for the Premises an amount equal to the product derived by multiplying: (i) the rentable square footage ("Rentable Square Footage") of the Premises; by (ii) the per-square-foot rental rate for Buildings 2 and 3 as of the Commencement Date. The Base Monthly Rent shall at all times during this Lease be calculated by using the same per-square-foot rate and subject to the same increases, and at the same time, as for Buildings 2 and 3.

Upon Substantial Completion of construction, the Building shall be measured by Tenant's Architect (as defined in Section 5.B) from outside wall/glass to outside wall/glass of each floor, without deductions, to arrive at the actual "Rentable Square Footage". If the Rentable Square Footage differs from 102,000 square feet, the Base Monthly Rent due during the Lease Term shall be modified so as to equal at all times during the Lease Term the product of (i) the Rentable Square Footage; and (ii) the then price-per-square-foot rate for Buildings 2 and 3.

Base Monthly Rent shall be due in advance on or before the first day of each calendar month during the Lease Term. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and without prior notice or demand, at the address specified in Section 1 of this Lease or at such place or places as may be designated in writing by Landlord during the Lease Term. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment. On or before the date that is forty-five (45) days prior to the Commencement Date, Tenant shall pay to Landlord the Base Monthly Rent due for the first month of the Lease.

B. Late Charges: Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to

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ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant shall not be received by Landlord or its designee within five (5) business days after receipt by Tenant of written notice from Landlord that such installment or sum was not received when due, Tenant shall pay to Landlord a late charge equal to five (5%) percent of such overdue amount, which late charge shall be due and payable on the same date that the overdue amount was due. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and reasonable attorneys' fees and costs. If any rent or other sum due from Tenant remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the Agreed Interest Rate specified in Section 19.J following the date such amount became due until paid. Acceptance by Landlord of such late charge shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for four (4) consecutive installments of Base Monthly Rent, then the Base Monthly Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary.

C. Security Deposit: On or before April 1, 2001, Tenant shall deposit with Landlord the sum of Seven Hundred Eighty Thousand and No/100 Dollars (\$780,000.00) ("Security Deposit"). Landlord shall not be deemed a trustee of the Security Deposit, may use the Security Deposit in business, and shall not be required to segregate it from its general accounts. Tenant shall not be entitled to interest on the Security Deposit. If Tenant defaults with respect to any provisions of the Lease, including but not limited to the provisions relating to payment of Base Monthly Rent or other charges, Landlord may, to the extent reasonably necessary to remedy Tenant's default, use any or all of the Security Deposit towards payment of the following: (i) Base Monthly Rent or other charges in default; (ii) any other amount which Landlord may spend or become obligated

to spend by reason of Tenant's default including, but not limited to Tenant's failure to restore or clean the Premises following vacation thereof. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) days after written demand from Landlord, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its full original amount, and shall pay to Landlord such other sums as necessary to reimburse Landlord for any sums paid by Landlord. If Tenant shall be in either monetary default or material non-monetary default more than four (4) times in any twelve (12) month period, then the Security Deposit shall, within ten (10) days after demand by Landlord, be increased by Tenant to an amount equal to three (3) times the Base Monthly Rent. Tenant may not assign or encumber the Security Deposit without the consent of Landlord. Any attempt to do so shall be void and shall not be binding on Landlord. The Security Deposit shall be returned to Tenant within thirty (30) days after the Expiration Date and surrender of the Premises to Landlord, less any amount deducted in accordance with this Section, together with Landlord's written notice itemizing the amounts and purposes for such deduction. In the event of termination of Landlord's interest in this Lease, Landlord may deliver or credit the Security Deposit to Landlord's successor in interest in the Premises and thereupon be relieved of further responsibility with respect to the Security Deposit.

Landlord agrees that in lieu of a cash Security Deposit, Tenant may deposit a letter of credit ("Letter of Credit") substantially in the form attached hereto as Exhibit "B". Landlord shall be entitled to draw against the Letter of Credit

at any time provided only that Landlord certifies to the issuer of the Letter of Credit that Tenant is in default under the Lease. Tenant shall keep the letter of credit in effect during the entire Lease Term, as the same may be extended, plus a period of four (4) weeks after expiration of the Lease Term. At least thirty (30) days prior to expiration of any Letter of Credit, the term thereof shall be renewed or extended for a period of at least one (1) year. Tenant's failure to so renew or extend the Letter of Credit shall be a material default of this Lease by Tenant. In the event Landlord draws against the Letter of Credit, Tenant shall replenish the existing Letter of Credit or cause a new Letter of Credit to be

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issued such that the aggregate amount of letters of credit available to Landlord at all times during the Lease Term is the amount of the Security Deposit originally required.

5. CONSTRUCTION:

A. Building Shell Construction: Landlord shall cause the Building Shell (as defined on the Building Shell Definition attached as Exhibit "C") and certain

Building Core Improvements (as defined below) to be constructed by Landlord's affiliated construction company, Sobrato Construction Corporation ("General Contractor") in accordance with Building Shell plans and guideline specifications prepared by Arctec Associates ("Landlord's Architect") which shall be attached by May 15, 2001 as Exhibit "D" ("Building Shell Plans and

Specifications"), and which shall be generally consistent with the schematic design drawings prepared by Landlord's Architect ("Preliminary Schematic Design Drawings") and attached as Exhibit "E". The Building Shell Plans and

Specifications include certain elements of the Building core ("Building Core Improvements") which is defined as those items typically associated in the industry with an office building core including elevators, restrooms, fire sprinklers, HVAC and electrical systems distributed to each floor, exiting stair finishes, and a finished building lobby. Although certain Building Core Improvements have been designed by Landlord's Architect and incorporated into the Building Shell Plans and Specifications, it is understood and agreed that Building Core Improvements are classified as part of Tenant Improvements and all costs associated with the design and construction thereof shall be paid by Tenant pursuant to Section 5.F. below. The Building Shell and Building Core Improvements shall be constructed in a good and workmanlike fashion and in compliance with all codes, laws, rules and regulations of applicable governmental authority.

B. Tenant Improvement Construction: Tenant, at Tenant's sole cost and expense, shall retain an interior architect ("Tenant's Architect") to prepare plans and outline specifications to be attached as Exhibit "F" ("Tenant

Improvement Plans and Specifications") with respect to the construction of the balance of the improvements to the interior of the Premises ("Tenant Improvements") necessary for Tenant's use and occupancy of the Building. Landlord shall cause Tenant Improvements to be constructed by the General Contractor in accordance with the Tenant Improvement Plans and Specifications. The Tenant Improvement Plans and Specifications shall be completed for all aspects of the work by July 31, 2001 with all detail necessary for submittal to the city for issuance of building permits and for construction and shall include any information required by the relevant agencies regarding Tenant's use of Hazardous Materials if applicable. The Tenant Improvements shall consist of all items not included within the scope of the Building Shell Definition, including all Building Core Improvements. All Tenant Improvements shall be subject to Landlord's approval, which shall not be unreasonably withheld, conditioned or delayed. The Tenant Improvement Plans and Specifications shall provide for a minimum build-out in all areas of the Premises consisting of: (i) fire sprinklers, (ii) floor coverings, (iii) t-bar suspended ceiling (iv) distribution of the HVAC system, (v) 2' x 4' drop-in florescent lighting, and (vi) any other work required by the City of Mountain View necessary to obtain a Certificate of Occupancy. Tenant shall not have the right to delay the completion of the foregoing minimum Tenant Improvement build-out. The Tenant Improvement Plans and Specifications shall be prepared in sufficient detail to allow General Contractor to construct the Tenant Improvements. The Tenant Improvements shall not be removed or altered by Tenant without the prior written consent of Landlord as provided in Section 7 below. Tenant shall have the right to depreciate and claim and collect any investment tax credits related to the Tenant Improvements. Upon expiration of the Lease Term or any earlier termination of the Lease, the Tenant Improvements shall become the property of Landlord and shall remain upon and be surrendered with the Premises, and title thereto shall automatically vest in Landlord without any payment therefore.

Landlord shall use its reasonable best efforts to obtain a building permit from the City of Mountain View for the Tenant Improvements as soon as possible after submittal of the Tenant Improvement Plans and Specifications, and thereafter to cause the General Contractor to Substantially Complete the Tenant Improvements. The Tenant Improvements shall be deemed substantially complete when the Tenant Improvements have been substantially completed in accordance with the Tenant

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Improvement Plans and Specifications, as evidenced by the issuance of a certificate of occupancy or its equivalent by the appropriate governmental authority. Installation of Tenant's data and phone cabling, Tenant's furniture, or the exterior landscaping shall not be required in order to deem the Tenant Improvements Substantially Complete.

C. Pricing: Within ten (10) days after completion of the Tenant Improvements Plans and Specifications, Landlord shall cause the General Contractor to submit to Tenant competitive bids from at least three (3) subcontractors for each aspect of the work in excess of Fifty Thousand and No/100 Dollars (\$50,000.00) related to the Tenant Improvements. Landlord shall cause the General Contractor to utilize the low bid in each case unless Tenant approves General Contractor's use of another subcontractor, and the cost of the Tenant Improvements shall be based upon construction expenses equal to (i) the bid amounts as approved by Tenant, (ii) a five percent (5%) contingency to protect the General Contractor against cost overruns, and (iii) the general contractor fee specified in Section 5.H below ("Tenant Improvement Budget"). Upon Tenant's written approval of the Tenant Improvement Budget, which approval shall not be unreasonably withheld or delayed, Landlord and Tenant shall be deemed to have given their respective approvals of the final Tenant Improvement Plans and Specifications on which the cost estimate was made, and Tenant shall cause the General Contractor to proceed with the construction of the Tenant Improvements in accordance with the terms of Section 5.G below. If Tenant does not specifically approve or disapprove the bids within seven (7) days, Tenant shall be deemed to have approved the bids.

D. Change Orders: With the exception of changes related to Building Core Improvements, Tenant shall have the right to order changes in the manner and type of construction of the Tenant Improvements subject to the reasonable approval by Landlord. Upon request and prior to Tenant's submitting any binding change order, Landlord shall cause the General Contractor to promptly provide Tenant with written statements of the cost to implement and the time delay and increased construction costs associated with any proposed change order, which statements shall be binding on General Contractor. If no time delay or increased

construction cost amount is noted on the written statement, the parties agree that there shall be no adjustment to the construction cost or the Commencement Date associated with such change order. If ordered by Tenant, Landlord shall cause the General Contractor to implement such change order and the cost of constructing the Tenant Improvements shall be increased or decreased in accordance with the cost statement previously delivered by General Contractor to Tenant for any such change order.

E. Building Shell Costs: Landlord shall pay all costs and expenses associated with construction of the Building Shell. The Building Shell Definition shall be the governing document in specifying the costs associated with the Building Shell.

F. Tenant Improvement Costs: Tenant shall pay all costs associated with the Tenant Improvements (which includes Building Core Improvements) including, but not limited to the following costs incurred by General Contractor in connection with the construction of Tenant Improvements: construction costs, all permit fees, construction taxes or other costs imposed by governmental authorities related to the Tenant Improvements, and the General Contractor overhead as described in Section 5.H below. During the course of construction of Tenant Improvements, Landlord shall cause the General Contractor to deliver to Tenant not more than once each calendar month a written request for payment ("Progress Invoice") which shall include and be accompanied by General Contractor's certified statements setting forth the amount requested, certifying the percentage of completion of each item for which reimbursement is requested. General Contractor shall use applicable standard AIA forms in such process. Tenant shall pay directly to the General Contractor the amount due pursuant to the Progress Invoice, within thirty (30) days after Tenant's receipt of the above items. All costs for Tenant Improvements shall be fully documented to Tenant and at Tenant's election, Tenant may verify such costs.

G. Force Majeure: Any prevention, delay or stoppage due to strikes, lockouts, inclement weather, labor disputes, inability to obtain labor, materials, fuel or reasonable substitutes therefor, governmental restrictions, regulations, controls, civil commotion, fire or other act of God, and another causes beyond the reasonable control of Landlord (except financial inability) shall extend

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the dates contained in this Section 5 by a period equal to the period of any said prevention, delay or stoppage. If Landlord cannot obtain building permits or substantially complete construction by the dates set forth herein, this Lease shall not be void or voidable nor shall Landlord be liable for any loss or damage resulting therefrom.

H. General Contractor Overhead & Profit: As compensation to General Contractor for its services related to construction of the Building Shell and Tenant Improvements, General Contractor shall receive a fee of seven percent (7%) of the cost of construction to cover all of the following: construction supervision and administration, temporary on-site facilities, home office administration, supervision, and coordination and construction profit. Except as provided therein, Landlord or General Contractor shall not receive any other fee or payment from Tenant in connection with General Contractor's services.

I. Tenant Delays: A "Tenant Delay" shall mean any delay in substantial completion of the Building as a result of any of the following: (i) Tenant's failure to complete or approve the Tenant Improvement Plans by the dates set forth in Section 5.B, (ii) Tenant's failure to approve the bids for construction by the dates set forth in Section 5.C, (iii) changes to the plans requested by Tenant which delay the progress of the work, (iv) Tenant's request for materials components, or finishes which are not available in a commercially reasonable time given the target Commencement Date, (v) Tenant's failure to make a progress payment for Tenant Improvement costs as provided in Section 5.F, (vi) Tenant's request for more than one (1) rebidding of the cost of all or a portion of the work, and (vii) any errors or omissions in the Tenant Improvement Plans provided by Tenant's architect. Notwithstanding anything to the contrary set forth in this Lease, and regardless of the actual date the Premises are substantially complete, the Commencement Date shall be deemed to be the date the Commencement Date would have occurred if no Tenant Delay had occurred as reasonably determined by Landlord. In addition, if a Tenant Delay results in an increase in the cost of the labor or materials, Tenant shall pay the cost of such increases.

J. Insurance: Landlord shall cause the General Contractor to procure (as a

cost of the Building Shell) a "Broad Form" liability insurance policy in the amount of Three Million Dollars (\$3,000,000.00). Landlord shall also procure (as a cost of the Building Shell) builder's risk insurance for the full replacement cost of the Building Shell and Tenant Improvements while the Building and Tenant Improvements are under construction, up until the date that the casualty insurance policy described in Section 9 is in full force and effect.

K. Punch List & Warranty: After the Building Shell and Tenant Improvements are substantially complete, Landlord shall cause the General Contractor to immediately correct any construction defect or other "punch list" item which Tenant brings to General Contractor's attention. All such work shall be performed so as to reasonably minimize the interruption to Tenant and its activities on the Premises. General Contractor shall provide a standard contractor's warranty with respect to the Building Shell and the Tenant Improvements for one (1) year from the Commencement Date. Such warranty shall exclude routine maintenance, damage caused by Tenant's negligence or misuse, and acts of God.

L. Other Work by Tenant: All work not described in the Shell Plans and Specifications or Tenant Improvement Plans and Specifications, such as furniture, telephone equipment, telephone wiring and office equipment work, shall be furnished and installed by Tenant at Tenant's cost. Prior to substantial completion, Tenant shall be obligated to (i) provide active phone lines to any elevators, and (ii) contract with a firm to monitor the fire system. When the construction of the Tenant Improvements has proceeded to the point where Tenant's work of installing its fixtures and equipment in the Premises can be commenced, General Contractor shall notify Tenant and shall permit Tenant and its authorized representatives and contractors access to the Premises before the Commencement Date for the purpose of installing Tenant's trade fixtures and equipment. Any such installation work by Tenant or its authorized representatives and contractor prior to the Commencement Date shall be undertaken upon the following conditions: (i) the entry into the Premises by Tenant or its representatives or contractors shall not interfere with or delay General Contractor's work, and (ii) any contractor used by Tenant in connection with such entry and installation shall use union labor.

M. Landlord's Failure to Complete

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Construction: If the Building is not Substantially Complete in accordance with the Building Shell Plans and Specifications and Tenant Improvements Plans and Specifications by that date that is twenty-two (22) months from the date Landlord has received all necessary governmental approvals to commence construction of the Building Shell ("Deadline Date"), then Tenant, upon written notice to Landlord, shall be entitled to complete construction of the Building and offset the cost of construction for which Landlord is responsible under this Lease, plus interest at the Agreed Interest Rate, against Tenant's obligation for the Base Monthly Rent due under this Lease. The completion by Tenant of Landlord's construction obligations as provided in this Section 5.N. shall be the sole and exclusive remedy of Tenant with respect to the failure by Landlord to achieve Substantial Completion of the Building by the Deadline Date. In the event that Tenant shall be required to complete Landlord's Work, Landlord agrees to promptly assign to Tenant upon demand all plans and specifications relating to construction for which Landlord is responsible under this Lease in order to effectuate the completion thereof, and to cooperate with Tenant in connection with the completion of such work. Nothing herein shall diminish Landlord's obligation to act in good faith to promptly commence and diligently prosecute the Landlord's Work.

The foregoing notwithstanding, the Deadline Date shall be extended one day for every day of Force Majeure Delay or Tenant Delay as defined in Sections 5.G. and 5.I. above.

6. ACCEPTANCE OF POSSESSION AND COVENANTS TO SURRENDER:

A. Delivery and Acceptance: On the Commencement Date, Landlord shall deliver and Tenant shall accept possession of the Premises. Tenant acknowledges that it has had an opportunity to conduct, and has conducted, such inspections of the Premises as it deems necessary to evaluate its condition. Except as otherwise specifically provided herein, Tenant agrees to accept possession of the Premises in its then existing condition, subject to all Restrictions and without representation or warranty by Landlord.

B. Condition Upon Surrender: Tenant further agrees on the Expiration Date or on the sooner termination of this Lease, to surrender the Premises to Landlord in good condition and repair, normal wear and tear excepted. In this regard, "normal wear and tear" shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of the best standards for maintenance, repair replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. In any event, Tenant shall cause the following to be done prior to the Expiration Date or sooner termination of this Lease: (i) all interior walls shall be painted or cleaned so that they appear freshly painted, (ii) all tiled floors shall be cleaned and waxed, (iii) all carpets shall be cleaned and shampooed, (iv) all broken, marred, stained or nonconforming acoustical ceiling tiles shall be replaced, (v) all cabling placed above the ceiling by Tenant or Tenant's contractors shall be removed unless such cabling has been placed in trays especially designed for such purpose and is not weighing directly on the ceiling, (vi) all windows shall be washed; (vii) the HVAC system shall be serviced by a reputable and licensed service firm and left in "good operating condition and repair" as evidenced by a report by such firm, (viii) the plumbing and electrical systems and lighting shall be placed in good order and repair (including replacement of any burned out, discolored or broken light bulbs, ballasts, or lenses. On or before the Expiration Date or sooner termination of this Lease, Tenant shall remove all its personal property and trade fixtures from the Premises. All property and fixtures not so removed shall be deemed as abandoned by Tenant. At the expiration of the Lease Term, Landlord shall not have the right to require that Tenant remove from the Premises any Alterations (as defined in Section 7 below) made with Landlord's consent unless Landlord, at the time of granting such consent, indicates that the subject Alteration must be removed upon the expiration of the Lease Term. With respect to Permitted Alterations as defined in Section 7A. below, Tenant shall ascertain from Landlord within ninety (90) days before the Expiration Date whether Landlord desires to have such Permitted Alterations removed. If Landlord so elects, Tenant shall, at its sole cost and expense, remove such Alterations as Landlord has required and shall repair and restore the affected areas of the Premises prior to the Expiration Date to a standard open office plan with materials and finishes consistent with the other open office areas within the Premises. Such repair and restoration shall include

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causing the Premises to be brought into compliance with all applicable building codes and laws in effect at the time of the removal to the extent such compliance is necessitated by the repair and restoration work.

C. Failure to Surrender: If the Premises are not surrendered at the Expiration Date or sooner termination of this Lease in the condition required by this Section 6, Tenant shall be deemed in a holdover tenancy pursuant to this Section 6.D. and Tenant shall indemnify, defend, and hold Landlord harmless against loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay and costs incurred by Landlord in returning the Premises to the required condition, plus interest at the Agreed Interest Rate. Any holding over after the termination or Expiration Date with Landlord's express written consent, shall be construed as month-to-month tenancy, terminable on thirty (30) days written notice from either party, and Tenant shall pay as Base Monthly Rent to Landlord a rate equal to one hundred twenty five percent (125%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. Any holding over shall otherwise be on the terms and conditions herein specified, except those provisions relating to the Lease Term and any options to extend or renew, which provisions shall be of no further force and effect following the expiration of the applicable exercise period. If Tenant remains in possession of the Premises after the Expiration Date or sooner termination of this Lease without Landlord's consent, Tenant's continued possession shall be on the basis of a tenancy at sufferance and Tenant shall pay as rent during the holdover period an amount equal to one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. This provision shall survive the termination or expiration of the Lease.

7. ALTERATIONS AND ADDITIONS:

A. Tenant's Alterations: Tenant shall not make, or suffer to be made, any alteration or addition to the Premises ("Alterations"), or any part thereof, without obtaining Landlord's prior written consent and delivering to Landlord

the proposed architectural and structural plans for all such Alterations at least fifteen (15) days prior to the start of construction. If such Alterations affect the structure of the Building, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant's plans. After obtaining Landlord's consent, which consent shall state whether or not Landlord will require Tenant to remove such Alteration at the expiration or earlier termination of this Lease, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits. Tenant agrees to provide Landlord (i) written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15" X 21") vellum as-built drawings, and (iii) a certificate of occupancy for the work upon completion of the Alterations. All Alterations shall be constructed in compliance with all applicable building codes and laws including, without limitation, the Americans with Disabilities Act of 1990 as amended from time to time. Upon the Expiration Date, all Alterations, except movable furniture and trade fixtures, shall become a part of the realty and belong to Landlord but shall nevertheless be subject to removal by Tenant as provided in Section 6 above. Alterations which are not deemed as trade fixtures include heating, lighting, electrical systems, air conditioning, walls, carpeting, or any other installation which has become an integral part of the Premises (excepting backup power generators or a UPS system, which Tenant shall have the right to remove). All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and expense.

Notwithstanding the foregoing, Tenant shall be entitled, without obtaining Landlord's consent, to make Alterations which do not affect the structure of the Building and which do not cost more than Seventy Thousand Dollars (\$70,000.00) per Alteration ("Permitted Alterations"); provided, however, that: (i) Tenant shall still be required to comply with all other provisions of this paragraph; and (ii) such Permitted Alterations are subject to removal by Tenant at Landlord's election pursuant to Section 6.C. above at the expiration or earlier termination of the Lease.

B. Free From Liens: Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for Tenant. In the event

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Tenant fails to discharge any such lien within sixty (60) days after receiving notice of the filing, Landlord shall be entitled to discharge the lien at Tenant's expense and all resulting costs incurred by Landlord, including attorney's fees shall be due from Tenant as additional rent.

C. Compliance With Governmental Regulations: The term Laws or Governmental Regulations shall include all federal, state, county, city or governmental agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Tenant, at Tenant's sole expense shall make all repairs, replacements, alterations, or improvements needed to comply with all Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant.

The foregoing notwithstanding, if any repair, replacement, alteration or improvement is required to the Building foundation, exterior load bearing walls, roof structure or any other structural component of the Building (excluding structural components installed by Tenant) as a result of any Governmental Regulations and such required work is not caused by Tenant's specific use or Alterations, the cost of such repair, replacement, alteration or improvement shall be allocated between Landlord and Tenant such that Tenant shall pay to Landlord upon completion of such work, the portion of the cost equal to the product of such cost multiplied by a fraction, the numerator of which is the number of years remaining in the Lease Term, the denominator of which is the useful life (in years) of the repair, replacement, alteration or addition; provided, however, that if the Tenant thereafter exercises a renewal option, then upon Tenant's exercise of the renewal option, the numerator of the fraction shall be adjusted to the sum of: (i) the Lease Term remaining at the time the repair, replacement, alteration or addition was made; and (ii) the number of years in the Option Term; and Landlord's reimbursement obligation shall

immediately thereafter be re-calculated.

8. MAINTENANCE OF PREMISES:

A. Landlord's Obligations: Landlord at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, the foundation, exterior load bearing walls and roof structure, and all other structural components of the Building, excluding any components installed by Tenant.

B. Tenant's Obligations: Tenant shall clean, maintain, repair and replace when necessary the Premises and every part thereof through regular inspections and servicing, including but not limited to: (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including caulking & skylights, (v) all electrical facilities & equipment, (vi) all automatic fire extinguisher equipment, (vii) the parking lot and all underground utility facilities servicing the Premises, (viii) all elevator equipment, (ix) the roof membrane system, and (x) all waterscape, landscaping and shrubbery. All wall surfaces and floor tile are to be maintained in an as good a condition as when Tenant took possession free of holes, gouges, or defacements. With respect to items (ii), (viii) and (ix) above, Tenant shall provide Landlord a copy of a service contract between Tenant and a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord.

If as a part of Tenant's fulfillment of its maintenance obligations during the last three (3) years of the Lease Term a replacement of the roof membrane is necessary, Landlord shall reimburse Tenant for the cost of the replacement less the sum of (i) Thirty Thousand Dollars (\$30,000.00) plus (ii) that portion of the cost over \$30,000.00 equal to the product of such cost multiplied by a fraction, the numerator of which is the number of years remaining in the Lease Term, the denominator of which is the useful life (in years) of the roof replacement; provided, however, that if the roof replacement is made during the initial Lease Term and Tenant thereafter exercises a renewal option, then upon Tenant's exercise of the renewal option, the

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numerator of the fraction shall be adjusted to the sum of: (i) the Lease Term remaining at the time the roof replacement was made; and (ii) the number of years in the Option Term; and Landlord's reimbursement obligation shall immediately thereafter be re-calculated.

C. Common Area Cost Sharing: Pursuant to Tenant's maintenance obligations under this Lease, Tenant is solely responsible for the Common Area so long as it is leasing all buildings within the Project. In the event Tenant does not lease all buildings within the Project, Tenant shall remain obligated for such expenses; however, the Lease shall be amended to provide for Landlord's management of the Common Area and reimbursement by Tenant of only its pro rata share, such share to be calculated based on leased square footage within the Project.

D. Waiver of Liability: Failure by Landlord to perform any defined services, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, except to the extent due to Landlord's active negligence or willful misconduct, nor be construed as an eviction of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein break down or for any cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same promptly, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom, except to the extent due to Landlord's active negligence or willful misconduct. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the

cost of such repairs from the rent. Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

9. HAZARD INSURANCE:

A. Tenant's Use: Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article prohibited by the standard form of fire insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the maintenance of reasonable fire and public liability insurance covering the Premises and appurtenances.

B. Landlord's Insurance: Landlord agrees to purchase and keep in force fire, extended coverage insurance in an amount equal to the replacement cost of the Building (not including any Tenant Improvements or Alterations paid for by Tenant) as determined by Landlord's insurance company's appraisers. At Landlord's election, such fire and property damage insurance may be endorsed to cover loss caused by such additional perils against which Landlord may elect to insure, including earthquake and/or flood, and shall contain reasonable deductibles. Additionally Landlord may maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, and (ii) rental loss insurance covering a twelve (12) month period. Tenant agrees to pay Landlord as additional rent, on demand, the full cost of said insurance as evidenced by insurance billings to Landlord, and in the event of damage covered by said insurance, the amount of any deductible under such policy. Payment shall be due to Landlord within ten (10) days after written invoice to Tenant. It is understood and agreed that Tenant's obligation under this Section will be prorated to reflect the Lease Commencement and Expiration Dates.

C. Tenant's Insurance: Tenant agrees, at its sole cost, to insure its personal property, Tenant Improvements, and Alterations for their

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full replacement value (without depreciation) and to obtain worker's compensation and public liability and property damage insurance for occurrences within the Premises with a combined single limit of not less than Five Million Dollars (\$5,000,000.00). Tenant's liability insurance shall be primary insurance containing a cross-liability endorsement, and shall provide coverage on an "occurrence" rather than on a "claims made" basis. Tenant shall name Landlord and Landlord's lender as an additional insured and shall deliver a copy of the policies and renewal certificates to Landlord. All such policies shall provide for thirty (30) days' prior written notice to Landlord of any cancellation, termination, or reduction in coverage.

D. Waiver: Landlord and Tenant hereby waive all rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, or to the Premises or its contents, which may arise from any risk covered by their respective insurance policies (or which would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above. The Parties shall use their reasonable efforts to obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be.

10. Taxes: Tenant shall be liable for and shall pay as additional rental, prior to delinquency, the following: (i) all taxes and assessments levied against Tenant's personal property and trade or business fixtures; (ii) all real estate taxes and assessment installments or other impositions or charges which may be levied on the Premises or upon the occupancy of the Premises, including any substitute or additional charges which may be imposed applicable to the Lease Term; and (iii) real estate tax increases due to an increase in assessed value resulting from a sale, transfer or other change of ownership of the Premises as it appears on the City and County tax bills during the Lease Term. All real

estate taxes shall be prorated to reflect the Lease Commencement and Expiration Dates. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or Buildings, Tenant shall pay and discharge its pro rata share of such tax or excise on rents or other tax before it becomes delinquent; except that this provision is not intended to cover net income taxes, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant cannot pay and discharge its pro rata share of such tax on behalf of Landlord, then Landlord may increase the Base Monthly Rent by the exact amount of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to pay Landlord a fee consistent with the fees charged by a third party appeal firm for such services.

Notwithstanding the foregoing, if property taxes increase during the first three years of the Lease Term as a result of a reassessment due to a voluntary change of ownership, Tenant shall be responsible for payment of the resulting property tax increase as follows: during the first twelve months, Tenant shall be responsible for payment of thirty three percent (33%) of the tax increase; during the second twelve months, Tenant shall be responsible for payment of sixty seven percent (67%) of the tax increase, thereafter Tenant shall be responsible for payment of the entire tax increase.

11. Utilities: Tenant shall pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. Landlord shall not be liable for loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish utilities to the Premises, and in such event Tenant shall not be entitled to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease.

12. Toxic Waste and Environmental Damage:

A. Tenant's Responsibility: Without the prior written consent of Landlord, Tenant or Tenant's agents, employees, contractors and invitees ("Tenant's Agents") shall not bring, use, or permit upon the Premises, or generate, create, release, emit, or dispose (nor permit any of the same) from the Premises any chemicals, toxic or hazardous gaseous, liquid or solid materials or waste, including without limitation, material or substance having characteristics of ignitability,

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corrosivity, reactivity, or toxicity or substances or materials which are listed on any of the Environmental Protection Agency's lists of hazardous wastes or which are identified in Division 22 Title 26 of the California Code of Regulations as the same may be amended from time to time or any other similar wastes, materials or substances which are or may become regulated by or under the authority of any applicable local, state or federal laws, judgments, ordinances, orders, rules, regulations, codes or other governmental restrictions, guidelines or requirements ("Hazardous Materials") except for those substances customary in typical office uses for which no consent shall be required. In order to obtain consent, Tenant shall deliver to Landlord its written proposal describing the toxic material to be brought onto the Premises, measures to be taken for storage and disposal thereof, safety measures to be employed to prevent pollution of the air, ground, surface and ground water. Landlord's approval may be withheld in its reasonable judgment. In the event Landlord consents to Tenant's use of Hazardous Materials on the Premises or such consent is not required, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal laws, ordinances or regulations and will provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits required for the use and handling of Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises free from any Hazardous Materials arising from Tenant's bringing, using, permitting, generating, creating, releasing, emitting or disposing of Hazardous Materials; and (v) properly close the facility with regard to Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with Hazardous Materials and obtain a closure certificate

from the local administering agency prior to the Expiration Date. Landlord acknowledges and consents to the storage on the Premises by Tenant of diesel fuel for Tenant's emergency generators, such storage to be in above-ground tanks reasonably approved by Landlord.

B. Tenant's Indemnity Regarding Hazardous Materials: Tenant shall, at its sole cost and expense, comply with all laws pertaining to, and shall with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and Landlord's trustees, shareholders, directors, officers, employees, partners, affiliates, and agents from, any claims, liabilities, costs or expenses incurred or suffered arising from the bringing, using, permitting, generating, emitting or disposing of Hazardous Materials by Tenant or Tenant's Agents through the surface soils of the Premises during the Lease Term or the violation of any Governmental Regulation or environmental law, by Tenant or Tenant's Agents. Tenant's foregoing indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1980 ("RCRA") or any other federal, state, county or municipal law, ordinance or regulation now or hereafter in effect; (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) all costs of defending such claims; (iv) losses attributable to diminution in the value of the Premises or the Building; (v) loss or restriction of use of rentable space in the Building; (vi) adverse effect on the marketing of any space in the Building; and (vi) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages (including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation. This Section 12.B shall survive the expiration or termination of this Lease.

C. Actual Release by Tenant: Tenant agrees to notify Landlord of any lawsuits or orders which relate to the remedying of or actual release of Hazardous Materials on or into the soils or ground water at or under the

Premises. Tenant shall also provide Landlord all notices required by Section 25359.7(b) of the Health and Safety Code and all other notices required by law to be given to Landlord in connection with Hazardous Materials. Without limiting the foregoing, Tenant shall also deliver to Landlord, within twenty (20) days after receipt thereof, any written notices from any governmental agency alleging a material violation of, or material failure to comply with, any federal, state or local laws, regulations, ordinances or orders, the violation of which or failure to comply with poses a foreseeable and material risk of contamination of the ground water or injury to humans (other than injury solely to Tenant or Tenant's Agents).

In the event of any release on or into the Premises or into the soil or ground water under the Premises, the Building or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant or Tenant's Agents, Tenant agrees to comply, at its sole cost, with all laws, regulations, ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and its Lender to attempt to eliminate and mitigate any financial exposure to such Lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Property has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with acceptable customary practices for the type and severity of such contamination and all applicable laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under 12.B of this Lease to indemnify, defend and hold Landlord harmless from any claims liabilities, costs or expenses incurred or suffered by Landlord. Tenant shall provide Landlord prompt written

notice of Tenant's monitoring, cleanup and remedial steps.

In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable law, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 12.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by mediation and/or arbitration pursuant to this Lease.

D. Environmental Monitoring: Landlord and its agents shall have the right to inspect, investigate, sample and monitor the Premises including any air, soil, water, ground water or other sampling or any other testing, digging, drilling or analysis to determine whether Tenant is complying with the terms of this Section 12. If Landlord discovers that Tenant is not in compliance with the terms of this Section 12, any such costs incurred by Landlord, including attorneys' and consultants' fees, shall be due and payable by Tenant to Landlord within thirty (30) days following Landlord's written demand therefore.

E. Landlord's Indemnity Regarding Hazardous Materials: Landlord shall, at its sole cost and expense, with counsel reasonably acceptable to Tenant, indemnify, defend, and hold Tenant harmless from any claims, liabilities, costs or expenses incurred or suffered by Tenant related to the release, existence, removal, investigation, monitoring or remediation of Hazardous Materials which are present or which come to be present on or beneath the Premises except to the extent the presence of such Hazardous Materials is caused by Tenant or Tenant's agents. Landlord's indemnification and hold harmless obligations include, without limitation, (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or CERCLA, RCRA, or any other federal, state, county or municipal law, ordinance or regulation now or hereinafter in effect, (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source, and (iii) all costs of defending such claims. In no event shall Landlord be liable for any consequential damages suffered or incurred by Tenant as a result of any such

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contamination.

13. Tenant's Default: The occurrence of any of the following shall constitute a default and breach of this Lease by Tenant: (i) Tenant's failure to pay the Base Monthly Rent including additional rent or any other payment due under this Lease within five (5) business days after receipt by Tenant of written notice from Landlord that such Base Monthly Rent or other payment was not received when due, (ii) the abandonment of the Premises by Tenant; (iii) Tenant's failure to observe and perform any other required provision of this Lease, where such failure continues for thirty (30) days after written notice from Landlord; provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Tenant shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion; (iv) Tenant's making of any general assignment for the benefit of creditors; (v) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days after the filing); (vi) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or (vii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days.

A. Remedies: In the event of any such default by Tenant, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination

until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises, and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The term "rent", as used herein, is defined as the minimum monthly installments of Base Monthly Rent and all other sums required to be paid by Tenant pursuant to this Lease, all such other sums being deemed as additional rent due hereunder. As used in (i) and (ii) above, "worth at the time of award" shall be computed by allowing interest at a rate equal to the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum. As used in (iii) above, "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent.

B. Right to Re-enter: In the event of any such default by Tenant, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord in any manner permitted by law.

C. Abandonment: If Landlord does not elect to terminate this Lease as provided in Section 13.A or 13.B above, then the provisions of California Civil Code Section 1951.4, (Landlord may continue the lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply and Landlord may from time to time, without terminating this Lease, either recover all rental as it becomes due or relet the Premises or

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any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its reasonable discretion may deem advisable, with the right to make alterations and repairs to the Premises. In the event that Landlord elects to so relet, rentals received by Landlord from such reletting shall be applied in the following order to: (i) the payment of any indebtedness other than Base Monthly Rent due hereunder from Tenant to Landlord; (ii) the payment of any cost of such reletting; (iii) the payment of the cost of any alterations and repairs to the Premises; and (iv) the payment of Base Monthly Rent due and unpaid hereunder. The residual rentals, if any, shall be held by Landlord and applied in payment of future Base Monthly Rent as the same may become due and payable hereunder. Landlord shall have the obligation to market the space but shall have no obligation to relet the Premises following a default if Landlord has other comparable available space within the Building or Project. In the event the portion of rentals received from such reletting which is applied to the payment of rent hereunder during any month be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

D. No Termination: Landlord's re-entry or taking possession of the Premises pursuant to 13.B or 13.C shall not be construed as an election to terminate this Lease unless written notice of such intention is given to Tenant or unless the termination is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

E. Non-Waiver: Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of default. No payment by Tenant or receipt by Landlord of a lesser amount than any

installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Tenant any further notice or demand. Furthermore, the Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenant's Tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver thereof by Landlord. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute acceptance of the surrender of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

F. Performance by Landlord: If Tenant fails to perform any obligation required under this Lease or by law or governmental regulation, Landlord in its sole discretion may, after ten (10) days prior written notice to Tenant, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate (as defined in Section 19.J) within ten (10) days of Landlord's written notice for such payment.

G. Habitual Default: The provisions of Section 13 notwithstanding, the Parties agree that if Tenant has been in either monetary default or material non-monetary default (beyond applicable notice and cure periods) in the performance of any (but not necessarily the same) term or condition of this Lease for four or more times during any twelve (12) month period during the Lease Term, then such

conduct shall, at the election of the Landlord, represent a separate event of default which cannot be cured by Tenant. Tenant acknowledges that the purpose of this provision is to prevent repetitive defaults by Tenant, which work a hardship upon Landlord and deprive Landlord of Tenant's timely performance under this Lease.

14. Landlord's Liability:

A. Limitation on Landlord's Liability: In the event of Landlord's failure to perform any of its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("Mortgagee") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure, including such time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effectuate a cure. Tenant agrees that each of the Mortgagees to whom this Lease has been assigned is an expressed third-party beneficiary hereof. Tenant waives any right under California Civil Code Section 1950.7 or any other present or future law to the collection of any payment or deposit from Mortgagee or any purchaser at a foreclosure sale of Mortgagee's interest unless Mortgagee or such purchaser shall have actually received and not refunded the applicable payment or deposit. Tenant further waives any right to terminate this Lease and to vacate the Premises on Landlord's default under this Lease, except in the event of a constructive eviction under law. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief.

B. Limitation on Tenant's Recourse: If Landlord is a corporation, trust, partnership, joint venture, unincorporated association or other form of business

entity, then (i) the obligations of Landlord shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, owners, stockholders, or other principals or representatives except to the extent of their interest in the Premises. Tenant shall have recourse only to the interest of Landlord in the Premises or for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations.

C. Indemnification of Landlord: As a material part of the consideration rendered to Landlord, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises, from any cause arising at any time to the fullest extent permitted by law, except to the extent caused by the willful misconduct or active negligence of Landlord, and Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord, and their shareholders, directors, officers, trustees, employees, partners, affiliates and agents from any claims, liabilities, costs or expenses incurred or suffered arising from the use of occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease, or any damage or injury to person or property from any cause, except to the extent caused by the willful misconduct or active negligence of Landlord or from the failure of Tenant to keep the Premises in good condition and repair as herein provided, except to the extent due to the active negligence or willful misconduct of Landlord. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant and Tenant's Agents, Tenant will indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from any such claim or liability including Landlord's costs and expenses and reasonable attorney's fees incurred in defending such claims.

15. Destruction of Premises:

A. Landlord's Obligation to Restore: In the event of a destruction of the Premises during the Lease Term Landlord shall repair the same to a similar condition to that which existed prior to such destruction. Such destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base

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Monthly Rent while repairs are being made, such proportionate reduction to be based upon the extent to which the repairs interfere with Tenant's business in the Premises, as reasonably determined by Landlord. In no event shall Landlord be required to replace or restore Alterations, Tenant Improvements, or Tenant's fixtures or personal property. With respect to a destruction which Landlord is obligated to repair or may elect to repair under the terms of this Section, Tenant waives the provisions of Section 1932, and Section 1933, Subdivision 4, of the Civil Code of the State of California, and any other similarly enacted statute, and the provisions of this Section 15 shall govern in the case of such destruction.

B. Limitations on Landlord's Restoration Obligation: Notwithstanding the provisions of Section 15.A, Landlord shall have no obligation to repair, or restore the Premises if any of the following occur: (i) if the repairs cannot be made within two hundred seventy (270) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Building elects not to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is not fully covered by the insurance (plus any deductible amount) maintained by Landlord, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease Term, (v) Tenant is in default pursuant to the provisions of Section 13, or (vi) Tenant has vacated the Premises for more than the immediately preceding one hundred twenty (120) days. In any such event Landlord may elect either to complete the repair or restoration, or terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction. Tenant shall also have a right to terminate this Lease if the repairs cannot be made within two hundred seventy (270) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities, by providing Landlord written notice of its election within sixty (60) days following the damage or destruction.

16. Condemnation: If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder as reasonably determined by Tenant, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser ("Vesting Date") and Base Monthly Rent payable hereunder shall be adjusted so that Tenant is required to pay for the remainder of the Lease Term only such portion of Base Monthly Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder as reasonably determined by Tenant, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord, and Tenant shall have no claim thereto; except Landlord shall cooperate with Tenant, without cost to Landlord, to recover compensation for damage to or taking of any Alterations, Tenant Improvements, or for Tenant's moving costs, loss of or damage to Tenant's personal property, loss to Tenant because of interruption of business, Tenant's loss of goodwill, and the value attributable to any leasehold value for the difference between the market value of the Premises for the remainder or the term above the value, at the date of taking, of the rent payable for the remainder of the term. Tenant will have no right to pursue a claim based upon the residual value of the Land after expiration of the term or pursue claims or retain any award to which Landlord is entitled so as inequitably to diminish Landlord's award. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any other similarly enacted statute, and the provisions of this Section 16 shall govern in the case of a taking.

17. Assignment or Sublease:

A. Consent by Landlord: Except as specifically provided in this Section 17, Tenant may not assign, sublet, hypothecate, or allow a third party to use the Premises without the express written consent of Landlord, which consent shall not be unreasonably withheld or delayed. In the event Tenant desires to assign this Lease or any interest herein or sublet the Premises or any part thereof, Tenant shall deliver to Landlord (i) executed counterparts of

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any agreement and of all ancillary agreements with the proposed assignee/subtenant, (ii) current financial statements of the transferee covering the preceding three years, (iii) the nature of the proposed transferee's business to be carried on in the Premises, (iv) a statement outlining all consideration to be given on account of the Transfer, and (v) a current financial statement of Tenant. Landlord may condition its approval of any Transfer on receipt of a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer. At Landlord's request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed assignment or sublease. Landlord shall have a eight (8) business-day period following receipt of all the foregoing within which to notify Tenant in writing that Landlord elects to: (i) terminate this Lease in the event the proposed sublease or assignment is for substantially all of space in the Premises (provided, however, that Landlord shall not have the right to terminate on any sublease or assignment expiring, including any options in favor of sublessee/assignee, more than three (3) years prior to the Lease Expiration Date, including any options under this Lease which have been exercised by Tenant); (ii) permit Tenant to assign or sublet such space to the named assignee/subtenant on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the 30-day period, Landlord shall be deemed to have elected option (ii) above. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises on the date upon which the proposed sublease or transfer was to commence, and from such date forward, Base Monthly Rent and all other costs and charges shall be adjusted based upon the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Building. In the event Landlord elects option (ii) above, Landlord's written consent to the proposed assignment or sublease shall not be unreasonably withheld, provided and upon the condition that: (i) the proposed assignee or subtenant is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed assignment or sublease is in form reasonably satisfactory to Landlord; (iii) the proposed sublease will not result in there being more than two (2) subtenants within the Premises at any time during the Lease Term; (iv) Tenant reimburses Landlord on

demand for any reasonable costs that may be incurred by Landlord in connection with said assignment or sublease, including the costs of making investigations as to the acceptability of the proposed assignee or subtenant and legal costs (not to exceed \$2,000.00 per occurrence) incurred in connection with the granting of any requested consent; and (v) Tenant shall not have advertised or publicized in any way the availability of the Premises without prior notice to Landlord. In the event all or any one of the foregoing conditions are not satisfied, Landlord shall be considered to have acted reasonably if it withholds its consent.

B. Assignment or Subletting Consideration: Landlord and Tenant hereby agree that fifty percent (50%) of any rent or other economic consideration (not including any payments for Tenant's furniture or other personal property owned by Tenant, any payment for utilities or for other office services provided by Tenant); (i) realized by Tenant under any sublease or assignment, or (ii) realized by any subtenant under any sub-sublease of the Premises, in excess of the Base Monthly Rent payable hereunder after deducting reasonable subletting and assignment costs directly related to such sublease or assignment including lease commissions, attorneys fees, costs of demising or otherwise preparing the sublease space for occupancy, and the unamortized cost of Alterations applicable to the space so sublet or assigned, shall be paid to Landlord. Tenant's obligation to pay over Landlord's portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord's right to terminate the Lease and relating to the allocation of excess rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the Parties to be commercially reasonable. No assignment or subletting by Tenant shall relieve it of any obligation under this Lease. Any assignment or subletting which conflicts with the provisions hereof shall be void.

C. No Release: Any assignment or sublease shall be made only if and shall not be effective until the assignee or subtenant shall execute, acknowledge, and deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the assignee or subtenant shall assume all the applicable

obligations of this Lease on the part of Tenant to be performed or observed and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease. Notwithstanding any such sublease or assignment and the acceptance of rent by Landlord from any subtenant or assignee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any licensee, subtenant, assignee or any other person claiming under or through any subtenant or assignee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend and hold Landlord harmless from and against all losses, liabilities, damages, costs and expenses (including reasonable attorney fees) resulting from any claims that may be made against Landlord by the proposed assignee or subtenant (except to the extent caused by Landlord's gross negligence or willful misconduct) or by any real estate brokers or other persons claiming compensation in connection with the proposed assignment or sublease.

D. Reorganization of Tenant: The provisions of this Section 17.D shall apply if Tenant is a corporation and: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where Tenant is not the surviving corporation, or (ii) there is a sale or transfer to one person or entity (or to any group of related persons or entities) of stock possessing more than 50% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, and after such sale or transfer of stock Tenant's stock is no longer publicly traded. In a transaction under clause (i) the surviving corporation shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such surviving corporation assumes the obligations of Tenant hereunder, and in a transaction under clause (ii) the transferee or buyer shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such transferee or buyer assumes the obligations of Tenant under the Lease.

E. Permitted Transfers: Notwithstanding anything contained in this Section 17, so long as Tenant otherwise complies with the provisions of this Article, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior consent, and Landlord shall not be entitled to terminate the Lease or to receive any part of any subrent resulting therefrom

that would otherwise be due pursuant to Sections 17.A and 17.B. Tenant may sublease all or part of the Premises or assign its interest in this Lease to (i) any corporation which controls, is controlled by, or is under common control with the original Tenant to this Lease by means of an ownership interest of more than 50%; (ii) a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation, so long as the surviving corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction; and (iii) a corporation which purchases or otherwise acquires all or substantially all of the assets of Tenant so long as such acquiring corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction.

F. Effect of Default: In the event of Tenant's default, Tenant hereby assigns all rents due from any assignment or subletting to Landlord as security for performance of its obligations under this Lease, and Landlord may collect such rents as Tenant's Attorney-in-Fact, except that Tenant may collect such rents unless a default occurs as described in Section 13 above. A termination of the Lease due to Tenant's default shall not automatically terminate an assignment or sublease then in existence; rather at Landlord's election, such assignment or sublease shall survive the Lease termination, the assignee or subtenant shall attorn to Landlord, and Landlord shall undertake the obligations of Tenant under the sublease or assignment; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the subtenant or assignee, or for any acts or omissions of Tenant and Tenant's Agents.

G. Conveyance by Landlord: As used in this Lease, the term "Landlord" is defined only as the owner for the time being of the Premises, so that in the event of any sale or other conveyance of the Premises or in the event of a

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master lease of the Premises, Landlord shall be entirely freed and relieved of all its covenants and obligations hereunder, and it shall be deemed and construed, without further agreement between the Parties and the purchaser at any such sale or the master tenant of the Premises, that the purchaser or master tenant of the Premises has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder. Such transferor shall transfer and deliver Tenant's security deposit to the purchaser at any such sale or the master tenant of the Premises, and thereupon the transferor shall be discharged from any further liability in reference thereto.

F. Successors and Assigns: Subject to the provisions this Section 17, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all Parties hereto; and all Parties hereto comprising Tenant shall be jointly and severally liable hereunder.

18. Option to Extend the Lease Term:

A. Grant and Exercise of Option: Provided Tenant simultaneously exercises its option to extend the lease for Building 2 and Building 3, Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 18.A, two (2) options (the "Options") to extend the Lease Term for an additional term (the "Option Term"). Each Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no later than nine (9) months prior to the date the Lease Term would expire but for such exercise, time being of the essence for the giving of such notice. If Tenant exercises the Option, all of the terms, covenants and conditions of this Lease except for the grant of additional Options pursuant to this Section, provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the greater of (i) the Base Monthly Rent applicable to the period immediately prior to the commencement of the Option Term, and (ii) ninety five percent (95%) of the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, if Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease (beyond applicable cure periods) either at the time Tenant exercises the Option or at any time thereafter prior to the commencement date of the Option Term, then Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the Lease Term shall not be extended pursuant to this Section 18.A. As used herein, the term "Fair Market Rental" is defined as the rental and all other monetary payments, including any escalations and adjustments thereto

(including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises, based upon the current use and other potential uses of the Premises, as determined by the rents then being obtained for new leases of space comparable in age and quality to the Premises in the same real estate submarket as the Building. The appraisers shall be instructed that the foregoing five percent (5%) discount is intended to offset comparable rents that include the following costs which Landlord will not incur in the event Tenant exercises its option (i) brokerage commissions, (ii) tenant improvement allowances, (iii) building improvement costs, and (iv) vacancy costs.

B. Determination of Fair Market Rental: If Tenant exercises the Option, Landlord shall send Tenant notice no later than two hundred forty (240) days before to the Lease Expiration Date setting forth the Fair Market Rental for the Option Term. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after the date of Landlord's notice setting forth Fair Market Rental for the Option Term, send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 18.C below. If Tenant does not send Landlord a notice as provided in the previous sentence, Landlord's determination of Fair Market Rental shall be the basis for computing the Base Monthly Rent payable by Tenant during the Option Term. If Tenant elects to resolve the disagreement as provided in Section 18.C and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent ninety five percent (95%) of the Fair Market Rental as determined by Landlord in the manner provided above. If the Fair Market Rental as

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finally determined pursuant to Section 18.C is greater than Landlord's determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and ninety five percent (95%) of the Fair Market Rental as so determined in Section 18.C within thirty (30) days after such determination. If the Fair Market Rental as finally determined in Section 18.C is less than Landlord's determination, the difference between the amount paid by Tenant and ninety five percent (95%) of the Fair Market Rental as so determined in Section 18.C shall be credited against the next installments of Base Monthly Rent due from Tenant to Landlord hereunder.

C. Resolution of a Disagreement over the Fair Market Rental: Any disagreement regarding Fair Market Rental shall be resolved as follows:

1. Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at a mutually agreeable time and place, in an attempt to resolve the disagreement.

2. If within the 30-day period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above.

3. If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two appraisals so submitted differ by less than ten percent (10%), the average of the two shall be deemed as Fair Market Rental. If the two appraisals differ by more than 10%, the appraisers shall immediately select a third appraiser who shall, within thirty (30) days after his selection, make and submit to Landlord and Tenant a determination of Fair Market Rental. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be Fair Market Rental.

4. All appraisers specified pursuant to this Section shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant: All Options provided to Tenant in this Lease are personal and granted to VeriSign, Inc. (and any permitted transferee pursuant to

Section 17.E. above) and are not exercisable by any third party should Tenant assign or sublet all or a portion of its rights under this Lease, unless Landlord consents to permit exercise of any option by any assignee or subtenant, in Landlord's sole and absolute discretion. In the event Tenant has multiple options to extend this Lease, a later option to extend the Lease cannot be exercised unless the prior option has been properly exercised.

19. General Provisions:

A. Attorney's Fees: In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of any sum due hereunder, to interpret the Lease, or because of the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees including the expense of expert witnesses, depositions and court testimony as part of its costs which shall be deemed to have accrued on the commencement of such action. The prevailing party shall also be entitled to recover all costs and expenses including reasonable attorney's fees incurred in enforcing any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties: Tenant represents and warrants that it is duly formed and in good standing, and is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord, authorizing the execution of the Lease.

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C. Brokers: Tenant represents it has not utilized or contacted a real estate broker or finder with respect to this Lease other than Cornish & Carey Commercial and Tenant agrees to indemnify, defend and hold Landlord harmless against any claim, cost, liability or cause of action asserted by any other broker or finder claiming through Tenant.

D. Choice of Law: This Lease shall be governed by and construed in accordance with California law. Except as provided in Section 19.E, venue shall be Santa Clara County.

E. Dispute Resolution: Landlord and Tenant and any other party that may become a party to this Lease or be deemed a party to this Lease including any subtenants agree that, except for any claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court (which small claims court shall be the sole court of competent jurisdiction), any controversy, dispute, or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Lease, including any claim based on contract, tort, or statute, shall be resolved at the request of any party to this agreement through a two-step dispute resolution process administered by J.A.M.S. or another judicial mediation service mutually acceptable to the parties located in Santa Clara County, California. The dispute resolution process shall involve first, mediation, followed, if necessary, by final and binding arbitration administered by and in accordance with the then existing rules and practices of J.A.M.S. or other judicial mediation service selected. In the event of any dispute subject to this provision, either party may initiate a request for mediation and the parties shall use reasonable efforts to promptly select a J.A.M.S. mediator and commence the mediation. In the event the parties are not able to agree on a mediator within thirty (30) days, J. A. M. S. or another judicial mediation service mutually acceptable to the parties shall appoint a mediator. The mediation shall be confidential and in accordance with California Evidence Code (S). 1119 et. seq. The mediation shall be held in Santa Clara County, California and in accordance with the existing rules and practice of J. A. M. S. (or other judicial and mediation service selected). The parties shall use reasonable efforts to conclude the mediation within sixty (60) days of the date of either party's request for mediation. The mediation shall be held prior to any arbitration or court action (other than a claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court which are not subject to this mediation/arbitration provision and may be filed directly with a court of competent jurisdiction). Should the prevailing party in any dispute subject to this Section 19.E attempt an arbitration or a court action before attempting to mediate, the prevailing party shall not be entitled to attorney's fees that might otherwise be available

to them in a court action or arbitration and in addition thereto, the party who is determined by the arbitrator to have resisted mediation, shall be sanctioned by the arbitrator or judge.

IF A MEDIATION IS CONDUCTED BUT IS UNSUCCESSFUL, IT SHALL BE FOLLOWED BY FINAL AND BINDING ARBITRATION ADMINISTERED BY AND IN ACCORDANCE WITH THE THEN EXISTING RULES AND PRACTICES OF J.A.M.S. OR THE OTHER JUDICIAL AND MEDIATION SERVICE SELECTED, AND JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET. SEQ, AS SAID STATUTES THEN APPEAR, INCLUDING ANY AMENDMENTS TO SAID STATUTES OR SUCCESSORS TO SAID STATUTES OR AMENDED STATUTES, EXCEPT THAT IN NO EVENT SHALL THE PARTIES BE ENTITLED TO PROPOUND INTERROGATORIES OR REQUEST FOR ADMISSIONS DURING THE ARBITRATION PROCESS. THE ARBITRATOR SHALL BE A RETIRED JUDGE OR A LICENSED CALIFORNIA ATTORNEY. THE VENUE FOR ANY SUCH ARBITRATION OR MEDIATION SHALL BE IN SANTA CLARA COUNTY, CALIFORNIA.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE

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RIGHTS ARE SPECIFICALLY INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LANDLORD: /s/ JMS TENANT: /s/ DLE

F. Entire Agreement: This Lease and the exhibits attached hereto contains all of the agreements and conditions made between the Parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord: Upon prior notice to Tenant and subject to Tenant's reasonable security regulations, Tenant shall permit Landlord and his agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any reasonable loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes: (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; (iv) performing any obligations of Landlord under the Lease including remediation of Hazardous Materials if determined to be the responsibility of Landlord, (v) posting and keeping posted thereon notices of non-responsibility for any construction, alteration or repair thereof, as required or permitted by any law, and (vi) showing the Premises to Landlord's or the Master Landlord's existing or potential successors, purchaser, tenants and lenders. Tenant shall permit Landlord and his agents, at any time within one hundred eighty (180) days prior to the Expiration Date (or at any time during the Lease if Tenant is in default hereunder), to place upon the Premises "For Lease" signs and exhibit the Premises to real estate brokers and prospective tenants at reasonable hours.

H. Estoppel Certificates: At any time during the Lease Term, each party (the "Responding Party") shall, within ten (10) business days following written notice from the other party (the "Requesting Party"), execute and deliver to the Requesting Party a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified,

stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Responding Party's knowledge, any uncured defaults on Requesting Party's part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Requesting Party may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Requesting Party's interest in the Premises. The Responding Party's failure to deliver such statement within such time shall be conclusive upon the Responding Party that this Lease is in full force and effect without modification, except as may be represented by the Requesting Party, and that there are no uncured defaults in Requesting Party's performance. Tenant agrees to provide, within five (5) days of Landlord's request, Tenant's most recent three (3) years of audited financial statements for Landlord's use in financing or sale of the Premises or Landlord's interest therein.

I. Exhibits: All exhibits referred to are attached to this Lease and incorporated by reference.

J. Interest: All rent due hereunder, if not paid when due, shall bear interest at the rate of the Reference Rate published by Bank of America, San Francisco Branch, plus two percent (2%) per annum from that date until paid in full ("Agreed Interest Rate"). This provision shall survive the expiration or sooner termination of the Lease. Despite any other

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provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment (including late charges) shall be considered to the extent permitted by law to be an expense or a fee, premium, or penalty rather than interest.

K. This section intentionally left blank.

L. No Presumption Against Drafter: Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

M. Notices: All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, or by personal delivery addressed to the party to be notified at the address for such party specified in Section 1 of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party. When this Lease requires service of a notice, that notice shall satisfy rather than supplement any similar statutorily required notice, including any notice required by Code of Civil Procedure Section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of such notice in the manner described in the first sentence of this Section 19.M. shall satisfy such statutory requirement.

N. Property Management: In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of three percent (3%) of the Base Monthly Rent.

O. Rent: All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as "additional rent", shall be deemed as rent.

P. Representations: Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein

expressly set forth herein, Tenant relied on no statement of Landlord or its employees or agents for that purpose.

Q. Rights and Remedies: Subject to Section 14 above, All rights and remedies hereunder are cumulative and not alternative to the extent permitted by law, and are in addition to all other rights and remedies in law and in equity.

R. Severability: If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. Submission of Lease: Submission of this document for examination or signature by the parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

T. Subordination: This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively "Encumbrances") which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance ("Holder") require that this Lease be prior and superior thereto, within seven (7) days after written request of Landlord to Tenant, Tenant shall execute, have acknowledged and deliver all documents or instruments, in the commercially reasonable form presented to

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Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and all Encumbrances which are now or may hereafter be executed covering the Premises or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant's rights under this Lease as long as Tenant is not in default either at the time Holder recognizes such rights or at any time thereafter. Within ten (10) business days after Landlord's written request, Tenant shall execute any documents in commercially reasonable form required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance, provided that within those documents the Tenant's rights under this Lease are recognized only as long as Tenant is not in default. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such encumbrance.

Landlord shall cause the existing lender to furnish to Tenant, within sixty (60) days of the date of both parties' execution of this Lease, with a written agreement providing for (i) recognition by the lender of all of the terms and conditions of this Lease; and (ii) continuation of this Lease upon foreclosure of existing lender's security interest in the Premises. In the event that Landlord is unable to provide such agreement, Tenant's sole remedy shall be termination of the Lease, which election shall be made within fourteen (14) days following the expiration of such sixty (60) day period.

U. Survival of Indemnities: All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. Time: Time is of the essence hereunder.

W. Transportation Demand Management Programs: Should a government agency or municipality require Landlord to institute TDM (Transportation Demand Management) facilities and/or programs, Tenant agrees that the cost of TDM imposed facilities and programs required on the Premises, including but not limited to employee showers, lockers, cafeteria, or lunchroom facilities, shall be paid by Tenant. Further, any ongoing costs or expenses associated with a TDM

program which are required for the Premises and not provided by Tenant, such as an on-site TDM coordinator, shall be provided by Landlord with such costs being included as additional rent and reimbursed to Landlord by Tenant within thirty (30) days after demand. If TDM facilities and programs are instituted on a Project wide basis, Tenant shall pay its proportionate share of such costs in accordance with Section 8 above.

X. Waiver of Right to Jury Trial: Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

Y. Recordation: A short form Memorandum of Lease, in form and content reasonably acceptable to the parties, will be executed in recordable form by each party following execution of this Lease, delivered to Tenant, and may be recorded by Tenant at its expense.

20. RIGHT OF FIRST OFFER TO PURCHASE:

A. Grant and Exercise of Option: In the event Landlord elects to sell the Building either separately or as part of a larger sale including other building(s) within the Project ("Offered Property"), Landlord (referred to hereinafter in this Section 20 as "Seller") hereby grants Tenant a right of first offering to

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purchase. Prior to Seller committing to sell its interest in the Offered Property to a third party, Seller shall give Tenant written notice of such desire and the terms and other information under which Seller intends to sell the Offered Property. Provided at the time of such written notice: (i) Tenant leases at least two buildings within the Project; and (ii) Tenant is not in default under the Lease beyond the expiration of any applicable cure period, Tenant shall have the option, which must be exercised, if at all, by written notice to Seller within fifteen (15) days after Tenant's receipt of Seller's notice, to purchase Seller's interest in the Offered Property at the sales price and terms of sale specified in the notice. In the event Tenant timely exercises such option to purchase its interest in the Offered Property, Seller shall sell its interest in the Offered Property to Tenant, and Tenant shall purchase its interest in the Offered Property from Seller in accordance with the price and terms specified in Seller's notice. Seller and Tenant shall, in good faith, attempt to reach agreement on the terms of a mutually acceptable purchase agreement consistent with the terms set forth in Seller's notice within thirty (30) days of Tenant's exercise of its option to purchase. In the event either: (i) Tenant fails to exercise Tenant's option within said 15-day period; or (ii) after Tenant's exercise, Seller and Tenant are unable to reach agreement on a mutually acceptable purchase agreement within the subsequent 30-day period; Seller shall have one hundred eighty (180) days thereafter to sell its interest in the Offered Property at no less than ninety percent (90%) of the sales price and upon substantially the same other terms of sale as specified in the notice to Tenant. In the event Seller fails to sell its interest in the Offered Property within said one hundred eighty (180) day period or in the event Seller proposes to sell its interest in the Offered Property at less than ninety percent (90%) of the sales price or on other material terms which are more favorable to the prospective buyer than that proposed to Tenant, Seller shall be required to resubmit such offer to Tenant in accordance with this Right of First Offering except that Tenant shall be required to respond to any resubmission within a seven (7) day period.

B. Exclusions: This Right of First Offering shall automatically terminate (i) upon the expiration or sooner termination of the Lease, or (ii) in the event of a foreclosure or other involuntary transfer of Landlord's interest in the Building. Further, this Right of First Offering shall not apply to transfers (but shall survive such transfers) of all or a portion of the Building or Project to (i) John A. Sobrato and/or John M. Sobrato (individually and collectively "Sobrato"), (ii) any immediate family member of Sobrato, (iii) any trust established, in whole or in part, for the benefit of Sobrato and/or any immediate family member of Sobrato, (iv) any partnership in which Sobrato or any immediate family member, either directly or indirectly (e.g., through a partnership or corporate entity or a trust) retains a general partner interest,

and/or (v) any corporation under the control, either directly or indirectly, by Sobrato or any immediate family member of Sobrato.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year first above written.

Landlord: Ellis-Middlefield Business Park, a California Limited Partnership
Tenant: VeriSign, Inc. a Delaware corporation

By: /s/ John M. Sobrato

* By: /s/ Dana L. Evan

Its: GP

Its: CFO, EVP

* By: /s/ Stratton D. Sclavos

Its: President/CEO

* NOTE: This lease must either: (i) be signed by two (2) officers of such corporation: one being the chairman of the board, the president, or a vice president, and the other being the secretary, an assistant secretary, the chief financial officer or an assistant treasurer; or (ii) signed by the chief financial officer and accompanied by a corporate resolution authorizing such signing. With respect to item (i) above, if one (1) individual is signing in two (2) of the foregoing capacities, that individual must sign twice; once as one officer and again as the other officer and in such event, Tenant must deliver to Landlord a certified copy of a corporate resolution authorizing the signatory to execute this Lease.

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Exhibit "A" - Premises, Building & Project

[PLAN]

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Exhibit "A-1" - Premises, Building & Project

[PLAN]

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EXHIBIT "B" - Draft Letter of Credit

IRREVOCABLE STANDBY LETTER OF CREDIT NO.

DATE:

BENEFICIARY:

APPLICANT:

AMOUNT: \$

EXPIRY DATE:

LOCATION: AT OUR COUNTER IN SANTA CLARA

DEAR SIR/MADAM:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ IN YOUR FAVOR. AVAILABLE FOR PAYMENT BY _____ BANK, _____, CA _____, ATTN: INT'L DEPT. OF BENEFICIARY'S DRAFT AT SIGHT DRAWN ON US, AND ACCOMPANIED BY THE FOLLOWING DOCUMENTS:

1. THE ORIGINAL OF THIS LETTER OF CREDIT AND ALL AMENDMENTS IF ANY.
2. A SIGNED AND DATED CERTIFICATE FROM A DULY AUTHORIZED OFFICER OR MEMBER OF THE BENEFICIARY FOLLOWED BY ITS DESIGNATED TITLE STATING THE FOLLOWING.

"AN EVENT OF DEFAULT (AS DEFINED IN THE LEASE) HAS OCCURRED BY _____, AS TENANT UNDER THAT CERTAIN LEASE AGREEMENT DATED _____ BETWEEN TENANT, AND _____ AS LANDLORD. FURTHERMORE THIS IS TO CERTIFY THAT; (I) LANDLORD HAS GIVEN WRITTEN NOTICE TO TENANT TO CURE THE DEFAULT PURSUANT TO THE TERMS OF THE LEASE; (II) SUCH DEFAULT HAS NOT BEEN CURED UP TO THIS DATE OF DRAWING UNDER THIS LETTER OF CREDIT; AND (III) THE TERMS AND CONDITIONS OF THE LEASE AUTHORIZE LANDLORD TO NOW DRAW DOWN ON THE LETTER OF CREDIT.

SPECIAL CONDITION:

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT WILL BE DEEMED AUTOMATICALLY RENEWED WITHOUT AN AMENDMENT FOR A PERIOD OF ONE YEAR FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE UNLESS AT LEAST THIRTY (30) DAYS PRIOR TO SUCH EXPIRY DATE WE NOTIFY YOU IN WRITING SENT BY OVERNIGHT MAIL THAT WE ELECT NOT TO RENEW THIS LETTER OF CREDIT FOR SUCH ADDITIONAL PERIOD, OR TENANT FAILS TO REPLACE A NEW LETTER OF CREDIT, IN WHICH EVENT LANDLORD MAY DRAW UPON THIS LETTER OF CREDIT AND THEREAFTER TREAT SUCH CASH AS A PORTION OF THE SECURITY DEPOSIT. IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND

PARTIAL DRAWINGS ARE PERMITTED.

ALL DOCUMENTS INCLUDING DRAFT(S) MUST INDICATE THE NUMBER AND DATE OF THIS CREDIT.

EACH DRAFT PRESENTED HEREUNDER MUST BE ACCOMPANIED BY THIS ORIGINAL LETTER OF CREDIT FOR OUR ENDORSEMENT THEREON OF THE AMOUNT OF SUCH DRAFT(S).

DOCUMENTS MUST BE SENT TO USE VIA OVERNIGHT COURIER (I.E. FEDERAL EXPRESS, UPS, DHL OR ANY OTHER EXPRESS COURIER) AT OUR ADDRESS:

_____, CA 95054

ATTN:

WE HEREBY ENGAGE WITH DRAWERS AND/OR BONAFIDE HOLDERS THAT DRAFT(S) DRAWN UNDER AND NEGOTIATED IN CONFORMANCE WITH THE TERMS AND CONDITIONS OF THE SUBJECT CREDIT WILL BE DULY HONORED ON PRESENTATION.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION 500.

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

EXHIBIT "C" - Building Shell Definition

1. Building Structure

(a) Foundations including footings, grade beams, or other building foundation components required to support the Building structure.

(b) Five inch (5") thick concrete slab on grade with welded wire mesh and any other reinforcing or structural connections that may be necessary or required as specified by structural engineer.

(c) Complete structural framing system comprised of rolled steel beams, columns, and braced-frame steel construction with corrugated metal deck and concrete fill, all members required by code to be fireproofed. Upper floor systems provide a minimum of 3" concrete over metal deck and are designed for an

80 lb. live load plus 20 lb. partition load. Structural framing will include intermediate beams for HVAC units at the roof, and for major shafts on each floor.

(d) Exterior Building skin consisting of performance glass with aluminum framing, GFRC panels, and glass block. All exterior doors, door closer and locking devices as necessary.

(e) Four (4) ply built up roofing by Owens-Corning, John Manville, or equal and all flashings over a perlite board and corrugated metal deck roof assembly. Title 24 code required roof insulation is included.

(f) Exterior painting of all non-finished metals and caulking of all exterior joints.

(g) Concrete pan-filled stairs in the interior core of the building, and two (2) concrete pan-filled stair sets at the Building perimeter.

(h) Riser for building sprinkler system (no sprinkler grid or drops).

2. Sitework

(a) All work outside the Building perimeter walls shall be considered site work for the Building Shell

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and shall include asphalt concrete paving, parking (including a parking structure for approximately 380 cars as generally shown on Exhibit "A"), landscaping, landscape irrigation, storm drainage, utility service laterals, curbs, gutters, sidewalks, retaining walls, planters, trash enclosures, parking lot and landscape lighting and other exterior lighting per code.

(b) Paving sections for automobile and truck access shall be according to the Geologic Soils Report.

(c) All parking lot striping to include handicap spaces and signage.

(d) Underground site storm drainage system shall be connected to the city storm system main.

3. Plumbing

(a) Underground sanitary sewer laterals connected to the city sewer main in the street and stubbed to the core of the Building.

(b) Domestic water mains connected to the city water main in the street and stubbed to the Building.

(c) Roof drain leaders and downspouts piped and connected to the site storm drainage system.

(d) Gas lines connected to the city or public utility mains and run to gas meters adjacent to, and in close proximity to the building. Meter supplied by utility company.

4. Electrical

(a) A primary and secondary electrical service from the street to the building electrical room limited to underground conduit, pull-string, and transformer pad. Transformer supplied by utility company.

(b) Two 4" underground conduit from the street to the building for telephone trunk lines by Pacific Bell.

(c) An electrically operated landscape irrigation system, with controller, that is a complete and functioning system.

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(d) Underground conduit with pull-string from the Building to the main fire protection system post indicated valve (PIV) for installation of supervisory alarm wiring.

6. General

(a) All construction shall conform to State and Local Building Codes, Title 24 Regulations, and shall be ADA Compliant.

All other costs shall be deemed Tenant Improvements.

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EXHIBIT "D" - Building Plans and Specifications

(to be attached)

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EXHIBIT "E" - Preliminary Schematic Design Drawings

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EXHIBIT "F" - Tenant Improvement Plans and Specifications

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Lease between
Sobrato Development Companies #792
And
VeriSign, Inc.
Building 5
685 East Middlefield Road

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Lease between
Sobrato Development Companies #792 and VeriSign, Inc.
Building 5 - 685 East Middlefield Road

[LOGO OF SOBRATO DEVELOPMENT COMPANIES]

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1. PARTIES: THIS LEASE, is entered into on this 27th day of October, 2000 ("Effective Date") between Sobrato Development Companies #792, a California Limited Partnership, whose address is 10600 North De Anza Boulevard, Suite 200, Cupertino, CA 95014 and VeriSign, Inc., a Delaware corporation, whose address is 1350 Charleston Road, Mountain View, California, 94043, hereinafter called respectively Landlord and Tenant.

2. PREMISES: Landlord hereby leases to Tenant, and Tenant hires from

Landlord those certain Premises with the appurtenances, situated in the City of Mountain View, County of Santa Clara, State of California, commonly known and designated as 685 East Middlefield Road, consisting of 162,090 rentable square feet ("Building") including parking for approximately 535 cars as outlined in red on Exhibit "A" and all improvements located therein including but not

limited to buildings, parking areas and structures, landscaping, loading docks, sidewalks, service areas and other facilities.

Tenant acknowledges Landlord's potential right to construct an additional 2-story building of approximately 50,000 square feet ("Expansion Building") on the Premises as generally shown on Exhibit "A-1". At Tenant's request, Landlord shall pursue development of the Expansion Building; provided, however, Landlord and Tenant shall first execute a Lease amendment that will commit Tenant to lease the Expansion Building on a "cold shell" basis under construction terms similar to those which Tenant has leased the adjacent new building to be constructed at 575 E. Middlefield Road.

A. Expansion Building Development Approval: Preparatory to Landlord's development of the Expansion Building, the parties acknowledge that Landlord is currently negotiating with the city of Mountain View ("City") to rezone the Property and obtain a transit-oriented development ("TOD") permit for construction of the Expansion Building, generally consistent with Exhibit "A-1".

As part of such permit approval, Tenant agrees to: (i) participate in the Valley Transportation Authority's ("VTA") Eco-Pass program for employees of Tenant within the VTA service area; (ii) provide transit subsidies as required by the City for employees of Tenant outside the VTA service area; and (iii) otherwise work cooperatively with Landlord and the City towards meeting Tenant-applicable requirements of TOD permit approval.

3. USE:

A. Permitted Uses: Tenant shall use the Premises as permitted under applicable zoning laws only for the following purposes and shall not change the use of the Premises without the prior written consent of Landlord: Office, research and development, marketing, light manufacturing, data center, ancillary storage and other incidental uses. Tenant shall use only the number of parking spaces allocated to Tenant under this Lease. All commercial trucks and delivery vehicles shall (i) be parked at the rear of the Buildings, (ii) loaded and unloaded in a manner which does not interfere with the businesses of other occupants of the Project, and (iii) permitted to remain within the Project only so long as is reasonably necessary to complete the loading and unloading. Landlord makes no representation or warranty that any specific use of the Premises desired by Tenant is permitted pursuant to any Laws.

B. Uses Prohibited: Tenant shall not commit or suffer to be committed on the Premises any waste, nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the Premises, nor allow any sale by auction or any other use of the Premises for an unlawful purpose. Tenant shall not (i) damage or overload the electrical, mechanical or plumbing systems of the Premises, (ii) attach, hang or suspend anything from the ceiling, walls or columns of the Buildings in excess of the load limits for which such items are designed or set any load on the

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floor in excess of the load limits for which for which the floor is designed, or (iii) generate dust, fumes or waste products which create a fire or health hazard or damage the Premises or any portion of the Project, including without limitation the soils or ground water in or around the Project. No materials, supplies, equipment, finished products or semi-finished products, raw materials or articles of any nature, or any waste materials, refuse, scrap or debris, shall be stored upon or permitted to remain on any portion of the Premises outside of the Buildings without Landlord's prior approval, which approval may be withheld in its reasonable discretion.

C. Advertisements and Signs: Tenant will not place or permit to be placed, in, upon or about the Premises any signs in violation of the city and other governing authority having jurisdiction. Tenant will not place or permit to be placed upon the Premises any large prominent outdoor signs, advertisements or notices without the written consent of Landlord as to type, size, design, lettering, coloring and location, which consent will not be unreasonably withheld. Any sign placed on the Premises shall be removed by Tenant, at its

sole cost, prior to the Expiration Date or promptly following the earlier termination of the Lease, and Tenant shall repair, at its sole cost, any damage or injury to the Premises caused thereby, and if not so removed, then Landlord may have same so removed at Tenant's expense.

D. Covenants, Conditions and Restrictions: This Lease is subject to the effect of (i) any covenants, conditions, restrictions, easements, mortgages or deeds of trust, ground leases, rights of way of record and any other matters or documents of record; and (ii) any zoning laws of the city, county and state where the Buildings are situated (collectively referred to herein as "Restrictions") and Tenant will conform to and will not violate the terms of any such Restrictions.

4. TERM AND RENTAL:

A. Base Monthly Rent: The term ("Lease Term") shall be for one hundred thirty two (132) months, commencing November 1, 2000 ("Commencement Date"), and ending October 31, 2011 ("Expiration Date"). Notwithstanding the parties' agreement that the Lease Term begins on the Commencement Date, this Lease and all of the obligations of Landlord and Tenant shall be binding and in full force and effect from and after the Effective Date. In addition to all other sums payable by Tenant under this Lease, Tenant shall pay base monthly rent ("Base Monthly Rent") for the Premises according to the following schedule, subject to adjustment pursuant to Section 4.B. below:

Months 01-12:	\$1,215,675.00 per month
Months 13-24:	\$1,264,302.00 per month
Months 25-36:	\$1,314,874.00 per month
Months 37-48:	\$1,367,469.00 per month
Months 49-60:	\$1,422,168.00 per month
Months 61-72:	\$1,479,055.00 per month
Months 73-84:	\$1,538,217.00 per month
Months 85-96:	\$1,599,745.00 per month
Months 97-108:	\$1,663,735.00 per month
Months 109-120:	\$1,730,285.00 per month
Months 121-132:	\$1,799,496.00 per month

Base Monthly Rent shall be due in advance on or before the first day of each calendar month during the Lease Term. All sums payable by Tenant under this Lease shall be paid to Landlord in lawful money of the United States of America, without offset or deduction and without prior notice or demand, at the address specified in Section 1 of this Lease or at such place or places as may be designated in writing by Landlord during the Lease Term. Base Monthly Rent for any period less than a calendar month shall be a pro rata portion of the monthly installment.

B. Tenant Subleases: Concurrently with Tenant's execution of this Lease Tenant is entering into the following two subleases: (i) 53,000 square feet of the Premises to America Online ("AOL Sublease") through December 31, 2001 at a monthly rate of \$79,500; and (ii) 55,540 square feet of the Premises to Hewlett Packard ("Hewlett Packard Sublease") through February 28, 2003 at a monthly rate of \$138,467.61 through August 31, 2001, \$142,621.64 through August 31, 2002, and \$146,900.28 through February 28, 2003. The Base Monthly Rent schedule set forth in Section 4.A. above notwithstanding, it is understood and agreed that upon execution of the subleases, the Base Monthly Rent due from Tenant during the term of the subleases shall be reduced so that Tenant pays no more per square foot on those subleased areas than the rate that Tenant is receiving pursuant to the AOL Sublease and Hewlett Packard Sublease.

C. Late Charges: Tenant hereby acknowledges that late payment by Tenant to

Landlord of Base Monthly Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include but are not limited to: administrative, processing, accounting, and late charges which may be imposed on Landlord by the terms of any contract, revolving credit, mortgage, or trust deed covering the Premises. Accordingly, if any installment of Base Monthly Rent or other sum due from Tenant shall not be received by Landlord or its designee within five (5) business days after receipt by Tenant of written notice from Landlord that such installment or sum was not received when due, Tenant shall pay to Landlord a late charge equal to five (5%) percent of such overdue amount,

which late charge shall be due and payable on the same date that the overdue amount was due. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant, excluding interest and reasonable attorneys' fees and costs. If any rent or other sum due from Tenant remains delinquent for a period in excess of thirty (30) days then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not paid when due at the Agreed Interest Rate specified in Section 19.J following the date such amount became due until paid. Acceptance by Landlord of such late charge shall not constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for four (4) consecutive installments of Base Monthly Rent, then the Base Monthly Rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding any provision of this Lease to the contrary.

D. Security Deposit: Concurrently with Tenant's execution of this Lease, Tenant has deposited with Landlord the sum of One Million Two Hundred Fifteen Thousand Six Hundred Seventy Five and No/100 Dollars (\$1,215,675.00) ("Security Deposit"). Landlord shall not be deemed a trustee of the Security Deposit, may use the Security Deposit in business, and shall not be required to segregate it from its general accounts. Tenant shall not be entitled to interest on the Security Deposit. If Tenant defaults with respect to any provisions of the Lease, including but not limited to the provisions relating to payment of Base Monthly Rent or other charges, Landlord may, to the extent reasonably necessary to remedy Tenant's default, use any or all of the Security Deposit towards payment of the following: (i) Base Monthly Rent or other charges in default; (ii) any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default including, but not limited to Tenant's failure to restore or clean the Premises following vacation thereof. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) days after written demand from Landlord, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its full original amount, and shall pay to Landlord such other sums as necessary to reimburse Landlord for any sums paid by Landlord. If Tenant shall be in either monetary default or material non-monetary default more than four (4) times in any twelve (12) month period, then the Security Deposit shall, within ten (10) days after demand by Landlord, be increased by Tenant to an amount equal to three (3) times the Base Monthly Rent. Tenant may not assign or encumber the Security Deposit without the consent of Landlord. Any attempt to do so shall be void and shall not be binding on Landlord. The Security Deposit shall be returned to Tenant within thirty (30) days after the Expiration Date and surrender of the Premises to Landlord, less any amount deducted in accordance with this Section, together with Landlord's written notice itemizing the amounts and purposes for such deduction. In the event of termination of Landlord's interest in this Lease, Landlord may deliver or credit the Security Deposit to Landlord's successor in interest in the Premises and thereupon be relieved of further responsibility with respect to the Security Deposit.

Landlord agrees that in lieu of a cash Security Deposit, Tenant may deposit a letter of credit ("Letter of Credit") substantially in the form attached hereto as Exhibit "B". Landlord shall be entitled to draw against the Letter of Credit

at any time provided only that Landlord certifies to the issuer of the Letter of Credit that Tenant is in default under the Lease. Tenant shall keep the letter of credit in effect during the entire Lease Term, as the same may be extended, plus a period of four (4) weeks after expiration of the Lease Term. At least thirty (30) days prior to expiration of any Letter of Credit, the term thereof shall be renewed or extended for a period of at least one (1) year. Tenant's failure to

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so renew or extend the Letter of Credit shall be a material default of this Lease by Tenant. In the event Landlord draws against the Letter of Credit, Tenant shall replenish the existing Letter of Credit or cause a new Letter of Credit to be issued such that the aggregate amount of letters of credit available to Landlord at all times during the Lease Term is the amount of the Security Deposit originally required.

5. CONSTRUCTION:

A. Landlord's Obligations: Except as specifically provided in this paragraph, prior to Commencement Date Landlord shall ensure that the existing

Building and Building systems are in good operating condition and repair including the foundation, structural components, exterior walls, plumbing, HVAC, sprinklers, electrical (including panels and outlets), doors (both shipping and personnel), roof structure and membrane, exterior landscaping, irrigation and lighting, and parking lot. "Good operating condition and repair" as used in this paragraph means that all of the foregoing systems for which Landlord is responsible shall be fully operational and functional for use for the purposes for which such systems were intended, and there is no deferred maintenance required. Without limitation of the foregoing: (i) the roof membrane shall be inspected by a reputable and licensed roofing contractor or roofing inspector and repaired as necessary to put into good operating condition and repair based on such inspection; (ii) the HVAC system shall be inspected by a reputable and licensed HVAC contractor and repaired as necessary to put into good operating condition and repair based on such inspection, as evidenced by a report by such contractor; (iii) all windows shall be washed inside and out, and there shall be no cracked or broken windows; (iv) all burned out, discolored or broken lightbulbs, ballasts and lenses shall be replaced; and (v) the parking lot shall be re-sealed and striped by a reputable and licensed asphalt contractor provided, however, that Landlord shall have sixty days from the Commencement Date to complete the parking lot re-sealing and striping.

The foregoing notwithstanding, Landlord shall have no obligation to perform any work on the HVAC, electrical, plumbing, or other Building systems servicing the Hewlett Packard Sublease space. Tenant shall be responsible to ensure that Hewlett Packard leaves that portion of the Premises in good condition and repair when it vacates.

6. ACCEPTANCE OF POSSESSION AND COVENANTS TO SURRENDER:

A. Delivery and Acceptance: On the Commencement Date, Landlord shall deliver and Tenant shall accept possession of the Premises. Tenant acknowledges that it has had an opportunity to conduct, and has conducted, such inspections of the Premises as it deems necessary to evaluate its condition. Except as otherwise specifically provided herein, Tenant agrees to accept possession of the Premises in its then existing condition, subject to all Restrictions and without representation or warranty by Landlord.

B. Early Access: Tenant shall be allowed early access and occupancy of the Premises from September 1, 2000 until the Commencement Date ("Early Access Period") for the purpose of constructing Tenant Improvements and otherwise preparing for its occupancy. Tenant shall be subject to all the terms and conditions of the Lease during the Early Access Period except that no Base Monthly Rent or other expenses shall be due or payable.

C. Condition Upon Surrender: Tenant further agrees on the Expiration Date or on the sooner termination of this Lease, to surrender the Premises to Landlord in good condition and repair, normal wear and tear excepted. In this regard, "normal wear and tear" shall be construed to mean wear and tear caused to the Premises by the natural aging process which occurs in spite of prudent application of the best standards for maintenance, repair replacement, and janitorial practices, and does not include items of neglected or deferred maintenance. In any event, Tenant shall cause the following to be done prior to the Expiration Date or sooner termination of this Lease: (i) all interior walls shall be painted or cleaned so that they appear freshly painted, (ii) all tiled floors shall be cleaned and waxed, (iii) all carpets shall be cleaned and shampooed, (iv) all broken, marred, stained or nonconforming acoustical ceiling tiles shall be replaced, (v) all cabling placed above the ceiling by Tenant or Tenant's contractors shall be removed unless such cabling has been placed in trays especially designed for such purpose and is not weighing directly on the ceiling, (vi) all windows shall be washed; (vii) the HVAC system shall be serviced by a

reputable and licensed service firm and left in "good operating condition and repair" as evidenced by a report by such firm, (viii) the plumbing and electrical systems and lighting shall be placed in good order and repair (including replacement of any burned out, discolored or broken light bulbs, ballasts, or lenses. On or before the Expiration Date or sooner termination of this Lease, Tenant shall remove all its personal property and trade fixtures from the Premises. All property and fixtures not so removed shall be deemed as abandoned by Tenant. At the expiration of the Lease Term, Landlord shall not have the right to require that Tenant remove from the Premises any Alterations (as defined in Section 7 below) made with Landlord's consent unless Landlord, at

the time of granting such consent, indicates that the subject Alteration must be removed upon the expiration of the Lease Term. With respect to Permitted Alterations as defined in Section 7A. below, Tenant shall ascertain from Landlord within ninety (90) days before the Expiration Date whether Landlord desires to have such Permitted Alterations removed. If Landlord so elects, Tenant shall, at its sole cost and expense, remove such Alterations as Landlord has required and shall repair and restore the affected areas of the Premises prior to the Expiration Date to a standard open office plan with materials and finishes consistent with the other open office areas within the Premises. Such repair and restoration shall include causing the Premises to be brought into compliance with all applicable building codes and laws in effect at the time of the removal to the extent such compliance is necessitated by the repair and restoration work.

D. Failure to Surrender: If the Premises are not surrendered at the Expiration Date or sooner termination of this Lease in the condition required by this Section 6, Tenant shall be deemed in a holdover tenancy pursuant to this Section 6.D. and Tenant shall indemnify, defend, and hold Landlord harmless against loss or liability resulting from delay by Tenant in so surrendering the Premises including, without limitation, any claims made by any succeeding tenant founded on such delay and costs incurred by Landlord in returning the Premises to the required condition, plus interest at the Agreed Interest Rate. Any holding over after the termination or Expiration Date with Landlord's express written consent, shall be construed as month-to-month tenancy, terminable on thirty (30) days written notice from either party, and Tenant shall pay as Base Monthly Rent to Landlord a rate equal to one hundred twenty five percent (125%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. Any holding over shall otherwise be on the terms and conditions herein specified, except those provisions relating to the Lease Term and any options to extend or renew, which provisions shall be of no further force and effect following the expiration of the applicable exercise period. If Tenant remains in possession of the Premises after the Expiration Date or sooner termination of this Lease without Landlord's consent, Tenant's continued possession shall be on the basis of a tenancy at sufferance and Tenant shall pay as rent during the holdover period an amount equal to one hundred fifty percent (150%) of the Base Monthly Rent due in the month preceding the termination or Expiration Date, plus all other amounts payable by Tenant under this Lease. This provision shall survive the termination or expiration of the Lease.

7. ALTERATIONS AND ADDITIONS:

A. Tenant's Alterations: Tenant shall not make, or suffer to be made, any alteration or addition to the Premises ("Alterations"), or any part thereof, without obtaining Landlord's prior written consent and delivering to Landlord the proposed architectural and structural plans for all such Alterations at least fifteen (15) days prior to the start of construction. If such Alterations affect the structure of the Buildings, Tenant additionally agrees to reimburse Landlord its reasonable out-of-pocket costs incurred in reviewing Tenant's plans. After obtaining Landlord's consent, which consent shall state whether or not Landlord will require Tenant to remove such Alteration at the expiration or earlier termination of this Lease, Tenant shall not proceed to make such Alterations until Tenant has obtained all required governmental approvals and permits. Tenant agrees to provide Landlord (i) written notice of the anticipated and actual start-date of the work, (ii) a complete set of half-size (15" X 21") vellum as-built drawings, and (iii) a certificate of occupancy for the work upon completion of the Alterations. All Alterations shall be constructed in compliance with all applicable building codes and laws including, without limitation, the Americans with Disabilities Act of 1990 as amended from time to time. Upon the Expiration Date, all Alterations,

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except movable furniture and trade fixtures, shall become a part of the realty and belong to Landlord but shall nevertheless be subject to removal by Tenant as provided in Section 6 above. Alterations which are not deemed as trade fixtures include heating, lighting, electrical systems, air conditioning, walls, carpeting, or any other installation which has become an integral part of the Premises (excepting backup power generators or a UPS system, which Tenant shall have the right to remove). All Alterations shall be maintained, replaced or repaired by Tenant at its sole cost and expense.

Notwithstanding the foregoing, Tenant shall be entitled, without obtaining Landlord's consent, to make Alterations which do not affect the structure of the

Buildings and which do not cost more than Seventy Thousand Dollars (\$70,000.00) per Alteration ("Permitted Alterations"); provided, however, that: (i) Tenant shall still be required to comply with all other provisions of this paragraph; and (ii) such Permitted Alterations are subject to removal by Tenant at Landlord's election pursuant to Section 6.C. above at the expiration or earlier termination of the Lease.

B. Free From Liens: Tenant shall keep the Premises free from all liens arising out of work performed, materials furnished, or obligations incurred by Tenant or claimed to have been performed for Tenant. In the event Tenant fails to discharge any such lien within sixty (60) days after receiving notice of the filing, Landlord shall be entitled to discharge the lien at Tenant's expense and all resulting costs incurred by Landlord, including attorney's fees shall be due from Tenant as additional rent.

C. Compliance With Governmental Regulations: The term Laws or Governmental Regulations shall include all federal, state, county, city or governmental agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued. The term also includes government measures regulating or enforcing public access, traffic mitigation, occupational, health, or safety standards for employers, employees, landlords, or tenants. Tenant, at Tenant's sole expense shall make all repairs, replacements, alterations, or improvements needed to comply with all Governmental Regulations. The judgment of any court of competent jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Landlord be a party thereto or not) that Tenant has violated any such law, regulation or other requirement in its use of the Premises shall be conclusive of that fact as between Landlord and Tenant.

The foregoing notwithstanding, if any repair, replacement, alteration or improvement is required to the Buildings foundation, exterior load bearing walls, roof structure or any other structural component of the Buildings (excluding structural components installed by Tenant) as a result of any Governmental Regulations and such required work is not caused by Tenant's specific use or Alterations, the cost of such repair, replacement, alteration or improvement shall be allocated between Landlord and Tenant such that Tenant shall pay to Landlord upon completion of such work, the portion of the cost equal to the product of such cost multiplied by a fraction, the numerator of which is the number of years remaining in the Lease Term, the denominator of which is the useful life (in years) of the repair, replacement, alteration or addition; provided, however, that if the Tenant thereafter exercises a renewal option, then upon Tenant's exercise of the renewal option, the numerator of the fraction shall be adjusted to the sum of: (i) the Lease Term remaining at the time the repair, replacement, alteration or addition was made; and (ii) the number of years in the Option Term; and Landlord's reimbursement obligation shall immediately thereafter be re-calculated.

8. MAINTENANCE OF PREMISES:

A. Landlord's Obligations: Landlord at its sole cost and expense, shall maintain in good condition, order, and repair, and replace as and when necessary, the foundation, exterior load bearing walls and roof structure, and all other structural components of the Buildings, excluding any components installed by Tenant.

B. Tenant's Obligations: Tenant shall clean maintain, repair and replace when necessary the Premises and every part thereof through regular inspections and servicing, including but not limited to: (i) all plumbing and sewage facilities, (ii) all heating ventilating and air conditioning facilities and equipment, (iii) all fixtures, interior walls floors, carpets and ceilings, (iv) all windows, door entrances, plate glass and glazing systems including caulking, and skylights, (v) all electrical facilities and equipment, (vi) all automatic fire extinguisher

equipment, (vii) the parking lot and all underground utility facilities servicing the Premises, (viii) all elevator equipment; (ix) the roof membrane system, and (x) all waterscape, landscaping and shrubbery. All wall surfaces and floor tile are to be maintained in an as good a condition as when Tenant took possession free of holes, gouges, or defacements. With respect to items (ii), (viii) and (ix) above, Tenant shall provide Landlord a copy of a service contract between Tenant & a licensed service contractor providing for periodic maintenance of all such systems or equipment in conformance with the

manufacturer's recommendations. Tenant shall provide Landlord a copy of such preventive maintenance contracts and paid invoices for the recommended work if requested by Landlord.

If as a part of Tenant's fulfillment of its maintenance obligations during the last three (3) years of the Lease Term a replacement of the roof membrane is necessary, Landlord shall reimburse Tenant for the cost of the replacement less the sum of (i) Thirty Thousand Dollars (\$30,000.00) plus (ii) that portion of the cost over \$30,000.00 equal to the product of such cost multiplied by a fraction, the numerator of which is the number of years remaining in the Lease Term, the denominator of which is the useful life (in years) of the roof replacement; provided, however, that if the roof replacement is made during the initial Lease Term and Tenant thereafter exercises a renewal option, then upon Tenant's exercise of the renewal option, the numerator of the fraction shall be adjusted to the sum of: (i) the Lease Term remaining at the time the roof replacement was made; and (ii) the number of years in the Option Term; and Landlord's reimbursement obligation shall immediately thereafter be re-calculated.

C. Waiver of Liability: Failure by Landlord to perform any defined services, or any cessation thereof, when such failure is caused by accident, breakage, repairs, strikes, lockout or other labor disturbances or labor disputes of any character or by any other cause, similar or dissimilar, shall not render Landlord liable to Tenant in any respect, including damages to either person or property, except to the extent due to Landlord's active negligence or willful misconduct, nor be construed as an eviction of Tenant, nor cause an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any equipment or machinery utilized in supplying the services listed herein break down or for any cause cease to function properly, upon receipt of written notice from Tenant of any deficiency or failure of any services, Landlord shall use reasonable diligence to repair the same promptly, but Tenant shall have no right to terminate this Lease and shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom, except to the extent due to Landlord's active negligence or willful misconduct. Tenant waives the provisions of California Civil Code Sections 1941 and 1942 concerning the Landlord's obligation of tenantability and Tenant's right to make repairs and deduct the cost of such repairs from the rent. Landlord shall not be liable for a loss of or injury to person or property, however occurring, through or in connection with or incidental to furnishing, or its failure to furnish, any of the foregoing.

9. HAZARD INSURANCE:

A. Tenant's Use: Tenant shall not use or permit the Premises, or any part thereof, to be used for any purpose other than that for which the Premises are hereby leased; and no use of the Premises shall be made or permitted, nor acts done, which will cause an increase in premiums or a cancellation of any insurance policy covering the Premises or any part thereof, nor shall Tenant sell or permit to be sold, kept, or used in or about the Premises, any article prohibited by the standard form of fire insurance policies. Tenant shall, at its sole cost, comply with all requirements of any insurance company or organization necessary for the maintenance of reasonable fire and public liability insurance covering the Premises and appurtenances.

B. Landlord's Insurance: Landlord agrees to purchase and keep in force fire, extended coverage insurance in an amount equal to the replacement cost of the Buildings (not including any Tenant Improvements or Alterations paid for by Tenant) as determined by Landlord's insurance company's appraisers. At Landlord's election, such fire and property damage insurance may be endorsed to cover loss caused by such additional perils against which Landlord may elect to insure, including earthquake and/or flood, and shall contain reasonable deductibles. Additionally Landlord may maintain a policy of (i) commercial general liability insurance insuring Landlord (and such others designated by Landlord) against liability

for personal injury, bodily injury, death and damage to property occurring or resulting from an occurrence in, on or about the Premises or Project in an amount as Landlord determines is reasonably necessary for its protection, and (ii) rental loss insurance covering a twelve (12) month period. Tenant agrees to pay Landlord as additional rent, on demand, the full cost of said insurance as evidenced by insurance billings to Landlord, and in the event of damage covered

by said insurance, the amount of any deductible under such policy. Payment shall be due to Landlord within ten (10) days after written invoice to Tenant. It is understood and agreed that Tenant's obligation under this Section will be prorated to reflect the Lease Commencement and Expiration Dates.

C. Tenant's Insurance: Tenant agrees, at its sole cost, to insure its personal property, Tenant Improvements, and Alterations for their full replacement value (without depreciation) and to obtain worker's compensation and public liability and property damage insurance for occurrences within the Premises with a combined single limit of not less than Ten Million Dollars (\$10,000,000.00). Tenant's liability insurance shall be primary insurance containing a cross-liability endorsement, and shall provide coverage on an "occurrence" rather than on a "claims made" basis. Tenant shall name Landlord and Landlord's lender as an additional insured and shall deliver a copy of the policies and renewal certificates to Landlord. All such policies shall provide for thirty (30) days' prior written notice to Landlord of any cancellation, termination, or reduction in coverage.

D. Waiver: Landlord and Tenant hereby waive all rights each may have against the other on account of any loss or damage sustained by Landlord or Tenant, as the case may be, or to the Premises or its contents, which may arise from any risk covered by their respective insurance policies (or which would have been covered had such insurance policies been maintained in accordance with this Lease) as set forth above. The Parties shall use their reasonable efforts to obtain from their respective insurance companies a waiver of any right of subrogation which said insurance company may have against Landlord or Tenant, as the case may be.

10. TAXES: Tenant shall be liable for and shall pay as additional rental, prior to delinquency, the following: (i) all taxes and assessments levied against Tenant's personal property and trade or business fixtures; (ii) all real estate taxes and assessment installments or other impositions or charges which may be levied on the Premises or upon the occupancy of the Premises, including any substitute or additional charges which may be imposed applicable to the Lease Term; and (iii) real estate tax increases due to an increase in assessed value resulting from a sale, transfer or other change of ownership of the Premises as it appears on the City and County tax bills during the Lease Term. All real estate taxes shall be prorated to reflect the Lease Commencement and Expiration Dates. If, at any time during the Lease Term a tax, excise on rents, business license tax or any other tax, however described, is levied or assessed against Landlord as a substitute or addition, in whole or in part, for taxes assessed or imposed on land or Buildings, Tenant shall pay and discharge its pro rata share of such tax or excise on rents or other tax before it becomes delinquent; except that this provision is not intended to cover net income taxes, inheritance, gift or estate tax imposed upon Landlord. In the event that a tax is placed, levied, or assessed against Landlord and the taxing authority takes the position that Tenant cannot pay and discharge its pro rata share of such tax on behalf of Landlord, then Landlord may increase the Base Monthly Rent by the exact amount of such tax and Tenant shall pay such increase. If by virtue of any application or proceeding brought by Landlord, there results a reduction in the assessed value of the Premises during the Lease Term, Tenant agrees to pay Landlord a fee consistent with the fees charged by a third party appeal firm for such services.

Notwithstanding the foregoing, if property taxes increase during the first three years of the Lease Term as a result of a reassessment due to a voluntary change of ownership, Tenant shall be responsible for payment of the resulting property tax increase as follows: during the first twelve months, Tenant shall be responsible for payment of thirty three percent (33%) of the tax increase; during the second twelve months, Tenant shall be responsible for payment of sixty seven percent (67%) of the tax increase, thereafter Tenant shall be responsible for payment of the entire tax increase.

11. UTILITIES: Tenant shall pay directly to the providing utility all water, gas, electric, telephone, and other utilities supplied to the Premises. Landlord shall not be liable for loss of

or injury to person or property, however occurring, through or in connection with or incidental to furnishing or the utility company's failure to furnish utilities to the Premises, and in such event Tenant shall not be entitled to abatement or reduction of any portion of Base Monthly Rent or any other amount payable under this Lease.

12. TOXIC WASTE AND ENVIRONMENTAL DAMAGE:

A. Tenant's Responsibility: Without the prior written consent of Landlord, Tenant or Tenant's agents, employees, contractors and invitees ("Tenant's Agents") shall not bring, use, or permit upon the Premises, or generate, create, release, emit, or dispose (nor permit any of the same) from the Premises any chemicals, toxic or hazardous gaseous, liquid or solid materials or waste, including without limitation, material or substance having characteristics of ignitability, corrosivity, reactivity, or toxicity or substances or materials which are listed on any of the Environmental Protection Agency's lists of hazardous wastes or which are identified in Division 22 Title 26 of the California Code of Regulations as the same may be amended from time to time or any other similar wastes, materials or substances which are or may become regulated by or under the authority of any applicable local, state or federal laws, judgments, ordinances, orders, rules, regulations, codes or other governmental restrictions, guidelines or requirements ("Hazardous Materials") except for those substances customary in typical office uses for which no consent shall be required. In order to obtain consent, Tenant shall deliver to Landlord its written proposal describing the toxic material to be brought onto the Premises, measures to be taken for storage and disposal thereof, safety measures to be employed to prevent pollution of the air, ground, surface and ground water. Landlord's approval may be withheld in its reasonable judgment. In the event Landlord consents to Tenant's use of Hazardous Materials on the Premises or such consent is not required, Tenant represents and warrants that it shall comply with all Governmental Regulations applicable to Hazardous Materials including doing the following: (i) adhere to all reporting and inspection requirements imposed by Federal, State, County or Municipal laws, ordinances or regulations and will provide Landlord a copy of any such reports or agency inspections; (ii) obtain and provide Landlord copies of all necessary permits required for the use and handling of Hazardous Materials on the Premises; (iii) enforce Hazardous Materials handling and disposal practices consistent with industry standards; (iv) surrender the Premises free from any Hazardous Materials arising from Tenant's bringing, using, permitting, generating, creating, releasing, emitting or disposing of Hazardous Materials; and (v) properly close the facility with regard to Hazardous Materials including the removal or decontamination of any process piping, mechanical ducting, storage tanks, containers, or trenches which have come into contact with Hazardous Materials and obtain a closure certificate from the local administering agency prior to the Expiration Date. Landlord acknowledges and consents to the storage on the Premises by Tenant of diesel fuel for Tenant's emergency generators, such storage to be in above-ground tanks reasonably approved by Landlord.

B. Tenant's Indemnity Regarding Hazardous Materials: Tenant shall, at its sole cost and expense, comply with all laws pertaining to, and shall with counsel reasonably acceptable to Landlord, indemnify, defend and hold harmless Landlord and Landlord's trustees, shareholders, directors, officers, employees, partners, affiliates, and agents from, any claims, liabilities, costs or expenses incurred or suffered arising from the bringing, using, permitting, generating, emitting or disposing of Hazardous Materials by Tenant or Tenant's Agents through the surface soils of the Premises during the Lease Term or the violation of any Governmental Regulation or environmental law, by Tenant or Tenant's Agents. Tenant's foregoing indemnification, defense, and hold harmless obligations include, without limitation, the following: (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1980 ("RCRA") or any other federal, state, county or municipal law, ordinance or regulation now or hereafter in effect; (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source; (iii) all

costs of defending such claims; (iv) losses attributable to diminution in the value of the Premises or the Buildings; (v) loss or restriction of use of rentable space in the Buildings; (vi) adverse effect on the marketing of any space in the Buildings; and (vii) all other liabilities, obligations, penalties, fines, claims, actions (including remedial or enforcement actions of any kind and administrative or judicial proceedings, orders or judgments), damages

(including consequential and punitive damages), and costs (including attorney, consultant, and expert fees and expenses) resulting from the release or violation. This Section 12.B shall survive the expiration or termination of this Lease.

C. Actual Release by Tenant: Tenant agrees to notify Landlord of any lawsuits or orders which relate to the remedying of or actual release of Hazardous Materials on or into the soils or ground water at or under the Premises. Tenant shall also provide Landlord all notices required by Section 25359.7(b) of the Health and Safety Code and all other notices required by law to be given to Landlord in connection with Hazardous Materials. Without limiting the foregoing, Tenant shall also deliver to Landlord, within twenty (20) days after receipt thereof, any written notices from any governmental agency alleging a material violation of, or material failure to comply with, any federal, state or local laws, regulations, ordinances or orders, the violation of which or failure to comply with poses a foreseeable and material risk of contamination of the ground water or injury to humans (other than injury solely to Tenant or Tenant's Agents).

In the event of any release on or into the Premises or into the soil or ground water under the Premises, the Buildings or the Project of any Hazardous Materials used, treated, stored or disposed of by Tenant or Tenant's Agents, Tenant agrees to comply, at its sole cost, with all laws, regulations, ordinances and orders of any federal, state or local agency relating to the monitoring or remediation of such Hazardous Materials. In the event of any such release of Hazardous Materials Tenant shall immediately give verbal and follow-up written notice of the release to Landlord, and Tenant agrees to meet and confer with Landlord and its Lender to attempt to eliminate and mitigate any financial exposure to such Lender and resultant exposure to Landlord under California Code of Civil Procedure Section 736(b) as a result of such release, and promptly to take reasonable monitoring, cleanup and remedial steps given, inter alia, the historical uses to which the Property has and continues to be used, the risks to public health posed by the release, the then available technology and the costs of remediation, cleanup and monitoring, consistent with acceptable customary practices for the type and severity of such contamination and all applicable laws. Nothing in the preceding sentence shall eliminate, modify or reduce the obligation of Tenant under 12.B of this Lease to indemnify, defend and hold Landlord harmless from any claims liabilities, costs or expenses incurred or suffered by Landlord. Tenant shall provide Landlord prompt written notice of Tenant's monitoring, cleanup and remedial steps.

In the absence of an order of any federal, state or local governmental or quasi-governmental agency relating to the cleanup, remediation or other response action required by applicable law, any dispute arising between Landlord and Tenant concerning Tenant's obligation to Landlord under this Section 12.C concerning the level, method, and manner of cleanup, remediation or response action required in connection with such a release of Hazardous Materials shall be resolved by mediation and/or arbitration pursuant to this Lease.

D. Environmental Monitoring: Landlord and its agents shall have the right to inspect, investigate, sample and monitor the Premises including any air, soil, water, ground water or other sampling or any other testing, digging, drilling or analysis to determine whether Tenant is complying with the terms of this Section 12. If Landlord discovers that Tenant is not in compliance with the terms of this Section 12, any such costs incurred by Landlord, including attorneys' and consultants' fees, shall be due and payable by Tenant to Landlord within thirty (30) days following Landlord's written demand therefore.

E. Landlord's Indemnity Regarding Hazardous Materials: Landlord shall, at its sole cost and expense, with counsel reasonably acceptable to Tenant, indemnify, defend, and hold Tenant harmless from any claims, liabilities, costs or expenses incurred or suffered by Tenant related to the release, existence, removal, investigation, monitoring or remediation of Hazardous Materials which are

present or which come to be present on or beneath the Premises except to the extent the presence of such Hazardous Materials is caused by Tenant or Tenant's agents. Landlord's indemnification and hold harmless obligations include, without limitation, (i) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or CERCLA, RCRA, or any other federal, state, county or municipal law, ordinance or

regulation now or hereinafter in effect, (ii) claims, liabilities, costs or expenses pertaining to the identification, monitoring, cleanup, containment, or removal of Hazardous Materials from soils, riverbeds or aquifers including the provision of an alternative public drinking water source, and (iii) all costs of defending such claims. In no event shall Landlord be liable for any consequential damages suffered or incurred by Tenant as a result of any such contamination.

13. TENANT'S DEFAULT: The occurrence of any of the following shall constitute a default and breach of this Lease by Tenant: (i) Tenant's failure to pay the Base Monthly Rent including additional rent or any other payment due under this Lease within five (5) business days after receipt by Tenant of written notice from Landlord that such Base Monthly Rent or other payment was not received when due, (ii) the abandonment of the Premises by Tenant; (iii) Tenant's failure to observe and perform any other required provision of this Lease, where such failure continues for thirty (30) days after written notice from Landlord; provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Tenant shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion; (iv) Tenant's making of any general assignment for the benefit of creditors; (v) the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days after the filing); (vi) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; or (vii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days.

A. Remedies: In the event of any such default by Tenant, then in addition to other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. In the event Landlord elects to so terminate this Lease, Landlord may recover from Tenant all the following: (i) the worth at time of award of any unpaid rent which had been earned at the time of such termination; (ii) the worth at time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss for the same period that Tenant proves could have been reasonably avoided; (iii) the worth at time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; (iv) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom; including the following: (x) expenses for repairing, altering or remodeling the Premises for purposes of reletting, (y) broker's fees, advertising costs or other expenses of reletting the Premises, and (z) costs of carrying the Premises such as taxes, insurance premiums, utilities and security precautions; and (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted by applicable California law. The term "rent", as used herein, is defined as the minimum monthly installments of Base Monthly Rent and all other sums required to be paid by Tenant pursuant to this Lease, all such other sums being deemed as additional rent due hereunder. As used in (i) and (ii) above, "worth at the time of award" shall be computed by allowing interest at a rate equal to the discount rate of the Federal Reserve Bank of San Francisco plus five (5%) percent per annum. As used in (iii) above, "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent.

B. Right to Re-enter: In the event of any such default by Tenant, Landlord shall have the right, after terminating this Lease, to re-enter the Premises and remove all persons and property. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant, and disposed of by Landlord in any manner permitted by law.

C. Abandonment: If Landlord does not elect to terminate this Lease as provided in Section 13.A or 13.B above, then the provisions of California Civil Code Section 1951.4, (Landlord may continue the lease in effect after Tenant's breach and abandonment and recover rent as it becomes due if Tenant has a right

to sublet and assign, subject only to reasonable limitations) as amended from time to time, shall apply and Landlord may from time to time, without terminating this Lease, either recover all rental as it becomes due or relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Landlord in its reasonable discretion may deem advisable, with the right to make alterations and repairs to the Premises. In the event that Landlord elects to so relet, rentals received by Landlord from such reletting shall be applied in the following order to: (i) the payment of any indebtedness other than Base Monthly Rent due hereunder from Tenant to Landlord; (ii) the payment of any cost of such reletting; (iii) the payment of the cost of any alterations and repairs to the Premises; and (iv) the payment of Base Monthly Rent due and unpaid hereunder. The residual rentals, if any, shall be held by Landlord and applied in payment of future Base Monthly Rent as the same may become due and payable hereunder. Landlord shall have the obligation to market the space but shall have no obligation to relet the Premises following a default if Landlord has other comparable available space within the Buildings or Project. In the event the portion of rentals received from such reletting which is applied to the payment of rent hereunder during any month be less than the rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs and expenses incurred by Landlord in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

D. No Termination: Landlord's re-entry or taking possession of the Premises pursuant to 13.B or 13.C shall not be construed as an election to terminate this Lease unless written notice of such intention is given to Tenant or unless the termination is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

E. Non-Waiver: Landlord may accept Tenant's payments without waiving any rights under this Lease, including rights under a previously served notice of default. No payment by Tenant or receipt by Landlord of a lesser amount than any installment of rent due shall be deemed as other than payment on account of the amount due. If Landlord accepts payments after serving a notice of default, Landlord may nevertheless commence and pursue an action to enforce rights and remedies under the previously served notice of default without giving Tenant any further notice or demand. Furthermore, the Landlord's acceptance of rent from the Tenant when the Tenant is holding over without express written consent does not convert Tenant's Tenancy from a tenancy at sufferance to a month to month tenancy. No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by Landlord of any provision of this Lease must be in writing. Such waiver shall affect only the provision specified and only for the time and in the manner stated in the writing. No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver thereof by Landlord. No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute acceptance of the surrender of the Premises by Tenant before the Expiration Date. Only written notice from Landlord to Tenant of acceptance shall constitute such acceptance of surrender of the Premises. Landlord's consent to or approval of any act by Tenant which requires Landlord's consent or approvals shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

F. Performance by Landlord: If Tenant fails to perform any obligation required under

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this Lease or by law or governmental regulation, Landlord in its sole discretion may, after ten (10) days prior written notice to Tenant, without waiving any rights or remedies and without releasing Tenant from its obligations hereunder, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance, including interest at the Agreed Interest Rate (as defined in Section 19.J) within ten (10) days of Landlord's written notice for such payment.

G. Habitual Default: The provisions of Section 13 notwithstanding, the Parties agree that if Tenant has been in either monetary default or material

non-monetary default (beyond applicable notice and cure periods) in the performance of any (but not necessarily the same) term or condition of this Lease for four or more times during any twelve (12) month period during the Lease Term, then such conduct shall, at the election of the Landlord, represent a separate event of default which cannot be cured by Tenant. Tenant acknowledges that the purpose of this provision is to prevent repetitive defaults by Tenant, which work a hardship upon Landlord and deprive Landlord of Tenant's timely performance under this Lease.

14. LANDLORD'S LIABILITY:

A. Limitation on Landlord's Liability: In the event of Landlord's failure to perform any of its covenants or agreements under this Lease, Tenant shall give Landlord written notice of such failure and shall give Landlord thirty (30) days to cure or commence to cure such failure prior to any claim for breach or resultant damages, provided, however, that if the nature of the default is such that it cannot reasonably be cured within the 30-day period, Landlord shall not be deemed in default if it commences within such period to cure, and thereafter diligently prosecutes the same to completion. In addition, upon any such failure by Landlord, Tenant shall give notice by registered or certified mail to any person or entity with a security interest in the Premises ("Mortgagee") that has provided Tenant with notice of its interest in the Premises, and shall provide Mortgagee a reasonable opportunity to cure such failure, including such time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effectuate a cure. Tenant agrees that each of the Mortgagees to whom this Lease has been assigned is an expressed third-party beneficiary hereof. Tenant waives any right under California Civil Code Section 1950.7 or any other present or future law to the collection of any payment or deposit from Mortgagee or any purchaser at a foreclosure sale of Mortgagee's interest unless Mortgagee or such purchaser shall have actually received and not refunded the applicable payment or deposit. Tenant further waives any right to terminate this Lease and to vacate the Premises on Landlord's default under this Lease, except in the event of a constructive eviction under law. Tenant's sole remedy on Landlord's default is an action for damages or injunctive or declaratory relief.

B. Limitation on Tenant's Recourse: If Landlord is a corporation, trust, partnership, joint venture, unincorporated association or other form of business entity, then (i) the obligations of Landlord shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, owners, stockholders, or other principals or representatives except to the extent of their interest in the Premises. Tenant shall have recourse only to the interest of Landlord in the Premises or for the satisfaction of the obligations of Landlord and shall not have recourse to any other assets of Landlord for the satisfaction of such obligations.

C. Indemnification of Landlord: As a material part of the consideration rendered to Landlord, Tenant hereby waives all claims against Landlord for damages to goods, wares and merchandise, and all other personal property in, upon or about said Premises and for injuries to persons in or about said Premises, from any cause arising at any time to the fullest extent permitted by law, except to the extent caused by the willful misconduct or active negligence of Landlord, and Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold Landlord, and their shareholders, directors, officers, trustees, employees, partners, affiliates and agents from any claims, liabilities, costs or expenses incurred or suffered arising from the use of occupancy of the Premises or any part of the Project by Tenant or Tenant's Agents, the acts or omissions of Tenant or Tenant's Agents, Tenant's breach of this Lease, or any damage or injury to person or property from any cause, except to the extent caused by the willful misconduct or active negligence of Landlord or from the failure of

Tenant to keep the Premises in good condition and repair as herein provided, except to the extent due to the active negligence or willful misconduct of Landlord. Further, in the event Landlord is made party to any litigation due to the acts or omission of Tenant and Tenant's Agents, Tenant will indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from any such claim or liability including Landlord's costs and expenses and reasonable attorney's fees incurred in defending such claims.

15. DESTRUCTION OF PREMISES:

A. Landlord's Obligation to Restore: In the event of a destruction of the Premises during the Lease Term Landlord shall repair the same to a similar condition to that which existed prior to such destruction. Such destruction shall not annul or void this Lease; however, Tenant shall be entitled to a proportionate reduction of Base Monthly Rent while repairs are being made, such proportionate reduction to be based upon the extent to which the repairs interfere with Tenant's business in the Premises, as reasonably determined by Landlord. In no event shall Landlord be required to replace or restore Alterations, Tenant Improvements, or Tenant's fixtures or personal property. With respect to a destruction which Landlord is obligated to repair or may elect to repair under the terms of this Section, Tenant waives the provisions of Section 1932, and Section 1933, Subdivision 4, of the Civil Code of the State of California, and any other similarly enacted statute, and the provisions of this Section 15 shall govern in the case of such destruction.

B. Limitations on Landlord's Restoration Obligation: Notwithstanding the provisions of Section 15.A, Landlord shall have no obligation to repair, or restore the Premises if any of the following occur: (i) if the repairs cannot be made within two hundred seventy (270) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities, as reasonably determined by Landlord, (ii) if the holder of the first deed of trust or mortgage encumbering the Buildings elects not to permit the insurance proceeds payable upon damage or destruction to be used for such repair or restoration, (iii) the damage or destruction is not fully covered by the insurance (plus any deductible amount) maintained by Landlord, (iv) the damage or destruction occurs in the last twenty four (24) months of the Lease Term, (v) Tenant is in default pursuant to the provisions of Section 13, or (vi) Tenant has vacated the Premises for more than the immediately preceding one hundred twenty (120) days. In any such event Landlord may elect either to complete the repair or restoration, or terminate this Lease by providing Tenant written notice of its election within sixty (60) days following the damage or destruction. Tenant shall also have a right to terminate this Lease if the repairs cannot be made within two hundred seventy (270) days from the date of receipt of all governmental approvals necessary under the laws and regulations of State, Federal, County or Municipal authorities, by providing Landlord written notice of its election within sixty (60) days following the damage or destruction.

16. CONDEMNATION: If any part of the Premises shall be taken for any public or quasi-public use, under any statute or by right of eminent domain or private purchase in lieu thereof, and only a part thereof remains which is susceptible of occupation hereunder as reasonably determined by Tenant, this Lease shall, as to the part so taken, terminate as of the day before title vests in the condemnor or purchaser ("Vesting Date") and Base Monthly Rent payable hereunder shall be adjusted so that Tenant is required to pay for the remainder of the Lease Term only such portion of Base Monthly Rent as the value of the part remaining after such taking bears to the value of the entire Premises prior to such taking. If all of the Premises or such part thereof be taken so that there does not remain a portion susceptible for occupation hereunder as reasonably determined by Tenant, this Lease shall terminate on the Vesting Date. If part or all of the Premises be taken, all compensation awarded upon such taking shall go to Landlord, and Tenant shall have no claim thereto; except Landlord shall cooperate with Tenant, without cost to Landlord, to recover compensation for damage to or taking of any Alterations, Tenant Improvements, or for Tenant's moving costs, loss of or damage to Tenant's personal property, loss to Tenant because of interruption of business, Tenant's loss of goodwill, and the value attributable to any leasehold value for the difference between the market value of the Premises for the remainder or the term above the value, at the date of taking, of the rent payable for the remainder of the term. Tenant will have no right to pursue a claim based upon

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the residual value of the Land after expiration of the term or pursue claims or retain any award to which Landlord is entitled so as inequitably to diminish Landlord's award. Tenant hereby waives the provisions of California Code of Civil Procedures Section 1265.130 and any other similarly enacted statute, and the provisions of this Section 16 shall govern in the case of a taking.

17. ASSIGNMENT OR SUBLEASE:

A. Consent by Landlord: Except for the AOL Sublease and Hewlett Packard Sublease or as specifically provided in this Section 17, Tenant may not assign, sublet, hypothecate, or allow a third party to use the Premises without the

express written consent of Landlord, which consent shall not be unreasonably withheld or delayed. In the event Tenant desires to assign this Lease or any interest herein or sublet the Premises or any part thereof, Tenant shall deliver to Landlord (i) executed counterparts of any agreement and of all ancillary agreements with the proposed assignee/subtenant, (ii) current financial statements of the transferee covering the preceding three years, (iii) the nature of the proposed transferee's business to be carried on in the Premises, (iv) a statement outlining all consideration to be given on account of the Transfer, and (v) a current financial statement of Tenant. Landlord may condition its approval of any Transfer on receipt of a certification from both Tenant and the proposed transferee of all consideration to be paid to Tenant in connection with such Transfer. At Landlord's request, Tenant shall also provide additional information reasonably required by Landlord to determine whether it will consent to the proposed assignment or sublease. Landlord shall have a eight (8) business-day period following receipt of all the foregoing within which to notify Tenant in writing that Landlord elects to: (i) terminate this Lease in the event the proposed sublease or assignment is for substantially all of space in the Premises (provided, however, that Landlord shall not have the right to terminate on any sublease or assignment expiring, including any options in favor of sublessee/assignee, more than three (3) years prior to the Lease Expiration Date, including any options under this Lease which have been exercised by Tenant); (ii) permit Tenant to assign or sublet such space to the named assignee/subtenant on the terms and conditions set forth in the notice; or (iii) refuse consent. If Landlord should fail to notify Tenant in writing of such election within the 8-business day period, Landlord shall be deemed to have elected option (ii) above. In the event Landlord elects option (i) above, this Lease shall expire with respect to such part of the Premises on the date upon which the proposed sublease or transfer was to commence, and from such date forward, Base Monthly Rent and all other costs and charges shall be adjusted based upon the proportion that the rentable area of the Premises remaining bears to the total rentable area of the Buildings. In the event Landlord elects option (ii) above, Landlord's written consent to the proposed assignment or sublease shall not be unreasonably withheld, provided and upon the condition that: (i) the proposed assignee or subtenant is engaged in a business that is limited to the use expressly permitted under this Lease; (ii) the proposed assignment or sublease is in form reasonably satisfactory to Landlord; (iii) the proposed sublease will not result in there being more than two (2) subtenants within the Premises at any time during the Lease Term; (iv) Tenant reimburses Landlord on demand for any reasonable costs that may be incurred by Landlord in connection with said assignment or sublease, including the costs of making investigations as to the acceptability of the proposed assignee or subtenant and legal costs (not to exceed \$2,000.00 per occurrence) incurred in connection with the granting of any requested consent; and (v) Tenant shall not have advertised or publicized in any way the availability of the Premises without prior notice to Landlord. In the event all or any one of the foregoing conditions are not satisfied, Landlord shall be considered to have acted reasonably if it withholds its consent.

B. Assignment or Subletting Consideration: Landlord and Tenant hereby agree that fifty percent (50%) of any rent or other economic consideration (not including any payments for Tenant's furniture or other personal property owned by Tenant, any payment for utilities or for other office services provided by Tenant); (i) realized by Tenant under any sublease or assignment, or (ii) realized by any subtenant under any sub-sublease of the Premises, in excess of the Base Monthly Rent payable hereunder after deducting reasonable subletting and assignment costs directly related to such sublease or assignment including lease commissions, attorneys fees, costs of demising or otherwise preparing the sublease space for occupancy, and the unamortized cost of Alterations applicable to

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the space so sublet or assigned, shall be paid to Landlord. Tenant's obligation to pay over Landlord's portion of the consideration constitutes an obligation for additional rent hereunder. The above provisions relating to Landlord's right to terminate the Lease and relating to the allocation of excess rent are independently negotiated terms of the Lease which constitute a material inducement for the Landlord to enter into the Lease, and are agreed by the Parties to be commercially reasonable. No assignment or subletting by Tenant shall relieve it of any obligation under this Lease. Any assignment or subletting which conflicts with the provisions hereof shall be void.

C. No Release: Any assignment or sublease shall be made only if and shall not be effective until the assignee or subtenant shall execute, acknowledge, and

deliver to Landlord an agreement, in form and substance satisfactory to Landlord, whereby the assignee or subtenant shall assume all the applicable obligations of this Lease on the part of Tenant to be performed or observed and shall be subject to all the covenants, agreements, terms, provisions and conditions in this Lease. Notwithstanding any such sublease or assignment and the acceptance of rent by Landlord from any subtenant or assignee, Tenant and any guarantor shall remain fully liable for the payment of Base Monthly Rent and additional rent due, and to become due hereunder, for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed and for all acts and omissions of any licensee, subtenant, assignee or any other person claiming under or through any subtenant or assignee that shall be in violation of any of the terms and conditions of this Lease, and any such violation shall be deemed a violation by Tenant. Tenant shall indemnify, defend and hold Landlord harmless from and against all losses, liabilities, damages, costs and expenses (including reasonable attorney fees) resulting from any claims that may be made against Landlord by the proposed assignee or subtenant (except to the extent caused by Landlord's gross negligence or willful misconduct) or by any real estate brokers or other persons claiming compensation in connection with the proposed assignment or sublease.

D. Reorganization of Tenant: The provisions of this Section 17.D shall apply if Tenant is a corporation and: (i) there is a dissolution, merger, consolidation, or other reorganization of or affecting Tenant, where Tenant is not the surviving corporation, or (ii) there is a sale or transfer to one person or entity (or to any group of related persons or entities) of stock possessing more than 50% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, and after such sale or transfer of stock Tenant's stock is no longer publicly traded. In a transaction under clause (i) the surviving corporation shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such surviving corporation assumes the obligations of Tenant hereunder, and in a transaction under clause (ii) the transferee or buyer shall promptly execute and deliver to Landlord an agreement in form reasonably satisfactory to Landlord under which such transferee or buyer assumes the obligations of Tenant under the Lease.

E. Permitted Transfers: Notwithstanding anything contained in this Section 17, so long as Tenant otherwise complies with the provisions of this Article, Tenant may enter into any of the following transfers (a "Permitted Transfer") without Landlord's prior consent, and Landlord shall not be entitled to terminate the Lease or to receive any part of any subrent resulting therefrom that would otherwise be due pursuant to Sections 17.A and 17.B. Tenant may sublease all or part of the Premises or assign its interest in this Lease to (i) any corporation which controls, is controlled by, or is under common control with the original Tenant to this Lease by means of an ownership interest of more than 50%; (ii) a corporation which results from a merger, consolidation or other reorganization in which Tenant is not the surviving corporation, so long as the surviving corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction; and (iii) a corporation which purchases or otherwise acquires all or substantially all of the assets of Tenant so long as such acquiring corporation has a net worth at the time of such assignment that is equal to or greater than the net worth of Tenant immediately prior to such transaction.

F. Effect of Default: In the event of Tenant's default, Tenant hereby assigns all rents due from any assignment or subletting to Landlord as security for performance of its

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obligations under this Lease, and Landlord may collect such rents as Tenant's Attorney-in-Fact, except that Tenant may collect such rents unless a default occurs as described in Section 13 above. A termination of the Lease due to Tenant's default shall not automatically terminate an assignment or sublease then in existence; rather at Landlord's election, such assignment or sublease shall survive the Lease termination, the assignee or subtenant shall attorn to Landlord, and Landlord shall undertake the obligations of Tenant under the sublease or assignment; except that Landlord shall not be liable for prepaid rent, security deposits or other defaults of Tenant to the subtenant or assignee, or for any acts or omissions of Tenant and Tenant's Agents.

G. Conveyance by Landlord: As used in this Lease, the term "Landlord" is defined only as the owner for the time being of the Premises, so that in the

event of any sale or other conveyance of the Premises or in the event of a master lease of the Premises, Landlord shall be entirely freed and relieved of all its covenants and obligations hereunder, and it shall be deemed and construed, without further agreement between the Parties and the purchaser at any such sale or the master tenant of the Premises, that the purchaser or master tenant of the Premises has assumed and agreed to carry out any and all covenants and obligations of Landlord hereunder. Such transferor shall transfer and deliver Tenant's security deposit to the purchaser at any such sale or the master tenant of the Premises, and thereupon the transferor shall be discharged from any further liability in reference thereto.

F. Successors and Assigns: Subject to the provisions this Section 17, the covenants and conditions of this Lease shall apply to and bind the heirs, successors, executors, administrators and assigns of all Parties hereto; and all Parties hereto comprising Tenant shall be jointly and severally liable hereunder.

18. OPTION TO EXTEND THE LEASE TERM:

A. Grant and Exercise of Option: Landlord grants to Tenant, subject to the terms and conditions set forth in this Section 18.A, two (2) options (the "Options") to extend the Lease Term for an additional term (the "Option Term"). Each Option Term shall be for a period of sixty (60) months and shall be exercised, if at all, by written notice to Landlord no later than nine (9) months prior to the date the Lease Term would expire but for such exercise, time being of the essence for the giving of such notice. If Tenant exercises the Option, all of the terms, covenants and conditions of this Lease except for the grant of additional Options pursuant to this Section, provided that Base Monthly Rent for the Premises payable by Tenant during the Option Term shall be the greater of (i) the Base Monthly Rent applicable to the period immediately prior to the commencement of the Option Term, and (ii) ninety five percent (95%) of the Fair Market Rental as hereinafter defined. Notwithstanding anything herein to the contrary, if Tenant is in monetary or material non-monetary default under any of the terms, covenants or conditions of this Lease (beyond applicable cure periods) either at the time Tenant exercises the Option or at any time thereafter prior to the commencement date of the Option Term, then Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate the Option upon notice to Tenant, in which event the Lease Term shall not be extended pursuant to this Section 18.A. As used herein, the term "Fair Market Rental" is defined as the rental and all other monetary payments, including any escalations and adjustments thereto (including without limitation Consumer Price Indexing) that Landlord could obtain during the Option Term from a third party desiring to lease the Premises, based upon the current use and other potential uses of the Premises, as determined by the rents then being obtained for new leases of space comparable in age and quality to the Premises in the same real estate submarket as the Buildings. The appraisers shall be instructed that the foregoing five percent (5%) discount is intended to offset comparable rents that include the following costs which Landlord will not incur in the event Tenant exercises its option (i) brokerage commissions, (ii) tenant improvement allowances, (iii) building improvement costs, and (iv) vacancy costs.

B. Determination of Fair Market Rental: If Tenant exercises the Option, Landlord shall send Tenant notice no later than two hundred forty (240) days before to the Lease Expiration Date setting forth the Fair Market Rental for the Option Term. If Tenant disputes Landlord's determination of Fair Market Rental for the Option Term, Tenant shall, within thirty (30) days after the date of Landlord's notice setting forth Fair Market Rental for the Option Term,

send to Landlord a notice stating that Tenant either elects to terminate its exercise of the Option, in which event the Option shall lapse and this Lease shall terminate on the Expiration Date, or that Tenant disagrees with Landlord's determination of Fair Market Rental for the Option Term and elects to resolve the disagreement as provided in Section 18.C below. If Tenant does not send Landlord a notice as provided in the previous sentence, Landlord's determination of Fair Market Rental shall be the basis for computing the Base Monthly Rent payable by Tenant during the Option Term. If Tenant elects to resolve the disagreement as provided in Section 18.C and such procedures are not concluded prior to the commencement date of the Option Term, Tenant shall pay to Landlord as Base Monthly Rent ninety five percent (95%) of the Fair Market Rental as determined by Landlord in the manner provided above. If the Fair Market Rental as finally determined pursuant to Section 18.C is greater than Landlord's

determination, Tenant shall pay Landlord the difference between the amount paid by Tenant and ninety five percent (95%) of the Fair Market Rental as so determined in Section 18.C within thirty (30) days after such determination. If the Fair Market Rental as finally determined in Section 18.C is less than Landlord's determination, the difference between the amount paid by Tenant and ninety five percent (95%) of the Fair Market Rental as so determined in Section 18.C shall be credited against the next installments of Base Monthly Rent due from Tenant hereunder.

C. Resolution of a Disagreement over the Fair Market Rental: Any disagreement regarding Fair Market Rental shall be resolved as follows:

1. Within thirty (30) days after Tenant's response to Landlord's notice setting forth the Fair Market Rental, Landlord and Tenant shall meet at a mutually agreeable time and place, in an attempt to resolve the disagreement.

2. If within the 30-day period referred to above, Landlord and Tenant cannot reach agreement as to Fair Market Rental, each party shall select one appraiser to determine Fair Market Rental. Each such appraiser shall arrive at a determination of Fair Market Rental and submit their conclusions to Landlord and Tenant within thirty (30) days after the expiration of the 30-day consultation period described above.

3. If only one appraisal is submitted within the requisite time period, it shall be deemed as Fair Market Rental. If both appraisals are submitted within such time period and the two appraisals so submitted differ by less than ten percent (10%), the average of the two shall be deemed as Fair Market Rental. If the two appraisals differ by more than 10%, the appraisers shall immediately select a third appraiser who shall, within thirty (30) days after his selection, make and submit to Landlord and Tenant a determination of Fair Market Rental. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be Fair Market Rental.

4. All appraisers specified pursuant to this Section shall be members of the American Institute of Real Estate Appraisers with not less than ten (10) years experience appraising office and industrial properties in the Santa Clara Valley. Each party shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser.

D. Personal to Tenant: All Options provided to Tenant in this Lease are personal and granted to VeriSign, Inc. (and any permitted transferee pursuant to Section 17.E. above) and are not exercisable by any third party should Tenant assign or sublet all or a portion of its rights under this Lease, unless Landlord consents to permit exercise of any option by any assignee or subtenant, in Landlord's sole and absolute discretion. In the event Tenant has multiple options to extend this Lease, a later option to extend the Lease cannot be exercised unless the prior option has been properly exercised.

19. GENERAL PROVISIONS:

A. Attorney's Fees: In the event a suit or alternative form of dispute resolution is brought for the possession of the Premises, for the recovery of any sum due hereunder, to interpret the Lease, or because of the breach of any other covenant herein; then the losing party shall pay to the prevailing party reasonable attorney's fees including the expense of expert witnesses, depositions and court testimony as part of its costs which shall be deemed to have accrued on the commencement of such action. The prevailing party shall also be entitled to recover

all costs and expenses including reasonable attorney's fees incurred in enforcing any judgment or award against the other party. The foregoing provision relating to post-judgment costs is severable from all other provisions of this Lease.

B. Authority of Parties: Tenant represents and warrants that it is duly formed and in good standing, and is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms. At Landlord's request, Tenant shall provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord, authorizing the execution of the Lease.

C. Brokers: Tenant represents it has not utilized or contacted a real estate broker or finder with respect to this Lease other than Cornish & Carey Commercial and Tenant agrees to indemnify, defend and hold Landlord harmless against any claim, cost, liability or cause of action asserted by any other broker or finder claiming through Tenant.

D. Choice of Law: This Lease shall be governed by and construed in accordance with California law. Except as provided in Section 19.E, venue shall be Santa Clara County.

E. Dispute Resolution: Landlord and Tenant and any other party that may become a party to this Lease or be deemed a party to this Lease including any subtenants agree that, except for any claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court (which small claims court shall be the sole court of competent jurisdiction), any controversy, dispute, or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Lease, including any claim based on contract, tort, or statute, shall be resolved at the request of any party to this agreement through a two-step dispute resolution process administered by J.A.M.S. or another judicial mediation service mutually acceptable to the parties located in Santa Clara County, California. The dispute resolution process shall involve first, mediation, followed, if necessary, by final and binding arbitration administered by and in accordance with the then existing rules and practices of J.A.M.S. or other judicial mediation service selected. In the event of any dispute subject to this provision, either party may initiate a request for mediation and the parties shall use reasonable efforts to promptly select a J.A.M.S. mediator and commence the mediation. In the event the parties are not able to agree on a mediator within thirty (30) days, J. A. M. S. or another judicial mediation service mutually acceptable to the parties shall appoint a mediator. The mediation shall be confidential and in accordance with California Evidence Code (S) 1119 et. seq. The mediation shall be held in Santa Clara County, California and in accordance with the existing rules and practice of J. A. M. S. (or other judicial and mediation service selected). The parties shall use reasonable efforts to conclude the mediation within sixty (60) days of the date of either party's request for mediation. The mediation shall be held prior to any arbitration or court action (other than a claim by Landlord for unlawful detainer or any claim within the jurisdiction of the small claims court which are not subject to this mediation/arbitration provision and may be filed directly with a court of competent jurisdiction). Should the prevailing party in any dispute subject to this Section 19.E attempt an arbitration or a court action before attempting to mediate, the prevailing party shall not be entitled to attorney's fees that might otherwise be available to them in a court action or arbitration and in addition thereto, the party who is determined by the arbitrator to have resisted mediation, shall be sanctioned by the arbitrator or judge.

IF A MEDIATION IS CONDUCTED BUT IS UNSUCCESSFUL, IT SHALL BE FOLLOWED BY FINAL AND BINDING ARBITRATION ADMINISTERED BY AND IN ACCORDANCE WITH THE THEN EXISTING RULES AND PRACTICES OF J.A.M.S. OR THE OTHER JUDICIAL AND MEDIATION SERVICE SELECTED, AND JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED BY ANY STATE OR FEDERAL COURT HAVING JURISDICTION THEREOF AS PROVIDED BY CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET. SEQ, AS SAID STATUTES THEN APPEAR, INCLUDING ANY AMENDMENTS TO SAID STATUTES OR SUCCESSORS TO SAID STATUTES OR AMENDED STATUTES, EXCEPT THAT IN NO EVENT SHALL THE PARTIES BE ENTITLED TO PROPOUND INTERROGATORIES OR REQUEST FOR

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ADMISSIONS DURING THE ARBITRATION PROCESS. THE ARBITRATOR SHALL BE A RETIRED JUDGE OR A LICENSED CALIFORNIA ATTORNEY. THE VENUE FOR ANY SUCH ARBITRATION OR MEDIATION SHALL BE IN SANTA CLARA COUNTY, CALIFORNIA.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "MEDIATION AND ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LANDLORD: /s/ JMS

TENANT: /s/ DLE

F. Entire Agreement: This Lease and the exhibits attached hereto contains all of the agreements and conditions made between the Parties hereto and may not be modified orally or in any other manner other than by written agreement signed by all parties hereto or their respective successors in interest. This Lease supersedes and revokes all previous negotiations, letters of intent, lease proposals, brochures, agreements, representations, promises, warranties, and understandings, whether oral or in writing, between the parties or their respective representatives or any other person purporting to represent Landlord or Tenant.

G. Entry by Landlord: Upon prior notice to Tenant and subject to Tenant's reasonable security regulations, Tenant shall permit Landlord and his agents to enter into and upon the Premises at all reasonable times, and without any rent abatement or reduction or any liability to Tenant for any reasonable loss of occupation or quiet enjoyment of the Premises thereby occasioned, for the following purposes: (i) inspecting and maintaining the Premises; (ii) making repairs, alterations or additions to the Premises; (iii) erecting additional building(s) and improvements on the land where the Premises are situated or on adjacent land owned by Landlord; (iv) performing any obligations of Landlord under the Lease including remediation of Hazardous Materials if determined to be the responsibility of Landlord, (v) posting and keeping posted thereon notices of non-responsibility for any construction, alteration or repair thereof, as required or permitted by any law, and (vi) showing the Premises to Landlord's or the Master Landlord's existing or potential successors, purchaser, tenants and lenders. Tenant shall permit Landlord and his agents, at any time within one hundred eighty (180) days prior to the Expiration Date (or at any time during the Lease if Tenant is in default hereunder), to place upon the Premises "For Lease" signs and exhibit the Premises to real estate brokers and prospective tenants at reasonable hours.

H. Estoppel Certificates: At any time during the Lease Term, each party (the "Responding Party") shall, within ten (10) business days following written notice from the other party (the "Requesting Party"), execute and deliver to the Requesting Party a written statement certifying, if true, the following: (i) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification); (ii) the date to which rent and other charges are paid in advance, if any; (iii) acknowledging that there are not, to Responding Party's knowledge, any uncured defaults on Requesting Party's part hereunder (or specifying such defaults if they are claimed); and (iv) such other information as Requesting Party may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of Requesting Party's interest in the Premises. The Responding Party's failure to deliver such statement within such time shall be conclusive upon the Responding Party that this Lease is in full force and effect without modification, except

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as may be represented by the Requesting Party, and that there are no uncured defaults in Requesting Party's performance. Tenant agrees to provide, within five (5) days of Landlord's request, Tenant's most recent three (3) years of audited financial statements for Landlord's use in financing or sale of the Premises or Landlord's interest therein.

I. Exhibits: All exhibits referred to are attached to this Lease and incorporated by reference.

J. Interest: All rent due hereunder, if not paid when due, shall bear interest at the rate of the Reference Rate published by Bank of America, San Francisco Branch, plus two percent (2%) per annum from that date until paid in full ("Agreed Interest Rate"). This provision shall survive the expiration or sooner termination of the Lease. Despite any other provision of this Lease, the total liability for interest payments shall not exceed the limits, if any, imposed by the usury laws of the State of California. Any interest paid in excess of those limits shall be refunded to Tenant by application of the amount of excess interest paid against any sums outstanding in any order that Landlord requires. If the amount of excess interest paid exceeds the sums outstanding, the portion exceeding those sums shall be refunded in cash to Tenant by

Landlord. To ascertain whether any interest payable exceeds the limits imposed, any non-principal payment (including late charges) shall be considered to the extent permitted by law to be an expense or a fee, premium, or penalty rather than interest.

K. This section intentionally left blank.

L. No Presumption Against Drafter: Landlord and Tenant understand, agree and acknowledge that this Lease has been freely negotiated by both Parties; and that in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

M. Notices: All notices, demands, requests, or consents required to be given under this Lease shall be sent in writing by U.S. certified mail, return receipt requested, or by personal delivery addressed to the party to be notified at the address for such party specified in Section 1 of this Lease, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days prior notice to the notifying party. When this Lease requires service of a notice, that notice shall satisfy rather than supplement any similar statutorily required notice, including any notice required by Code of Civil Procedure Section 1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of such notice in the manner described in the first sentence of this Section 19.M. shall satisfy such statutory requirement.

N. Property Management: In addition, Tenant agrees to pay Landlord along with the expenses to be reimbursed by Tenant a monthly fee for management services rendered by either Landlord or a third party manager engaged by Landlord (which may be a party affiliated with Landlord), in the amount of three percent (3%) of the Base Monthly Rent.

O. Rent: All monetary sums due from Tenant to Landlord under this Lease, including, without limitation those referred to as "additional rent", shall be deemed as rent.

P. Representations: Tenant acknowledges that neither Landlord nor any of its employees or agents have made any agreements, representations, warranties or promises with respect to the Premises or with respect to present or future rents, expenses, operations, tenancies or any other matter. Except as herein expressly set forth herein, Tenant relied on no statement of Landlord or its employees or agents for that purpose.

Q. Rights and Remedies: Subject to Section 14 above, All rights and remedies hereunder are cumulative and not alternative to the extent permitted by law, and are in addition to all other rights and remedies in law and in equity.

R. Severability: If any term or provision of this Lease is held unenforceable or invalid by a court of competent jurisdiction, the remainder of the Lease shall not be invalidated thereby but shall be enforceable in accordance with its terms, omitting the invalid or unenforceable term.

S. Submission of Lease: Submission of this document for examination or signature by the parties does not constitute an option or offer

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to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

T. Subordination: This Lease is subject and subordinate to ground and underlying leases, mortgages and deeds of trust (collectively "Encumbrances") which may now affect the Premises, to any covenants, conditions or restrictions of record, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, if the holder or holders of any such Encumbrance ("Holder") require that this Lease be prior and superior thereto, within seven (7) days after written request of Landlord to Tenant, Tenant shall execute, have acknowledged and deliver all documents or instruments, in the commercially reasonable form presented to Tenant, which Landlord or Holder deems necessary or desirable for such purposes. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any and

all Encumbrances which are now or may hereafter be executed covering the Premises or any renewals, modifications, consolidations, replacements or extensions thereof, for the full amount of all advances made or to be made thereunder and without regard to the time or character of such advances, together with interest thereon and subject to all the terms and provisions thereof; provided only, that in the event of termination of any such lease or upon the foreclosure of any such mortgage or deed of trust, Holder agrees to recognize Tenant's rights under this Lease as long as Tenant is not in default either at the time Holder recognizes such rights or at any time thereafter. Within ten (10) business days after Landlord's written request, Tenant shall execute any documents in commercially reasonable form required by Landlord or the Holder to make this Lease subordinate to any lien of the Encumbrance, provided that within those documents the Tenant's rights under this Lease are recognized only as long as Tenant is not in default. If Tenant fails to do so, then in addition to such failure constituting a default by Tenant, it shall be deemed that this Lease is so subordinated to such Encumbrance. Notwithstanding anything to the contrary in this Section, Tenant hereby attorns and agrees to attorn to any entity purchasing or otherwise acquiring the Premises at any sale or other proceeding or pursuant to the exercise of any other rights, powers or remedies under such encumbrance.

Landlord shall cause the existing lender to furnish to Tenant, within sixty (60) days of the date of both parties' execution of this Lease, with a written agreement providing for (i) recognition by the lender of all of the terms and conditions of this Lease; and (ii) continuation of this Lease upon foreclosure of existing lender's security interest in the Premises. In the event that Landlord is unable to provide such agreement, Tenant's sole remedy shall be termination of the Lease, which election shall be made within fourteen (14) days following the expiration of such sixty (60) day period.

U. Survival of Indemnities: All indemnification, defense, and hold harmless obligations of Landlord and Tenant under this Lease shall survive the expiration or sooner termination of the Lease.

V. Time: Time is of the essence hereunder.

W. Transportation Demand Management Programs: Should a government agency or municipality require Landlord to institute TDM (Transportation Demand Management) facilities and/or programs, Tenant agrees that the cost of TDM imposed facilities and programs required on the Premises, including but not limited to employee showers, lockers, cafeteria, or lunchroom facilities, shall be paid by Tenant. Further, any ongoing costs or expenses associated with a TDM program which are required for the Premises and not provided by Tenant, such as an on-site TDM coordinator, shall be provided by Landlord with such costs being included as additional rent and reimbursed to Landlord by Tenant within thirty (30) days after demand. If TDM facilities and programs are instituted on a Project wide basis, Tenant shall pay its proportionate share of such costs in accordance with Section 8 above.

X. Waiver of Right to Jury Trial: Landlord and Tenant waive their respective rights to trial by jury of any contract or tort claim, counterclaim, cross-complaint, or cause of action in any action, proceeding, or hearing brought by either party against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, or Tenant's use or occupancy of the Premises, including any claim of injury or

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damage or the enforcement of any remedy under any current or future law, statute, regulation, code, or ordinance.

Y. Recordation: A short form Memorandum of Lease, in form and content reasonably acceptable to the parties, will be executed in recordable form by each party following execution of this Lease, delivered to Tenant, and may be recorded by Tenant at its expense.

20. RIGHT OF FIRST OFFER TO PURCHASE:

A. Grant and Exercise of Option: In the event Landlord elects to sell the Buildings either separately or as part of a larger sale including other building(s) within the Project ("Offered Property"), Landlord (referred to hereinafter in this Section 20 as "Seller") hereby grants Tenant a right of first offering to purchase. Prior to Seller committing to sell its interest in the Offered Property to a third party, Seller shall give Tenant written notice

of such desire and the terms and other information under which Seller intends to sell the Offered Property. Provided at the time of such written notice: (i) Tenant leases at least two buildings within the Project; and (ii) Tenant is not in default under the Lease beyond the expiration of any applicable cure period, Tenant shall have the option, which must be exercised, if at all, by written notice to Seller within fifteen (15) days after Tenant's receipt of Seller's notice, to purchase Seller's interest in the Offered Property at the sales price and terms of sale specified in the notice. In the event Tenant timely exercises such option to purchase its interest in the Offered Property, Seller shall sell its interest in the Offered Property to Tenant, and Tenant shall purchase its interest in the Offered Property from Seller in accordance with the price and terms specified in Seller's notice. Seller and Tenant shall, in good faith, attempt to reach agreement on the terms of a mutually acceptable purchase agreement consistent with the terms set forth in Seller's notice within thirty (30) days of Tenant's exercise of its option to purchase. In the event either: (i) Tenant fails to exercise Tenant's option within said 15-day period; or (ii) after Tenant's exercise, Seller and Tenant are unable to reach agreement on a mutually acceptable purchase agreement within the subsequent 30-day period; Seller shall have one hundred eighty (180) days thereafter to sell its interest in the Offered Property at no less than ninety percent (90%) of the sales price and upon substantially the same other terms of sale as specified in the notice to Tenant. In the event Seller fails to sell its interest in the Offered Property within said one hundred eighty (180) day period or in the event Seller proposes to sell its interest in the Offered Property at less than ninety percent (90%) of the sales price or on other material terms which are more favorable to the prospective buyer than that proposed to Tenant, Seller shall be required to resubmit such offer to Tenant in accordance with this Right of First Offering except that Tenant shall be required to respond to any resubmission within a seven (7) day period.

B. Exclusions: This Right of First Offering shall automatically terminate (i) upon the expiration or sooner termination of the Lease, or (ii) in the event of a foreclosure or other involuntary transfer of Landlord's interest in the Buildings. Further, this Right of First Offering shall not apply to transfers (but shall survive such transfers) of all or a portion of the Buildings or Project to (i) John A. Sobrato and/or John M. Sobrato (individually and collectively "Sobrato"), (ii) any immediate family member of Sobrato, (iii) any trust established, in whole or in part, for the benefit of Sobrato and/or any immediate family member of Sobrato, (iv) any partnership in which Sobrato or any immediate family member, either directly or indirectly (e.g., through a partnership or corporate entity or a trust) retains a general partner interest, and/or (v) any corporation under the control, either directly or indirectly, by Sobrato or any immediate family member of Sobrato.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the day and year first above written.

Landlord: Ellis-Middlefield Business Park,
a California Limited Partnership

Tenant: VeriSign, Inc.
a Delaware corporation

By: /s/ John M. Sobrato

* By:/s/ Dana L. Evan

Its: G.P.

Its:

* By:/s/ Stratton D. Sclavos

Its:

* NOTE: This lease must either: (i) be signed by two (2) officers of such corporation: one being the chairman of the board, the president, or a vice president, and the other being the secretary, an assistant secretary, the chief financial officer or an assistant treasurer; or (ii) signed by the chief financial officer and accompanied by a corporate resolution authorizing such signing. With respect to item (i) above, if one (1) individual is signing in two (2) of the foregoing capacities, that individual must sign twice; once as one officer and again as the other officer and in such event, Tenant must deliver to Landlord a certified copy of a corporate resolution authorizing the

signatory to execute this Lease.

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Exhibit "A" - Premises-

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Exhibit "A-1" - Premises with Expansion Building-

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EXHIBIT "B" - Draft Letter of Credit

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 2000 AND THE CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THESE FINANCIAL STATEMENTS.

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