

ANNUAL REPORT 2016



VERISIGN®



DEAR VERISIGN STOCKHOLDERS:



OUR MISSION

Enable the world to connect online with reliability and confidence, anytime, anywhere

OUR VALUES

- We are stewards of the internet and our Company
- We are passionate about the pursuit of technology and innovation
- We take responsibility for our actions
- We respect others and exhibit integrity in our actions

We concluded 2016 marking several significant achievements:

- In October, Verisign announced that the Department of Commerce approved the extension amendment to the .com Registry Agreement with ICANN making Verisign the sole registry operator for the .com registry through November 30, 2024.
- Also in October, we concluded a new agreement with ICANN, the root zone maintainer agreement, by which Verisign will continue its unique role of publishing the global internet root zone.
- Revenues totaled \$1,142 million for 2016, marking the sixth straight year of revenue expansion while steadily growing our margins and free cash flow.
- The domain name base for .com and .net names ended 2016 with 142.2 million names, up by 2.4 million net new names which represents a 1.7% increase over the base at the end of the prior year.
- During 2016, we repurchased 7.8 million shares, returning \$637 million to our stockholders.
- Our cash position is strong with \$1.8 billion in cash, cash equivalents and marketable securities at the end of 2016.

Secure, reliable operation of internet infrastructure is fundamental to what we provide and these services help support billions of internet users worldwide. We remain committed to protecting, growing and managing our business while returning value to stockholders.

I would like to extend my thanks to our stockholders, customers, and employees for your ongoing support.

A handwritten signature in black ink that reads "Jim Bidzos". The signature is written in a cursive, flowing style.

Jim Bidzos
Executive Chairman
President and Chief Executive Officer
April 2017

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from _____ to

Commission File Number: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

12061 Bluemont Way, Reston, Virginia
(Address of principal executive offices)

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

20190
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock \$0.001 Par Value Per Share	NASDAQ Global Select Market

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

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

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

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

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

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

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the Registrant as of June 30, 2016, was \$3.4 billion based upon the last sale price reported for such date on the NASDAQ Global Select Market. For purposes of this disclosure, shares of Common Stock held by persons known to the Registrant (based on information provided by such persons and/or the most recent schedule 13Gs filed by such persons) to beneficially own more than 5% of the Registrant's Common Stock and shares held by officers and directors of the Registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily a conclusive determination for other purposes.

Number of shares of Common Stock, \$0.001 par value, outstanding as of the close of business on February 10, 2017: 102,328,550 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the 2017 Annual Meeting of Stockholders are incorporated by reference into Part III

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For purposes of this Annual Report, the terms “Verisign”, “the Company”, “we”, “us”, and “our” refer to VeriSign, Inc. and its consolidated subsidiaries.

PART I

ITEM 1. BUSINESS

Overview

We are a global provider of domain name registry services and internet security, enabling internet navigation for many of the world’s most recognized domain names and providing protection for websites and enterprises around the world (“Registry Services”). Our Registry Services ensure the security, stability, and resiliency of key internet infrastructure and services, including the .com and .net domains, two of the internet’s root servers, and operation of the root-zone maintainer function for the core of the internet’s Domain Name System (“DNS”). Our product suite also includes Security Services, consisting of Distributed Denial of Service (“DDoS”) Protection Services, Verisign iDefense Security Intelligence Services (“iDefense”) and Managed Domain Name System (“Managed DNS”) Services. On February 9, 2017, we entered into an agreement to sell the iDefense business, subject to customary closing conditions.

We have one reportable segment, which consists of Registry Services and Security Services. We have operations inside as well as outside the United States (“U.S.”). For certain additional information about our segment, including a geographic breakdown of revenues and changes in revenues, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and Note 9, “Geographic and Customer Information” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

We were incorporated in Delaware on April 12, 1995. Our principal executive offices are located at 12061 Bluemont Way, Reston, Virginia 20190. Our telephone number at that address is (703) 948-3200. Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol VRSN. VERISIGN, the VERISIGN logo, and certain other product or service names are registered or unregistered trademarks in the U.S. and other countries. Other names used in this Form 10-K may be trademarks of their respective owners. Our primary website is Verisign.com. The information available on, or accessible through, this website is not incorporated in this Form 10-K by reference.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available, free of charge, on the Investor Relations section of our website as soon as is reasonably practicable after filing such reports with the Securities and Exchange Commission (the “SEC”). The public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at sec.gov.

Pursuant to our agreements with the Internet Corporation for Assigned Name and Numbers (“ICANN”), we make available on our website (at www.Verisign.com/zone) files containing all active domain names registered in the .com and .net registries. At the same website address, we make available a summary of the active zone count registered in the .com and .net registries and the number of .com and .net domain names in the domain name base. The domain name base is the active zone plus the number of domain names that are registered but not configured for use in the respective top level domain zone file plus the number of domain names that are in a client or server hold status. These files and the related summary data are updated at least once per day. The update times may vary each day. The number of domain names provided in this Form 10-K are as of midnight of the date reported.

We announce material financial information to our investors using our investor relations website <https://investor.Verisign.com>, SEC filings, investor events, news and earnings releases, public conference calls and webcasts. We use these channels as well as social media to communicate with our investors and the public about our company, our products and services, and other issues. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our Company to review the information we post on the social media channels listed below. This list may be updated from time to time on our investor relations website.

<https://www.Facebook.com/Verisign>

<https://www.Twitter.com/Verisign>

<https://www.LinkedIn.com/company/Verisign>

<https://www.YouTube.com/user/Verisign>

<https://www.Verisign.com>

<https://blog.Verisign.com>

The contents of these websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file, and any references to these websites are intended to be inactive textual references only.

Registry Services

Registry Services operates the authoritative directory of all *.com*, *.net*, *.cc*, *.tv*, and *.name* domain names, among others and the back-end systems for all *.gov*, *.jobs*, and *.edu* domain names, among others. Registry Services allows individuals and organizations to establish their online identities, while providing the secure, always-on access they need to communicate and transact reliably with large-scale online audiences.

We are the exclusive registry of domain names within the *.com*, *.net*, and *.name* generic top-level domains (“gTLDs”), among others, under agreements with ICANN and also, with respect to the *.com* agreement, the U.S. Department of Commerce (“DOC”). We are also the exclusive registry of domain names within certain transliterations of *.com* and *.net* in a number of different native languages and scripts (“IDN gTLDs”). As a registry, we maintain the master directory of all second-level domain names in these gTLDs and IDN gTLDs (e.g., johndoe.com and janedoe.net). Our global constellation of domain name servers provides internet protocol (“IP”) address information in response to queries, enabling the use of browsers, email systems, and other systems on the internet. In addition, we own and maintain the shared registration system that allows all registrars to enter new second-level domain names into the master directory and to submit modifications, transfers, re-registrations and deletions for existing second-level domain names (“Shared Registration System”).

Separate from our agreements with ICANN, we have agreements to be the exclusive registry for the *.tv* and *.cc* country code top-level domains (“ccTLDs”) for Tuvalu and Cocos (Keeling) Islands, respectively, and to operate the back-end registry systems for the *.gov*, *.jobs*, and *.edu* gTLDs, among others. These TLDs, other than *.gov*, are also supported by our global constellation of domain name servers and Shared Registration System.

We also provide internationalized domain name (“IDN”) services that enable internet users to access websites in characters representing their local language. Our legacy TLDs and ccTLDs can support registrations in as many as 350 different native languages and scripts.

Domain names can be registered for between one and 10 years, and the fees charged for *.com*, *.net* and *.name* may only be increased according to adjustments prescribed in our agreements with ICANN over the applicable term. With respect to *.com*, price increases require prior approval by the DOC according to the terms of Amendment 32 of the Cooperative Agreement, as amended, between the DOC and Verisign (“Cooperative Agreement”). Revenues for *.cc* and *.tv* domain names and our IDN gTLDs are based on a similar fee system and registration system, though the fees charged are not subject to the same pricing restrictions as those imposed by ICANN on *.com*, *.net* and *.name*. The fees received from operating the *.gov* registry are based on the terms of Verisign’s agreement with the U.S. General Services Administration. The fees received from operating the *.jobs* registry infrastructure, and that of others for which Verisign provides such services, are based on the terms of Verisign’s agreements with those respective registry operators. No fees are received from operating the *.edu* registry infrastructure.

Historically, we have experienced higher domain name growth in the first quarter of the year compared to other quarters. Our quarterly revenue does not reflect these seasonal patterns because the preponderance of our revenue for each quarterly period is provided by the ratable recognition of our deferred revenue balance. The effect of this seasonality has historically resulted in the largest amount of growth in our deferred revenue balance occurring during the first quarter of the year compared to the other quarters. In the second half of 2015 and in the first quarter of 2016, we experienced an increase in the level of new domain name registrations largely through registrars in China. The volume of these new registrations was inconsistent and episodic compared to prior periods, and by the end of the first quarter of 2016, reverted back to a more normalized registration pace. A significant portion of these domain name registrations from the second half of 2015 did not renew during the fourth quarter of 2016.

Security Services

Security Services provides infrastructure assurance to organizations and is comprised of DDoS Protection Services, iDefense, and Managed DNS Services.

DDoS Protection Services supports online business continuity by providing monitoring and mitigation services against DDoS attacks. We help companies stay online without needing to make significant investments in infrastructure or establish internal DDoS expertise. As a cloud-based service, it can be deployed quickly and easily, with no customer premise equipment required. This saves time and money through operational efficiencies, support costs, and economies of scale to provide detection and protection against the largest DDoS attacks. Customers include financial institutions, software-as-a-service providers, e-commerce providers, and media companies. Customers pay a subscription fee that varies depending on the customer’s network requirements.

iDefense provides 24 hours a day, every day of the year, access to cyber intelligence related to vulnerabilities, malicious code, and global threats. Our teams enable companies to improve vulnerability management, incident response, fraud mitigation, and proactive mitigation of the particular threats targeting their industry or global operations. Customers include financial institutions, large corporations, and governmental and quasi-governmental organizations. Customers pay a subscription fee for iDefense.

Managed DNS Services is a hosting service that delivers DNS resolution, improving the availability of web-based systems. It provides DNS availability through a globally distributed, securely managed, cloud-based DNS infrastructure, allowing enterprises to save on capital expenses associated with DNS infrastructure deployment and reduce operational costs and complexity associated with DNS management. Managed DNS service provides full support for DNS Security Extensions (“DNSSEC”) compliance features and Geo Location traffic routing capabilities. DNSSEC is designed to protect the DNS infrastructure from man-in-the-middle attacks that corrupt, or poison, DNS data. Geo Location allows website owners to customize responses for end-users based on their physical location or IP address, giving them the ability to deliver location-specific content. Customers include financial institutions, e-commerce, and software-as-a-service providers. Customers pay a subscription fee that varies based on the amount of DNS traffic they receive.

Operations Infrastructure

Our operations infrastructure consists of three secure data centers in Dulles, Virginia; New Castle, Delaware; and Fribourg, Switzerland as well as more than 100 resolution sites around the world. These secure data centers operate 24 hours a day, supporting our business units and services. The performance and scale of our infrastructure are critical for our business, and give us the platform to maintain our leadership position. Key features of our operations infrastructure include:

- *Distributed Servers:* We operate a large number of high-speed servers globally to support localized capacity and availability demands. In conjunction with our proprietary software, processes and procedures, this platform offers rapid failover, global and local load balancing, and threshold monitoring on critical servers.
- *Networking:* We deploy and maintain a redundant and diverse global network, maintain high-speed, redundant connections to numerous internet service providers, and maintain peering relationships globally to ensure that our critical services are readily accessible to customers at all times.
- *Security:* We incorporate architectural concepts such as protected domains, restricted nodes and distributed access control in our system architecture. In addition, we employ firewalls and intrusion detection software, as well as proprietary security mechanisms at many points across our infrastructure. We perform recurring internal vulnerability testing and controls audits, and also contract with third-party security consultants who perform periodic penetration tests and security risk assessments on our systems. Verisign has engineered resiliency and diversity into how it hosts classes of products throughout its set of interconnected sites to mitigate unknown vendor defects and zero-hour security vulnerabilities. This includes different physical security silos, which themselves are separated into bulkheads, and in which servers are located. Corporate networks are in their own physical silo. Thus, the corporate networks to which personnel directly connect are separated from the silos that house production services; administration of production gear from corporate systems must go through an internal, fortified intermediary; and account credentials used within the corporate networks are not used within the production silos, nor on the fortified systems.
- *Data Integrity:* Verisign employs both phased and systemic integrity validation operations via a number of proprietary mechanisms on all internal DNS publication operations.

As part of our operations infrastructure for our Registry Services business, we operate all authoritative domain name servers that answer domain name queries for the *.com* and *.net* zones, as well as for the other TLDs for which we are the registry operator. We also administer and operate two of the 13 root zone servers that contain authoritative data for the very top of the DNS hierarchy. Our domain name servers provide the associated authoritative name servers and IP addresses for every *.com* and *.net* domain name on the internet and a large number of other TLD queries, resulting in an average of approximately 143 billion transactions per day. These name servers are located in resolution facilities which are in a controlled and monitored environment, incorporating security and system maintenance features. This network of name servers is one of the cornerstones of the internet’s DNS infrastructure.

We have continuously expanded our infrastructure to meet demands to support normal and peak system load and attack volumes based on what we have experienced historically, as well as to address projected internet attack trends.

Call Centers and Help Desk: We provide customer support services through our phone-based call centers, email help desks and web-based self-help systems. Our Virginia call center is staffed 24 hours a day, every day of the year to support our

businesses. All call centers have a staff of trained customer support agents and also provide web-based support services utilizing customized automatic response systems to provide self-help recommendations.

Operations Support and Monitoring: Through our network operations centers, we have an extensive monitoring capability that enables us to track the status and performance of our critical database systems and our global resolution systems. Our network operations center is staffed 24 hours a day, every day of the year.

Disaster Recovery Plans: We have disaster recovery and business continuity capabilities that are designed to deal with the loss of entire data centers and other facilities. Our Registry Services business maintains dual mirrored data centers that allow rapid failover with no data loss and no loss of function or capacity, as well as off-continent tertiary Registry Services capabilities. Our critical data services (including domain name registration and global resolution) use advanced storage systems that provide data protection through techniques such as synchronous mirroring and remote replication.

Marketing, Sales and Distribution

We offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate. We seek to expand our existing businesses through focused marketing programs that target growth in the .com and .net domain name base, both domestically and in emerging international markets, and by extending our brand and serving new markets through the IDN gTLDs, which we have begun launching. We market our Security Services worldwide through multiple distribution channels, including direct sales and indirect channels. We have marketing and sales offices in several different countries around the world.

Research and Development

We believe that timely development of new and enhanced services, including monitoring and visualization, registry provisioning platforms, navigation and resolution services, data services, value added services, and Security Services, as well as new and enhanced ways to ensure the security, stability, and resiliency of our services, is necessary to remain competitive in the marketplace. During 2016, 2015, and 2014 our research and development expenses were \$59.1 million, \$63.7 million and \$67.8 million, respectively.

Our future success will depend, in large part, on our ability to continue to maintain and enhance our current technologies and services and to develop new ones. We actively investigate and incubate new concepts and evaluate new business ideas through our innovation pipeline. We expect that most of the future enhancements to our existing services and our new services will be the result of internal development efforts in collaboration with suppliers, other vendors, customers, and the technology community. Under certain circumstances, we may also acquire or license technology from third parties.

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

Competition

We compete with numerous companies in both the Registry Services and Security Services businesses. The overall number of our competitors may increase and the identity and composition of competitors may change over time.

New technologies and the expansion of existing technologies may increase competitive pressure. In addition, our markets are characterized by announcements of collaborative relationships involving our competitors. The existence or announcement of any such relationships could adversely affect our ability to attract and retain customers.

Competition in Registry Services: We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to obtain a domain name registration, establish a web presence, as well as other uses of domain names, such as branded email. In addition to the gTLDs and ccTLDs we operate or for which we provide back-end registry services, there are over 1,140 other operational gTLD registries, over 250 Latin script ccTLD registries, more than 50 IDN ccTLD registries, and over 80 IDN gTLDs. Under our agreements with ICANN, we are subject to certain restrictions in the operation of .com, .net and .name on pricing, bundling, marketing, methods of distribution, the introduction of new registry services, and use of registrars that do not apply to ccTLDs and other gTLDs and therefore may create a competitive disadvantage.

To the extent end-users navigate using search engines or social media, as opposed to direct navigation, we may face competition from search engine operators such as Google, Microsoft, and Yahoo!, operators of social networks such as Facebook,

and operators of microblogging tools such as Twitter. In addition, we may face competition from these social media businesses to the extent they are used to establish an online presence by end-users instead of through the use of a domain name. Furthermore, to the extent end-users increase the use of web and mobile applications to locate and access content, we may face competition from providers of such web and mobile applications.

We also face competition from service providers that offer outsourced domain name registration, resolution and other DNS services to organizations that require a reliable and scalable infrastructure. Among the competitors are Neustar, Inc., Afilias plc, Donuts Inc., RightSide Group, Ltd., and CentralNic Ltd.

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

Our Security Services business faces competition from companies such as Akamai Technologies, Inc., Amazon, AT&T Inc., BlueCat Networks, Cloudflare, Cisco OpenDNS, Cyveillance, Inc., Dynamic Network Services, Inc., FireEye, Inc., Imperva, Inc., Infoblox Inc., International Business Machines Corporation, Level 3 Communications, Inc., Neustar, Inc., Nominum, Inc., RiskIQ, Inc., SecureWorks, ThreatConnect, Inc., ThreatStream, Inc., and Verizon Communications Inc.

Industry Regulation

The internet is governed under a multi-stakeholder model comprising civil society, the private sector including for-profit and not-for-profit organizations such as ICANN, governments including the U.S. government, academia, non-governmental organizations, and international organizations. ICANN plays a central coordination role in the multi-stakeholder system. ICANN is mandated through its bylaws to uphold a private sector-led multi-stakeholder approach to internet governance for the public benefit. The multi-stakeholder process has and will continue to create policies, programs, and standards that directly or indirectly impact or affect our business. In addition, country-level regulations, such as those implemented by China, impose additional costs on our Registry Services and can affect the growth or renewal rates of domain name registrations. Similarly, in the European Union, legislative and regulatory bodies responsible for data privacy continue to enhance and modify data privacy protections, which impacts our collection and delivery of personal data as we provide our domain name registry services.

As the exclusive registry of domain names within the *.com* and *.net* gTLDs, we have entered into certain agreements with ICANN and, in the case of *.com*, the DOC under a Cooperative Agreement.

.com Registry Agreement

Following the extension of the *.com* Registry Agreement on October 20, 2016, the *.com* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.com* gTLD through November 30, 2024. As part of the extension of the *.com* Registry Agreement, the Company and ICANN agreed to negotiate in good faith to amend the terms of the *.com* Registry Agreement: (i) by October 20, 2018, to preserve and enhance the security and stability of the internet or the *.com* TLD, and (ii) as a result of any changes to, or the termination or expiration of, the Cooperative Agreement. The *.com* Registry Agreement includes pricing restrictions for *.com* domain name registrations, which sets a maximum price of \$7.85 for a *.com* domain name registration and is consistent with the terms of the Cooperative Agreement as set forth below. In addition to the maximum price of \$7.85, on a quarterly basis, we pay \$0.25 to ICANN for each annual increment of a domain name registered or renewed during such quarter. We are required to comply with and implement temporary specifications or policies and consensus policies, as well as other provisions pursuant to the *.com* Registry Agreement relating to handling of data and other registry operations. The *.com* Registry Agreement also provides a procedure for Verisign to propose, and ICANN to review and approve, additional registry services.

The *.com* and *.net* Registry Agreements with ICANN contain a “presumptive” right of renewal upon the expiration of their current terms. In addition to ICANN’s approval, a renewal of the *.com* Registry Agreement must be approved by the DOC, which, under certain circumstances, could refuse to grant its approval to the renewal of the *.com* or *.net* Registry Agreement on similar terms, or at all. ICANN could terminate or refuse to renew our *.com* Registry Agreement if, upon proper notice, (i) we fail to cure a fundamental and material breach of certain specified obligations, and (ii) we fail to timely comply with a final decision of an arbitrator or court. See “Risk Factors - Risks arising from our agreements governing our Registry Services business could limit our ability to maintain or grow our business” in Part I, Item 1A of this Annual Report on Form 10-K for further information. Our

.com and *.net* Registry Agreements contain obligations to provide access to our systems, restrictions on our ability to market and bundle our products and services, and restrictions on our ability to control our registrar channel or own a registrar.

Cooperative Agreement

The Cooperative Agreement will expire on November 30, 2018, unless the DOC, in its sole discretion, extends the term. The DOC has the right to conduct a public interest review for the sole purpose of determining whether the DOC will exercise its right to extend the term of the Cooperative Agreement. In connection with the aforementioned review, we agreed to cooperate fully and to work in good faith to reach a mutual agreement with the DOC to resolve issues identified in such review and to implement any agreed upon changes as of the expiration of the current term of the Cooperative Agreement.

The Cooperative Agreement provides that the Maximum Price (as defined in the *.com* Registry Agreement) of a *.com* domain name shall not exceed \$7.85 for the term of the *.com* Registry Agreement, except that we are entitled to increase the Maximum Price of a *.com* domain name due to the imposition of any new Consensus Policy or documented extraordinary expense resulting from an attack or threat of attack on the Security or Stability of the DNS as described in the *.com* Registry Agreement, provided that we may not exercise such right unless the DOC provides prior written approval that the exercise of such right will serve the public interest, such approval not to be unreasonably withheld. The Cooperative Agreement further provides that we shall be entitled at any time during the term of the *.com* Registry Agreement to seek to remove the pricing restrictions contained in the *.com* Registry Agreement if we demonstrate to the DOC that market conditions no longer warrant pricing restrictions in the *.com* Registry Agreement, as determined by the DOC.

The Cooperative Agreement also provides that the DOC's approval of the *.com* Registry Agreement is not intended to confer federal antitrust immunity on us with respect to the *.com* Registry Agreement. The Cooperative Agreement also provides that any renewal or extension of the *.com* Registry Agreement is subject to prior written approval by the DOC. The DOC shall approve such renewal if it concludes that approval will serve the public interest in (a) the continued security and stability of the internet DNS and the operation of the *.com* registry including, in addition to other relevant factors, consideration of Verisign's compliance with consensus policies and technical specifications, its service level agreements as set forth in the *.com* Registry Agreement, and the investment associated with improving the security and stability of the DNS, and (b) the provision of Registry Services as defined in the *.com* Registry Agreement at reasonable prices, terms and conditions. The parties have an expectancy of renewal of the *.com* Registry Agreement so long as the foregoing public interest standard is met and Verisign is not in breach of the *.com* Registry Agreement.

.net Registry Agreement

On June 27, 2011, we entered into a renewal of our Registry Agreement with ICANN for the *.net* gTLD (the "*.net* Registry Agreement"). The *.net* Registry Agreement provides that we will continue to be the sole registry operator for domain names in the *.net* TLD through June 30, 2017.

Root Zone Maintainer Service Agreement

In the fourth quarter of 2016, the United States government completed a transition of the historical role played by the National Telecommunications and Information Administration ("NTIA") in the coordination of the DNS. As part of the transition, the NTIA discharged us from our obligations under the Cooperative Agreement to perform Root Zone Maintainer functions and we entered into a new agreement with ICANN, the Root Zone Maintainer Service Agreement ("RZMA") under which we now perform the Root Zone Maintainer functions on behalf of ICANN. The RZMA will expire on October 20, 2024.

The descriptions of the *.com* Registry Agreement, the Cooperative Agreement, and the *.net* Registry Agreement are qualified in their entirety by the text of the complete agreements that are incorporated by reference as exhibits in this Form 10-K.

Intellectual Property

We rely on a combination of copyrighted software, trademarks, service marks, patents, trade secrets, know-how, restrictions on disclosure, and other methods to protect our proprietary assets. We also enter into confidentiality and/or invention assignment agreements with our employees, consultants and current and potential affiliates, customers and business partners. We also generally control access to and distribution of proprietary documentation and other confidential information.

We have been issued numerous patents in the U.S. and abroad, covering a wide range of our technologies. Additionally, we continue to file numerous patent applications with respect to certain of our technologies in the U.S. Patent and Trademark Office and internationally. Patents may not be awarded with respect to these applications and even if such patents are awarded, such

patents may not provide us with sufficient protection. We continue to focus on growing our patent portfolio and consider opportunities for its strategic use.

We have obtained trademark registrations for the VERISIGN mark and VERISIGN logo in the U.S. and certain countries, and have pending trademark applications for the VERISIGN logo in a number of other countries. We have common law rights in other proprietary names. We take steps to enforce and police Verisign's trademarks. We rely on the strength of our Verisign brand to help differentiate ourselves in the marketing of our products and services.

Our principal intellectual property consists of, and our success is dependent upon, proprietary software used in our Registry Services business and certain methodologies (many of which are patented or for which patent applications are pending) and technical expertise and proprietary know-how we use in both the design and implementation of our current and future registry services. We own our proprietary Shared Registration System through which registrars submit second-level domain name registrations for each of the registries we operate, as well as the ATLAS distributed lookup system which processes billions of queries per day. Some of the software and protocols used in our registry services are in the public domain or are otherwise available to our competitors. Some of the software and protocols used in our business are based on open standards set by organizations such as the Internet Engineering Task Force. To the extent any of our patents are considered "standard essential patents," we may be required to license such patents to our competitors on reasonable and non-discriminatory terms or otherwise be limited in our ability to assert such patents.

Employees

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

	As of December 31,		
	2016	2015	2014
Employee headcount by function:			
Cost of revenues	324	314	299
Sales and marketing	143	183	171
Research and development	228	253	318
General and administrative	295	269	273
Total	990	1,019	1,061

We have never had a work stoppage, and no U.S.-based employees are represented under collective bargaining agreements. Our ability to achieve our financial and operational objectives depends in large part upon our continued ability to attract, integrate, train, retain, and motivate highly qualified sales, technical and managerial personnel, and upon the continued service of our senior management and key sales and technical personnel. Competition for qualified personnel in our industry and in some of our geographical locations is intense, particularly for software development personnel.

ITEM 1A. RISK FACTORS

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

Risks arising from our agreements governing our Registry Services business could limit our ability to maintain or grow our business.

We are parties to (i) a Cooperative Agreement (as amended) with the DOC with respect to the .com gTLD and (ii) Registry Agreements with ICANN for .com, .net, .name, and other gTLDs including our IDN gTLDs. As substantially all of our revenues are derived from our Registry Services business, limitations and obligations in, or changes or challenges to, these agreements, particularly the agreements that involve .com and .net, could have a material adverse impact on our business. Certain competing registries, such as the ccTLDs, do not face the same limitations or obligations that we face in our agreements.

Modifications or Amendments. In October 2016, the Company and ICANN entered into an amendment to extend the term of the .com Registry Agreement to November 30, 2024 (the “.com Amendment”). As part of the .com Amendment, the Company and ICANN agreed to negotiate in good faith to amend the terms of the .com Registry Agreement: (i) by October 20, 2018, to preserve and enhance the security and stability of the internet or the .com TLD, and (ii) as a result of any changes to, or the termination or expiration of, the Cooperative Agreement. In a related risk, if we have a failure in our operation of the .gov registry, such a failure could call into question our ability to preserve the security and stability of the internet and result in damage to our reputation. We can provide no assurance that any new terms for the .com Registry Agreement that we agree to as a result of the above obligations will not have a material adverse impact on our business, operating results, financial condition, and cash flows.

The DOC approved the .com Amendment under amendment 34 to the Cooperative Agreement. The DOC did not extend the term of the Cooperative Agreement, which will expire on November 30, 2018, unless the DOC, in its sole discretion, extends the term. Under amendment 34, the DOC has the right to conduct a public interest review for the sole purpose of determining whether the DOC will exercise its right to extend the term of the Cooperative Agreement. In connection with the aforementioned review, we agreed to cooperate fully and to work in good faith to reach a mutual agreement with the DOC to resolve issues identified in such review and to implement any agreed upon changes as of the expiration of the current term of the Cooperative Agreement. We can provide no assurance that any changes that we agree to as a result of the above obligations will not have a material adverse impact on our business, operating results, financial condition, and cash flows.

In addition, our Registry Agreements for new gTLDs, including the Registry Agreements for our IDN gTLDs, include ICANN’s right to amend the agreements without our consent, which could impose unfavorable contract obligations on us that could impact our plans and competitive positions with respect to new gTLDs. At the time of renewal of our .com or .net Registry Agreements, ICANN might also attempt to impose this same unilateral right to amend these registry agreements under certain conditions. ICANN has also included new mandatory obligations on new gTLD registry operators, including us, that may increase the risks and potential liabilities associated with operating new gTLDs. ICANN might seek to impose these new mandatory obligations in our other Registry Agreements under certain conditions. We can provide no assurance that any changes to our Registry Agreements as a result of the above obligations will not have a material adverse impact on our business, operating results, financial condition, and cash flows.

Pricing. Under the terms of the Cooperative Agreement with the DOC and the .com Registry Agreement with ICANN, we are restricted during the term of the Registry Agreement from increasing the price of registrations or renewals of .com domain names above \$7.85, except that we are entitled to increase the price up to 7%, with the prior approval of the DOC, due to the imposition of any new Consensus Policies, as established and defined under ICANN’s bylaws, or documented extraordinary expense resulting from an attack or threat of attack on the security and stability of the DNS. However, it is uncertain that such circumstances will arise, or if they do, whether we would seek, or the DOC would approve, any request to increase the price for .com domain name registrations. We also have the right under the Cooperative Agreement to seek the removal of these pricing restrictions if we demonstrate that market conditions no longer warrant such restrictions. However, it is uncertain when such circumstances will arise, or when they do, whether the DOC will agree to the removal of these pricing restrictions. In comparison, under the terms of the .net and .name Registry Agreements with ICANN, we are permitted to increase the price of domain name registrations and renewals in these TLDs up to 10% per year. Additionally, ICANN’s registry agreements for the new gTLDs do not contain such pricing restrictions.

Vertical integration. Under the *.com*, *.net*, and *.name* Registry Agreements with ICANN, as well as the Cooperative Agreement with the DOC, we are not permitted to acquire, directly or indirectly, control of, or a greater than 15% ownership interest in, any ICANN-accredited registrar. Historically, all gTLD registry operators were subject to this vertical integration prohibition; however, ICANN has established a process whereby registry operators may seek ICANN's approval to remove this restriction, and ICANN has approved such removal in some instances. If we were to seek removal of the vertical integration restrictions contained in our agreements, it is uncertain whether ICANN and/or DOC approval would be obtained. Additionally, ICANN's registry agreement for new gTLDs generally permits such vertical integration, with certain limitations including ICANN's right, but not the obligation, to refer such vertical integration activities to competition authorities. Furthermore, such vertical integration restrictions do not generally apply to ccTLD registry operators. If registry operators of new or existing gTLDs, or ccTLDs, are able to obtain competitive advantages through such vertical integration, it could materially harm our business.

Renewal and Termination. Our *.com*, *.net*, and *.name* Registry Agreements with ICANN contain "presumptive" rights of renewal upon the expiration of their current terms on November 30, 2024, July 1, 2017 and August 15, 2018 respectively. The Registry Agreements for our new gTLDs including our IDN gTLDs are subject to a 10-year term and contain similar "presumptive" renewal rights. If certain terms in our *.com* and *.net* Registry Agreements are not similar to such terms generally in effect in the registry agreements of the five largest gTLDs, then a renewal of these agreements shall be upon terms reasonably necessary to render such terms similar to the registry agreements for those other gTLDs. There can be no assurance that such terms, if they apply, will not have a material adverse impact on our business. A renewal of the *.com* Registry Agreement must be approved by the DOC, which, under certain circumstances, could refuse to grant its approval to the renewal of the *.com* Registry Agreement on similar terms, or at all. A failure (i) by ICANN or the DOC to approve the renewal of the *.com* Registry Agreement prior to the expiration of its current term on November 30, 2024, or (ii) by ICANN to approve the renewal of *.net* Registry Agreement prior to or upon the expiration of its current term on July 1, 2017, would have, absent an extension, a material adverse effect on our business. ICANN could terminate or refuse to renew our *.com* or *.net* Registry Agreements if, upon proper notice, (i) we fail to cure a fundamental and material breach of certain specified obligations, and (ii) we fail to timely comply with a final decision of an arbitrator or court. ICANN's termination or refusal to renew either the *.com* or *.net* Registry Agreement would have a material adverse effect on our business.

Consensus Policies. Our Registry Agreements with ICANN require us to implement Consensus Policies and specifications or policies established on a temporary basis ("Temporary Policies"). ICANN could adopt Consensus Policies or Temporary Policies that are unfavorable to us as the registry operator of *.com*, *.net* and our other gTLDs, that are inconsistent with our current or future plans, that impose substantial costs on our business, that subject the Company to additional legal risks or that affect our competitive position. Such Consensus Policies or Temporary Policies could have a material adverse effect on our business.

Legal challenges. Our Registry Agreements have faced, and could continue to face, challenges, including possible legal challenges, resulting from our activities or the activities of ICANN, registrars, registrants, and others, and any adverse outcome from such challenges could have a material adverse effect on our business.

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

Application of new and existing laws and regulations in the U.S. or overseas to the internet and communications industry can be unclear. The costs of complying or failing to comply with these laws and regulations could limit our ability to operate in our current markets, expose us to compliance costs and substantial liability, and result in costly and time-consuming litigation. For example, the government of the People's Republic of China ("PRC") has indicated that it will issue new regulations, and has begun to enforce existing regulations, that could impose additional costs on our provision of Registry Services in the PRC and could impact the growth or renewal rates of domain name registrations in the PRC. In addition to registry operators, the regulations will require registrars to obtain a government-issued license for each TLD whose domain name registrations they intend to sell directly to registrants. Their failure to obtain the required licenses could also impact the growth of our business in the PRC.

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

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

Undetected or unknown defects in our service, security breaches, and DDoS attacks could expose us to liability and harm our business and reputation.

Services as complex as those we offer or develop could contain undetected defects or errors. Despite testing, defects or errors may occur in our existing or new services, which could result in compromised customer data, including DNS data, diversion of development resources, injury to our reputation, tort or contract claims, increased insurance costs or increased service costs, any of which could harm our business. Performance of our services could have unforeseen or unknown adverse effects on the networks over which they are delivered as well as, more broadly, on internet users and consumers, and third-party applications and services that utilize our services, which could result in legal claims against us, harming our business. Our failure to identify, remediate and mitigate security breaches or our 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.

In addition to undetected defects or errors, we are also subject to cyber-attacks and attempted security breaches. We retain certain customer and employee information in our data centers and various domain name registration systems. It is critical to our business strategy that our facilities and infrastructure remain secure and are perceived by the marketplace to be secure. The Company, as an operator of critical internet infrastructure, is frequently targeted and experiences a high rate of attacks. These include the most sophisticated forms of attacks, such as advanced persistent threat attacks and zero-hour threats. These forms of attacks involve situations where the threat is not compiled or has been previously unobserved within our observation and threat indicators space until the moment it is launched. In addition, these forms of attacks may target specific unidentified or unresolved vulnerabilities that exist only within the target's operating environment, making these attacks virtually impossible to anticipate and difficult to defend against. In addition to external threats, we may be subject to insider threats from current, former or contract employees; these threats can be realized from intentional or unintentional actions of such employees. The Shared Registration System, the root zone servers, the Root Zone Management System, the TLD name servers and the TLD zone files that we operate are critical to our Registry Services operations. Despite the significant time and money expended on our security measures, we have been subject to a security breach, as disclosed in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, and our infrastructure may in the future be vulnerable to physical break-ins, outages resulting from destructive malware, computer viruses, attacks by hackers or nefarious actors or similar disruptive problems, including hacktivism. It is possible that we may have to expend additional financial and other resources to address such problems. Any physical or electronic break-in or other security breach or compromise of the information stored at our data centers or domain name registration systems may cause an outage of or jeopardize the security of information stored on our premises or in the computer systems and networks of our customers. In such an event, we could face significant liability, customers could be reluctant to use our services and we could be at risk for loss of various security and standards-based compliance certifications needed for operation of our businesses, all or any of which could adversely affect our reputation and harm our business. Such an occurrence could also result in adverse publicity and therefore adversely affect the market's perception of the security of e-commerce and communications over the internet as well as of the security or reliability of our services.

We use externally developed technology, systems and services including both hardware and software, for a variety of purposes, including, without limitation, encryption and authentication, employee email, back-office support, and other functions. While we have developed operational policies and procedures to reduce the impact of a security breach at a vendor where Company data is stored or processed, such measures cannot provide absolute security. Breaches of our vendors' technology, systems and services could expose us or our customers to a risk of loss or misuse of Company data, including but not limited to personal information.

Additionally, our networks have been, and likely will continue to be, subject to DDoS attacks. Recent attacks against others have demonstrated that DDoS attacks continue to grow in size and sophistication and have an ability to widely disrupt internet services. While we have adopted mitigation techniques, procedures and strategies to defend against such attacks, there can be no assurance that we will be able to defend against every attack, especially as the attacks increase in size and sophistication. Any attack, even if only partially successful, could disrupt our networks, increase response time, negatively impact our ability to meet our contracted service level obligations, and generally hamper our ability to provide reliable service

to our Registry Services customers and the broader internet community. Further, we sell DDoS protection services to our Security Services customers. Although we increase our knowledge of and develop new techniques in the identification and mitigation of attacks through the protection of our Security Services customers, the DDoS protection services share some of the infrastructure used in our Registry Services business. Therefore the provision of such services might expose our critical Registry Services infrastructure to temporary degradations or outages caused by DDoS attacks against those customers, in addition to any directed specifically against us and our networks.

Changes to the multi-stakeholder model of internet governance could materially and adversely impact our business.

The internet is governed under a multi-stakeholder model comprising civil society, the private sector including for-profit and not-for-profit organizations such as ICANN, governments including the U.S. government, academia, non-governmental organizations and international organizations.

Role of the U.S. Government. In the fourth quarter of 2016, the United States government completed a transition of the historical role played by NTIA in the coordination of the DNS. Changes arising from this transition to the multi-stakeholder model of internet governance could materially and adversely impact our business. For example, ICANN has adopted bylaws that are designed, in part, to enhance accountability through a new organization called the Empowered Community, which is comprised of a cross section of industry participants. ICANN or the Empowered Community may assert positions that could negatively impact our strategy or our business.

Furthermore, as part of the transition, the NTIA discharged us from our obligations under the Cooperative Agreement to perform Root Zone Maintainer functions and we entered into a new agreement with ICANN, the Root Zone Maintainer Service Agreement (“RZMA”) under which we now perform the Root Zone Maintainer functions on behalf of ICANN. As we perform the Root Zone Maintainer function under the RZMA, we may be subject to claims challenging the agreement or our performance under the agreement, and we may not have immunity from, or sufficient indemnification for, such claims.

By completing the transition discussed above, the U.S. Government through the NTIA has ended its coordination and management of important aspects of the DNS including the IANA functions and the root zone. There can be no assurance that the removal of the U.S. Government oversight of these key functions will not negatively impact our business.

Role of ICANN. ICANN plays a central coordination role in the multi-stakeholder system. ICANN is mandated through its bylaws to uphold a private sector-led multi-stakeholder approach to internet governance for the public benefit. If ICANN or the Empowered Community fails to uphold or significantly redefines the multi-stakeholder model, it could harm our business. Additionally, the Empowered Community could adversely impact ICANN, which could negatively impact its ability to coordinate the multi-stakeholder system of governance, or negatively affect our interests. Also, legal, regulatory or other challenges could be brought challenging the legal authority underlying the roles and actions of ICANN, the Empowered Community or us.

Role of foreign governments. Some governments and members of the multi-stakeholder community have questioned ICANN’s role with respect to internet governance and, as a result, could seek a multilateral oversight body as a replacement. Additionally, the role of ICANN’s Governmental Advisory Committee, which is comprised of representatives of national governments, could change, giving governments more control of internet governance. Some governments and governmental authorities outside the U.S. have in the past disagreed, and may in the future disagree, with the actions, policies or programs of ICANN, the U.S. Government and us relating to the DNS. Changes to the roles that foreign governments play in internet governance could materially and adversely impact our business.

We operate two root zone servers and are contracted to perform the Root Zone Maintainer function. Under ICANN’s New gTLD Program, we face increased risk from these operations.

We operate two of the 13 root zone servers. Root zone servers are name servers that contain authoritative data for the very top of the DNS hierarchy. These servers have the software and DNS configuration data necessary to locate name servers that contain authoritative data for the TLDs. These root zone servers are critical to the functioning of the internet. Under the RZMA, we play a key operational role in support of the IANA function as the Root Zone Maintainer. In this role, we provision and publish the authoritative root zone data and make it available to all root server operators.

Under its New gTLD Program, ICANN has recommended delegations into the root zone of a large number of new gTLDs. In view of our role as the Root Zone Maintainer, and as a root server operator, we face increased risks should ICANN’s delegation of these new gTLDs, which represent unprecedented changes to the root zone in volume and frequency, cause security and stability problems within the DNS and/or for parties who rely on the DNS. Such risks include potential instability of the DNS including potential fragmentation of the DNS should ICANN’s delegations create sufficient instability, and potential claims based on our role in the root zone provisioning and delegation process. These risks, alone or in the aggregate, have the potential to cause serious harm to our Registry Services business. Further, our business could also be harmed through security, stability and resiliency degradation if the delegation of new gTLDs into the root zone causes problems to certain

components of the DNS ecosystem or other aspects of the global DNS, or other relying parties are negatively impacted as a result of domain name collisions or other new gTLD security issues, such as exposure or other leakage of private or sensitive information.

Additionally, DNSSEC enabled in the root zone and at other levels of the DNS requires new preventative maintenance functions and complex operational practices that did not exist prior to the introduction of DNSSEC. Any failure by us or the IANA functions operator to comply with stated practices, such as those outlined in relevant DNSSEC Practice Statements, introduces risk to DNSSEC relying parties and other internet users and consumers of the DNS, which could have a material adverse impact on our business.

The evolution of internet practices and behaviors and the adoption of substitute technologies may impact the demand for domain names.

Domain names and the domain name system have been used by consumers and businesses to access or disseminate information, conduct e-commerce, and develop an online identity for many years. The growth of technologies such as social media, mobile devices, apps and the dominance of search engines has evolved and changed the internet practices and behaviors of consumers and businesses alike. These changes can impact the demand for domain names by those who purchase domain names for personal, commercial and investment reasons. Factors such as the evolving practices and preferences of internet users and how they navigate the internet as well the motivation of domain name registrants and how they will monetize their investment in domain names can negatively impact our business. Some domain name registrars and registrants seek to purchase and resell domain names following an increase in their value. Adverse changes in the resale value of domain names could result in a decrease in the demand and/or renewal rates for domain names in our TLDs obtained for resale.

Some domain name registrants use a domain name to access or disseminate information, conduct e-commerce, and develop an online identity. Currently, internet users often navigate to a website either by directly typing its domain name into a web browser, the use of an app on their smart phone or mobile device, the use of a voice recognition technology such as Alexa, Cortana, Google Assistant, or Siri, or through the use of a search engine. If (i) web browser or internet search technologies were to change significantly; (ii) internet users' preferences or practices shift away from recognizing and relying on web addresses for navigation through the use of new and existing technologies; (iii) internet users were to significantly decrease the use of web browsers in favor of applications to locate and access content; or (iv) internet users were to increasingly use third level domains or alternate identifiers, such as social networking and microblogging sites, in each case the demand for domain names in our TLDs could decrease. This may trigger current or prospective customers and parties in our target markets to reevaluate their need for registration or renewal of domain names.

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

If any of the above factors negatively impact the renewal of domain names or the demand for new domain names, we may experience material adverse impacts on our business, operating results, financial condition and cash flows.

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

We seek to serve many new, developing and emerging markets in foreign countries to grow our business. These markets are rapidly evolving, and may not grow. Even if these markets grow, our services may not be widely used or accepted. Accordingly, the demand for our services in these markets is very uncertain. The factors that may affect market acceptance or adoption of our services in these markets include the following:

- regional internet infrastructure development, expansion, penetration and adoption;
- market acceptance and adoption of products and services based upon technologies other than those we use, which are substitutes for our products and services;
- public perception of the security of our technologies and of IP and other networks;

- the introduction and consumer acceptance of new generations of mobile devices, and in particular the use of alternative internet navigation mechanisms other than web browsers;
- increasing cyber threats and the associated customer need and demand for our Security Services offerings;
- government regulations affecting internet access and availability, domain name registrations or the provision of registry services, or e-commerce and telecommunications over the internet;
- the maturity and depth of the sales channels within developing and emerging markets and their ability and motivation to establish and support sales for domain names;
- preference by markets for the use of their own country's ccTLDs as a substitute or alternative to our TLDs; and
- increased acceptance and use of new gTLDs as substitutes for established gTLDs.

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

We may face operational and other risks from the introduction of new gTLDs by ICANN and our provision of back-end registry services.

Approximately 1,000 new gTLDs have already been delegated in this initial round of new gTLDs. ICANN plans on offering a second round of new gTLDs after the completion of the initial round, the timing of which is uncertain. As set forth in the Verisign Labs Technical Report #1130007 version 2.2: New gTLD Security and Stability Considerations released on March 28, 2013, and expanded upon in our more recent publications, we continue to believe there are issues regarding the deployment of the new gTLDs that should have been addressed before any new gTLDs were delegated, and despite our and others' efforts, some of these issues have not been addressed by ICANN sufficiently, if at all. For example, domain name collisions have been reported to ICANN, which have resulted in various network interruptions for enterprises as well as confusion and usability issues that have led to phishing attacks. It is anticipated that as additional new gTLDs are delegated more domain name collisions and associated security issues will occur.

We have entered into agreements to provide back-end registry services to other registry operators and applicants for new gTLDs. We may face risks regarding ICANN requirements for mitigating name collisions in the new gTLDs which we operate or for which we provide back-end registry services. For example, the possibility exists that "controlled interruption" periods may disrupt network services or that privacy or secure communications may be impacted as a result of insufficient preparedness by ICANN and the community for the launch of new gTLDs.

Our agreements with ICANN to provide registry services in connection with our new gTLDs, including our IDN gTLDs, and our agreements to provide back-end registry services directly to other applicants and indirectly through reseller relationships expose us to operational and other risks. For example, the increase in the number of gTLDs for which we provide registry services on a standalone basis or as a back-end service provider could further increase costs or increase the frequency or scope of targeted attacks from nefarious actors.

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

The internet and communications network services industries are characterized by rapid technological change and frequent new product and service announcements which require us continually to improve the performance, features and reliability of our services, particularly in response to competitive offerings or alternatives to our products and services. In order to remain competitive and retain our market position, we must continually improve our access to technology and software, support the latest transmission technologies, and adapt our products and services to changing market conditions and our customers' and internet users' preferences and practices, or launch entirely new products and services such as new gTLDs in anticipation of, or in response to, market trends. We cannot assure that competing technologies developed by others or the emergence of new industry standards will not adversely affect our competitive position or render our services or technologies noncompetitive or obsolete. In addition, our markets are characterized by announcements of collaborative relationships involving our competitors. The existence or announcement of any such relationships could adversely affect our ability to attract and retain customers. As a result of the foregoing and other factors, we may not be able to compete effectively with current or future competitors, and competitive pressures that we face could materially harm our business.

We face competition in the domain name registry space from other gTLD and ccTLD registries that are competing for the business of entities and individuals that are seeking to obtain a domain name registration and/or establish a web presence. We have applied for new gTLDs including certain IDN gTLDs; however, there is no guarantee that such new gTLDs will be as or more successful than the new gTLDs obtained by our competitors. For example, some of the new gTLDs, including our new gTLDs, may face additional universal acceptance and usability challenges in that current desktop and mobile device software

does not ubiquitously recognize these new gTLDs and may be slow to adopt standards or support these gTLDs, even if demand for such products is strong. This is particularly true for IDN gTLDs, but applies to conventional gTLDs as well. As a result of these challenges, it is possible that resolution of domain names within some of these new gTLDs may be blocked within certain state or organizational environments, challenging universal resolvability of these strings and their general acceptance and usability on the internet.

See the “Competition” section in Part I, Item 1 of this Annual Report on Form 10-K for further information.

We must establish and maintain strong relationships with registrars and their resellers to maintain their focus on marketing our products and services otherwise our Registry Service business could be harmed.

All of our domain name registrations occur through registrars. Registrars and their resellers utilize substantial marketing efforts to increase the demand and/or renewal rates for domain names. Consolidation in the registrar or reseller industry or changes in ownership, management, or strategy among individual registrars or resellers could result in significant changes to their business, operating model and cost structure. Such changes could include reduced marketing efforts or other operational changes that could adversely impact the demand and/or the renewal rates for domain names. With the introduction of new gTLDs, many of our registrars have chosen to, and may continue to choose to, focus their short or long-term marketing efforts on these new offerings and/or reduce the prominence or visibility of our products and services on their e-commerce platforms. Our registrars and resellers sell domain name registrations of other competing registries, and some also sell and support their own services for websites such as email, website hosting, as well as other services. Therefore, our registrars and resellers may be more motivated to sell to registrants to whom they can also market their own services. To the extent that registrars and their resellers focus more on selling and supporting their services and less on the registration and renewal of our TLDs, our revenues could be adversely impacted. Our ability to successfully market our services to, and build and maintain strong relationships with, new and existing registrars or resellers is a factor upon which successful operation of our business is dependent. If we are unable to keep a significant portion of their marketing efforts focused on selling our TLDs as opposed to other competing TLDs or their own services, our business could be harmed.

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

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

- power loss, transmission cable cuts and other telecommunications failures;
- damage or interruption caused by fire, earthquake, and other natural disasters;
- attacks, including hacktivism, by miscreants or other nefarious actors;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism, terrorist attacks, unintentional mistakes or errors, and other events beyond our control;
- risks inherent in or arising from the terms and conditions of our agreements with service providers to operate our networks and data centers;
- state suppression of internet operations; and
- any failure to implement effective and timely remedial actions in response to any damage or interruption.

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

In addition, our Registry Services business and certain of our other services depend on the efficient operation of the internet connections to and from customers to our Shared Registration System residing in our secure data centers. These connections depend upon the efficient operation of internet service providers and internet backbone service providers, some or all of which have had periodic operational problems or experienced outages in the past beyond our scope of control. In addition, if these service providers do not protect, maintain, improve, and reinvest in their networks or present inconsistent data regarding the DNS through their networks, our business could be harmed.

A failure in the operation or update of the root zone servers, the root zone file, the root zone management system, the TLD name servers, or the TLD zone files that we operate, or other network functions, could result in a DNS resolution or other service outage or degradation; the deletion of one or more TLDs from the internet; the deletion of one or more second-level domain names from the internet for a period of time; or a misdirection of a domain name to a different server. A failure in the operation or update of the supporting cryptographic and other operational infrastructure that we maintain could result in similar consequences. A failure in the operation of our Shared Registration System could result in the inability of one or more registrars to register or maintain domain names for a period of time. In the event that a registrar has not implemented back-up services in conformance with industry best practices, the failure could result in permanent loss of transactions at the registrar during that period. Any of these problems or outages could create potential liability, including liability arising from a failure to meet our service level agreements in our Registry Agreements, and could decrease customer satisfaction, harming our business or resulting in adverse publicity that could adversely affect the market's perception of the security of e-commerce and communications over the internet as well as of the security or reliability of our services.

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

An unstable global economic, social and political environment, including hostilities and conflicts in various regions both inside and outside the U.S., natural disasters, currency fluctuations, and country specific operating regulations may have a negative impact on demand for our services, our business and our foreign operations. The economic, social and political environment has impacted or may negatively impact, among other things:

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

In addition, to the extent that the economic, social and political environment impacts specific industry and geographic sectors in which many of our customers are concentrated, that may have a disproportionate negative impact on our business.

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

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

- competition with foreign companies or other domestic companies entering the foreign markets in which we operate, as well as foreign governments actively promoting ccTLDs, which we do not operate;
- legal uncertainty regarding liability, enforcing our contracts and compliance with foreign laws;
- tariffs and other trade barriers and restrictions;
- difficulties in staffing and managing foreign operations;

- currency fluctuations;
- potential problems associated with adapting our services to technical conditions existing in different countries;
- difficulty of verifying customer information, including complying with the customer verification requirements of certain countries;
- more stringent privacy policies in some foreign countries;
- additional vulnerability from terrorist groups targeting U.S. interests abroad;
- potentially conflicting or adverse tax consequences;
- reliance on third parties in foreign markets in which we only recently started doing business; and
- potential concerns of international customers and prospects regarding doing business with U.S. technology companies due to alleged U.S. government data collection policies.

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

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

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

We rely on the strength of our Verisign brand to help differentiate ourselves in the marketing of our products. Dilution of the strength of our brand could harm our business. We are at risk that we will be unable to fully register, build equity in, or enforce the Verisign logo in all markets where Verisign products and services are sold. In addition, in the U.S. and most other countries' word marks for TLDs have currently not been successfully registered as trademarks. Accordingly, we may not be able to fully realize or maintain the value of these intellectual property assets.

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

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

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

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

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

In addition to possible intellectual property litigation and infringement claims, we are, and may in the future, become involved in other claims, lawsuits and investigations, including with respect to the RZMA. Such proceedings may initially be viewed as immaterial but could prove to be material. Litigation is inherently unpredictable, and excessive verdicts do occur. Adverse outcomes in lawsuits and investigations could result in significant monetary damages, including indemnification payments, or injunctive relief that could adversely affect our ability to conduct our business and may have a material adverse effect on our financial condition, results of operations and cash flows. Given the inherent uncertainties in litigation, even when we are able to reasonably estimate the amount of possible loss or range of loss and therefore record an aggregate litigation accrual for probable and reasonably estimable loss contingencies, the accrual may change in the future due to new developments or changes in approach. In addition, such investigations, claims and lawsuits could involve significant expense and diversion of management's attention and resources from other matters.

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

We explore possible strategic initiatives which may include, among other things, the investment in, and the pursuit of, new revenue streams, services or products, changes to our offerings, initiatives to leverage our patent portfolio, our Security Services business, back-end registry services and IDN gTLDs. In addition, we have evaluated and are pursuing and will continue to evaluate and pursue acquisitions of TLDs that are currently in operation and those that have not yet been awarded as long as they support our growth strategy.

Any such strategic initiative may involve a number of risks, including: the diversion of our management's attention from our existing business to develop the initiative, related operations and any requisite personnel; possible regulatory scrutiny or third-party claims; possible material adverse effects on our results of operations during and after the development process; our possible inability to achieve the intended objectives of the initiative; as well as damage to our reputation if we are unsuccessful in pursuing a strategic initiative. Such initiatives may result in a reduction of cash or increased costs. We may not be able to successfully or profitably develop, integrate, operate, maintain and manage any such initiative and the related operations or employees in a timely manner or at all. Furthermore, under our agreements with ICANN, we are subject to certain restrictions in the operation of *.com*, *.net*, *.name* and other TLDs, including required ICANN approval of new registry services for such TLDs. If any new initiative requires ICANN review or ICANN determines that such a review is required, we cannot predict whether this process will prevent us from implementing the initiative in a timely manner or at all. Any strategic initiative to leverage our patent portfolio will likely increase litigation risks from potential licensees and we may have to resort to litigation to enforce our intellectual property rights.

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

We operate in a unique competitive and highly regulated environment and we depend on the knowledge, experience, and performance of our senior management team and other key employees in this regard and otherwise. We periodically experience changes in our management team. If we are unable to attract, integrate, retain and motivate these key individuals and additional highly skilled technical, sales and marketing, and other experienced employees, and implement succession plans for these personnel, our business may suffer. For example, our service products are highly technical and require individuals skilled and knowledgeable in unique platforms and software implementation.

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

We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and

calculations where the ultimate tax determination is uncertain. We are subject to audit by various tax authorities. In accordance with U.S. GAAP, we recognize income tax benefits, net of required valuation allowances and accrual for uncertain tax positions. For example, we claimed a worthless stock deduction on our 2013 federal income tax return and recorded a net income tax benefit of \$380.1 million. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and accruals. Should additional taxes be assessed as a result of an audit or litigation, an adverse effect on our results of operations, financial condition and cash flows in the period or periods for which that determination is made could result.

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

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

Our foreign earnings, which are indefinitely reinvested offshore, constitute a majority of our cash, cash equivalents and marketable securities, and there is a high cost associated with a change in our indefinite reinvestment assertion or a repatriation of those funds to the U.S.

A majority of our cash, cash equivalents and marketable securities are held by our foreign subsidiaries. Our foreign earnings are indefinitely reinvested offshore and are not available to be used in the U.S. for working capital needs, debt obligations, acquisitions, share repurchases, dividends or other general corporate purposes. In the event that funds from our foreign operations are needed in the U.S. for any purpose, we would be required to accrue and pay additional U.S. taxes in order to repatriate those funds, which could be significant. Further, if we are unable to indefinitely reinvest our foreign earnings our effective tax rate would increase. These could adversely impact our business valuation and stock price.

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

As of December 31, 2016, we had \$1.8 billion in cash, cash equivalents, marketable securities and restricted cash, of which \$1.6 billion was invested in marketable securities. The marketable securities consist primarily of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through the investment in investment grade securities. We currently do not use derivative financial instruments to adjust our investment portfolio risk or income profile.

These investments, as well as any cash deposited in bank accounts, are subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by financial market credit and liquidity events. If the global credit or liquidity market deteriorates or other events negatively impact the market for U.S. Treasury securities, our investment portfolio may be impacted and we could determine that some of our investments have experienced an other-than-temporary decline in fair value, requiring an impairment charge which could adversely impact our results of operations and cash flows.

We are subject to the risks of owning real property.

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

- adverse changes in the value of the properties, due to interest rate changes, changes in the commercial property markets, or other factors;
- ongoing maintenance expenses and costs of improvements;
- the possible need for structural improvements in order to comply with environmental, health and safety, zoning, seismic, disability law, or other requirements;
- the possibility of environmental contamination or notices of violation from federal or state environmental agencies; and
- possible disputes with neighboring owners, tenants, service providers or others.

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

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

- our stockholders may take action only at a duly called meeting and not by written consent;
- special meetings of our stockholders may be called only by the chairman of the board of directors, the president, our Board, or the secretary (acting as a representative of the stockholders) whenever a stockholder or group of stockholders owning at least thirty-five percent (35%) in the aggregate of the capital stock issued, outstanding and entitled to vote, and who held that amount in a net long position continuously for at least one year, so request in writing;
- vacancies on our Board can be filled until the next annual meeting of stockholders by a majority of directors then in office; and
- our Board has the ability to designate the terms of and issue new series of preferred stock without stockholder approval.

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

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

As of December 31, 2016, we had one billion authorized common shares, of which 103.1 million shares were outstanding. In addition, of our authorized common shares, 12.6 million common shares were reserved for issuance pursuant to outstanding equity and employee stock purchase plans (“Equity Plans”), and 36.4 million shares were reserved for issuance upon conversion of our 3.25% Junior Subordinated Convertible Debentures due 2037 (“Subordinated Convertible Debentures”). As a result, we keep substantial amounts of our common stock available for issuance upon exercise or settlement of equity awards outstanding under our Equity Plans and/or the conversion of Subordinated Convertible Debentures into our common stock. Issuance of all or a large portion of such shares would be dilutive to existing security holders, could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities.

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

We have a significant amount of outstanding debt, and we may incur additional indebtedness in the future. Our substantial indebtedness, including any future indebtedness, requires us to dedicate a significant portion of our cash flow from operations or to arrange alternative liquidity sources to make principal and interest payments, when due, or to repurchase or settle our debt, if triggered, by certain corporate events, certain events of default, or conversion. It could also limit our flexibility in planning for or reacting to changes in our business and our industry, or make required capital expenditures and investments in our business; make it difficult or more expensive to refinance our debt or obtain new debt; trigger an event of default; and increase our vulnerability to adverse changes in general economic and industry conditions. Some of our debt contains covenants which may limit our operating flexibility, including restrictions on share repurchases, dividends, prepayment or repurchase of debt, acquisitions, disposing of assets, if we do not continue to meet certain financial ratios. Any rating assigned to our debt securities could be lowered or withdrawn by a rating agency, which could make it more difficult or more expensive for us to obtain additional debt financing in the future. The settlement amount, contingent interest, and potential recapture of income tax deductions related to our Subordinated Convertible Debentures can be substantial, and can increase significantly based on changes in our stock price. The occurrence of any of the foregoing factors could have a material adverse effect on our business, cash flows, results of operations and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Reston, Virginia. We have administrative, sales, marketing, research and development and operations facilities located in the U.S., Europe, Asia, and Australia. As of December 31, 2016, we owned approximately 454,000 square feet of space, which includes facilities in Reston and Dulles, Virginia and New Castle, Delaware. As of December 31, 2016, we leased approximately 25,000 square feet of space in Europe, Australia and Asia. These facilities are under lease agreements that expire at various dates through 2019.

We believe that our existing facilities are well maintained and in good operating condition, and are sufficient for our needs for the foreseeable future. The following table lists our major locations and primary use as of December 31, 2016:

<u>Major Locations</u>	<u>Approximate Square Footage</u>	<u>Use</u>
United States:		
Reston, Virginia	221,000	Corporate Headquarters
New Castle, Delaware	105,000	Data Center
Dulles, Virginia.....	70,000	Data Center
Europe:		
Fribourg, Switzerland	8,000	Data Center and Corporate Services

The table above does not include approximately 58,000 square feet of space owned by us and leased to third parties.

ITEM 3. LEGAL PROCEEDINGS

On January 18, 2017, the Company received a Civil Investigative Demand (“CID”) from the Antitrust Division of the United States Department of Justice requesting certain material related to the Company becoming the registry operator for the .web gTLD. We are in the process of responding to the CID. It is not possible at this time to estimate a range of potential financial and non-financial outcomes in connection with this matter.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information regarding our executive officers as of February 17, 2017:

<u>Name</u>	<u>Age</u>	<u>Position</u>
D. James Bidzos	61	Executive Chairman, President and Chief Executive Officer
Todd B. Strubbe	53	Executive Vice President, Chief Operating Officer
George E. Kilguss, III	56	Executive Vice President, Chief Financial Officer
Thomas C. Indelicarto	53	Executive Vice President, General Counsel and Secretary

D. James Bidzos has served as Executive Chairman since August 2009 and President and Chief Executive Officer since August 2011. He served as Executive Chairman and Chief Executive Officer on an interim basis from June 2008 to August 2009 and served as President from June 2008 to January 2009. He served as Chairman of the Board since August 2007 and from April 1995 to December 2001. He served as Vice Chairman of the Board from December 2001 to August 2007. Mr. Bidzos served as a director of VeriSign Japan from March 2008 to August 2010 and served as Representative Director of VeriSign Japan from March 2008 to September 2008. Mr. Bidzos served as Vice Chairman of RSA Security Inc., an Internet identity and access management solution provider, from March 1999 to May 2002, and Executive Vice President from July 1996 to February 1999. Prior thereto, he served as President and Chief Executive Officer of RSA Data Security, Inc. from 1986 to February 1999.

Todd B. Strubbe has served as Chief Operating Officer since April 2015. From September 2009 to April 2015, he served as the President of the Unified Communications Business Segment for West Corporation, a provider of technology-driven communications services. Prior to this, he was a co-founder and Managing Partner of Arbor Capital, LLC. He has also served in executive leadership positions at First Data Corporation and CompuBank, N.A. and as an associate and then as an engagement manager with McKinsey & Company, Inc. He also served for five years as an infantry officer with the United States Army. Mr. Strubbe holds an M.B.A. degree from Harvard Business School and a B.S. degree from the United States Military Academy at West Point.

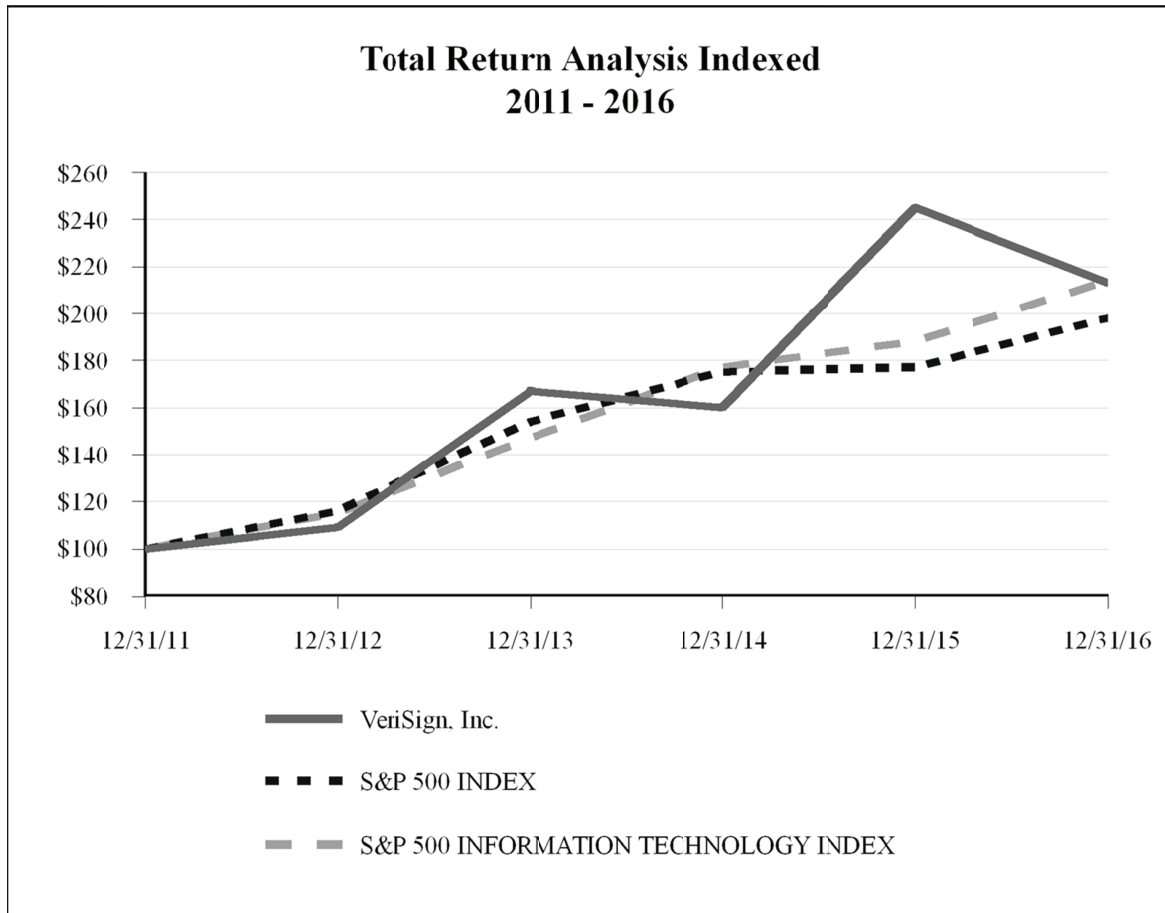
George E. Kilguss, III has served as Chief Financial Officer since May 2012. From April 2008 to May 2012, he was the Chief Financial Officer of Internap Network Services Corporation, an IT infrastructure solutions company. From December 2003 to December 2007, he served as the Chief Financial Officer of Towerstream Corporation, a company that delivers high speed wireless Internet access to businesses. Mr. Kilguss holds an M.B.A. degree from the University of Chicago's Graduate School of Business and a B.S. degree in Economics and Finance from the University of Hartford.

Thomas C. Indelicarto has served as General Counsel and Secretary since November 2014. From September 2008 to November 2014, he served as Vice President and Associate General Counsel. From January 2006 to September 2008, he served as Litigation Counsel. Prior to joining the Company, Mr. Indelicarto was in private practice as an associate at Arnold & Porter LLP and Buchanan Ingersoll (now, Buchanan Ingersoll & Rooney, PC). Mr. Indelicarto also served as a U.S. Army officer for nine years. Mr. Indelicarto holds a J.D. degree from the University of Pittsburgh School of Law and a B.S. degree from Indiana University of Pennsylvania.

Performance Graph

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

The following graph compares the cumulative total stockholder return on our common stock, the Standard and Poor’s (“S&P”) 500 Index, and the S&P 500 Information Technology Index. The graph assumes that \$100 (and the reinvestment of any dividends thereafter) was invested in our common stock, the S&P 500 Index and the S&P 500 Information Technology Index on December 31, 2011, and calculates the return annually through December 31, 2016. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
VeriSign, Inc.....	\$ 100	\$ 109	\$ 167	\$ 160	\$ 245	\$ 213
S&P 500 Index.....	\$ 100	\$ 116	\$ 154	\$ 175	\$ 177	\$ 198
S&P 500 Information Technology Index.....	\$ 100	\$ 115	\$ 147	\$ 177	\$ 188	\$ 214

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data as of and for the last five fiscal years. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K, to fully understand factors that may affect the comparability of the information presented below.

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

	Year Ended December 31,				
	2016	2015	2014	2013 (1)	2012
Revenues	\$ 1,142	\$ 1,059	\$ 1,010	\$ 965	\$ 874
Operating income	\$ 687	\$ 606	\$ 564	\$ 528	\$ 457
Income from continuing operations	\$ 441	\$ 375	\$ 355	\$ 544	\$ 312
Income from continuing operations per share:					
Basic	\$ 4.12	\$ 3.29	\$ 2.80	\$ 3.77	\$ 1.99
Diluted	\$ 3.42	\$ 2.82	\$ 2.52	\$ 3.49	\$ 1.91

- (1) Income from continuing operations for 2013 includes a \$375.3 million income tax benefit related to a worthless stock deduction, net of valuation allowances, and accrual for uncertain tax positions, partially offset by \$167.1 million of income tax expense related to the repatriation of cash held by foreign subsidiaries.

Consolidated Balance Sheet Data: (in millions)

	As of December 31,				
	2016	2015	2014	2013	2012
Cash, cash equivalents and marketable securities	\$ 1,798	\$ 1,915	\$ 1,425	\$ 1,723	\$ 1,556
Total assets	\$ 2,335	\$ 2,358	\$ 1,901	\$ 2,249	\$ 2,009
Deferred revenues	\$ 976	\$ 961	\$ 890	\$ 856	\$ 813
Subordinated Convertible Debentures, including contingent interest derivative	\$ 630	\$ 634	\$ 621	\$ 613	\$ 587
Long-term debt (1)	\$ 1,237	\$ 1,235	\$ 740	\$ 739	\$ 100

- (1) The increase in Long-term debt from 2014 to 2015 was due to the issuance of \$500.0 million aggregate principal amount of 5.25% senior unsecured notes due 2025. The increase in Long-term debt from 2012 to 2013 was due to the issuance of \$750.0 million aggregate principal amount of 4.625% senior unsecured notes due 2023, offset by the repayment of \$100.0 million of outstanding indebtedness under our unsecured credit facility.

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

FORWARD-LOOKING STATEMENTS

This Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our anticipated costs and expenses and revenue mix. Forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors" in Part I, Item 1A of this Form 10-K. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Form 10-K. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

Overview

We are a global provider of domain name registry services and internet security, enabling internet navigation for many of the world's most recognized domain names and providing protection for websites and enterprises around the world. Our Registry Services ensure the security, stability and resiliency of key internet infrastructure and services, including the .com and .net domains, two of the internet's root servers, and the operation of the root zone maintainer function for the core of the internet's DNS. Our product suite also includes Security Services, consisting of DDoS Protection Services, iDefense Services, and Managed DNS Services. Revenues from Security Services are not significant in relation to our consolidated revenues. On February 9, 2017, we entered into an agreement to sell the iDefense business, subject to customary closing conditions.

As of December 31, 2016, we had approximately 142.2 million .com and .net registrations in the domain name base. The number of domain names registered is largely driven by continued growth in online advertising, e-commerce, and the number of internet users, which is partially driven by greater availability of internet access, as well as marketing activities carried out by us and third-party registrars. Growth in the number of domain name registrations under our management may be hindered by certain factors, including overall economic conditions, competition from ccTLDs, the introduction of new gTLDs, and ongoing changes in the internet practices and behaviors of consumers and businesses. Factors such as the evolving practices and preferences of internet users, and how they navigate the internet, as well as the motivation of domain name registrants and how they will manage their investment in domain names, can negatively impact our business and the demand for new domain name registrations and renewals.

2016 Business Highlights and Trends

- We recorded revenues of \$1,142.2 million in 2016, which represents an increase of 8% compared to 2015.
- We recorded operating income of \$686.6 million during 2016, which represents an increase of 13% as compared to 2015.
- On October 20, 2016, we announced that the U.S. Department of Commerce approved the extension amendment to the .com Registry Agreement with the Internet Corporation for Assigned Names and Numbers, pursuant to which Verisign will remain the sole registry operator for the .com registry through November 30, 2024.
- We finished 2016 with 142.2 million .com and .net registrations in the domain name base, which represents a 2% increase from December 31, 2015.
- The final .com and .net renewal rate for the third quarter of 2016 was 73.0% compared with 71.9% for the same quarter in 2015. The final .com and .net renewal rate for the fourth quarter of 2016 was 67.5% compared with 73.3% for the same quarter in 2015.
- We repurchased 7.8 million shares of our common stock for an aggregate cost of \$636.5 million in 2016. As of December 31, 2016, there was \$429.2 million remaining for future share repurchases under the share repurchase program.
- Through February 9, 2017, we repurchased an additional 0.9 million shares for \$70.1 million under our share repurchase program. Effective February 9, 2017, our Board authorized the repurchase of approximately \$640.9 million of our common stock, in addition to the \$359.1 million of our common stock remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to \$1.0 billion of our common stock.

- We generated cash flows from operating activities of \$667.9 million in 2016, which represents an increase of 3% as compared to 2015.
- On July 28, 2016, we announced an increase in the annual fee for a *.net* domain name registration from \$7.46 to \$8.20, which became effective February 1, 2017.

Critical Accounting Policies and Significant Management Estimates

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

An accounting estimate is considered critical if the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment involved, and the impact of changes in the estimates and assumptions would have a material effect on the consolidated financial statements. We believe the following critical accounting estimates and policies have the most significant impact on our consolidated financial statements:

Revenue recognition

We generate revenues by providing services over a period of time. Fees for these services are deferred and recognized as performance occurs. The majority of our revenue transactions contain standard business terms and conditions. However, at times, we enter into non-standard arrangements including multiple-element arrangements. As a result, we must evaluate (1) whether an arrangement exists; (2) how the arrangement consideration should be allocated among the deliverables; (3) when to recognize revenue on the deliverables; and (4) whether all elements of the arrangement have been delivered. Our revenue recognition policy also requires an assessment as to whether collection is reasonably assured, which requires us to evaluate the creditworthiness of our customers.

Fair value of financial instruments

Our Subordinated Convertible Debentures have a contingent interest payment provision that is identified as an embedded derivative. The embedded derivative is accounted for separately at fair value, and is marked to market at the end of each reporting period. We utilize a valuation model based on stock price, bond price, risk free interest rates, volatility, and credit spread observations to estimate the value of the derivative. Several of these inputs to the model are not observable and require management judgment.

Income taxes

Accounting for income taxes requires significant judgments in the development of estimates used in income tax calculations. Such judgments include, but are not limited to, the likelihood we would realize the benefits of net operating loss carryforwards, domestic and/or foreign tax credit carryforwards, the adequacy of valuation allowances, and the rates used to measure transactions with foreign subsidiaries. To the extent recovery of deferred tax assets is not likely, we record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized.

Our operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes payable are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from U.S. federal, state, and international tax audits. We only recognize or continue to only recognize tax positions that are more likely than not to be sustained upon examination. We adjust these amounts in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities.

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

Earnings per Share

We use the treasury stock method to calculate the impact of our Subordinated Convertible Debentures on diluted earnings per share. Under this method, only a positive conversion spread related to the Subordinated Convertible Debentures is included in the diluted earnings per share calculations. This is based on our intent and ability to settle the principal amount of the Subordinated Convertible Debentures in cash. A change in our intent and ability would require us to use the if-converted method, which could have a material impact on our diluted earnings per share.

Results of Operations

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

	Year Ended December 31,		
	2016	2015	2014
Revenues	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of revenues	17.4	18.2	18.7
Sales and marketing.....	7.0	8.5	9.1
Research and development.....	5.2	6.0	6.7
General and administrative.....	10.3	10.1	9.6
Total costs and expenses.....	39.9	42.8	44.1
Operating income	60.1	57.2	55.9
Interest expense	(10.1)	(10.2)	(8.5)
Non-operating income (loss), net	0.9	(1.0)	0.5
Income before income taxes	50.9	46.0	47.9
Income tax expense	(12.3)	(10.6)	(12.7)
Net income	38.6%	35.4%	35.2%

Revenues

Revenues related to our Registry Services are primarily derived from registrations for domain names in the .com and .net domain name registries. We also derive revenues from operating domain name registries for several other TLDs and from providing back-end registry services to a number of TLD registry operators, all of which are not significant in relation to our consolidated revenues. For domain names registered with the .com and .net registries we receive a fee from registrars per annual registration that is fixed pursuant to our agreements with ICANN. Individual customers, called registrants, contract directly with registrars or their resellers, and the registrars in turn register the domain names with Verisign. Changes in revenues are driven largely by changes in the number of new domain name registrations and the renewal rate for existing registrations as well as the impact of new and prior price increases, to the extent permitted by ICANN and the DOC. New registrations and the renewal rate for existing registrations are impacted by continued growth in online advertising, e-commerce, and the number of internet users, as well as marketing activities carried out by us and our registrars. We increased the annual fee for a .net domain name registration from \$6.18 to \$6.79 on February 1, 2015, from \$6.79 to \$7.46 on February 1, 2016, and from \$7.46 to \$8.20 on February 1, 2017. The annual fee for a .com domain name registration is fixed at \$7.85 for the duration of the current .com Registry Agreement through November 30, 2024, except that prices may be raised by up to 7% each year due to the imposition of any new Consensus Policy or documented extraordinary expense resulting from an attack or threat of attack on the Security and Stability (each as defined in the .com Registry Agreement) of the DNS, subject to approval of the DOC. We offer promotional marketing programs for our registrars based upon market conditions and the business environment in which the registrars operate. All fees paid to us for .com and .net registrations are in U.S. dollars. Revenues from Security Services are not significant in relation to our total consolidated revenues.

A comparison of revenues is presented below:

	Year Ended December 31,				
	2016	% Change	2015	% Change	2014
(Dollars in thousands)					
Revenues.....	\$ 1,142,167	8%	\$ 1,059,366	5%	\$ 1,010,117

The following table compares the domain name base for *.com* and *.net* managed by our Registry Services business:

	<u>December 31, 2016</u>	<u>% Change</u>	<u>December 31, 2015</u>	<u>% Change</u>	<u>December 31, 2014</u>
Domain name base for <i>.com</i> and <i>.net</i>	142.2 million	2%	139.8 million	6%	131.5 million

2016 compared to 2015: Revenues increased by \$82.8 million, primarily due to an increase in the average number of domain names ending in *.com* and *.net* and increases in the *.net* domain name registration fees in February 2015 and 2016. Growth in the domain name base was primarily driven by continued internet growth and marketing activities carried out by us and our registrars. During the second half of 2015 and the first quarter of 2016 we experienced an increased volume of new domain name registrations primarily from our registrars in China. The volume of these new registrations was inconsistent and episodic compared to prior periods, and by the end of the first quarter of 2016, reverted back to a more normalized registration pace. A significant portion of these registrations from the second half of 2015 did not renew in the fourth quarter of 2016, which resulted in a net decrease of 1.9 million domain name registrations during the quarter. Despite the decrease in the domain name base in the fourth quarter, 2016 revenues benefited from this increased volume of registrations in the second half of 2015 and the first quarter of 2016.

2015 compared to 2014: Revenues increased by \$49.2 million, primarily due to a 6% increase in the number of domain names ending in *.com* and *.net* and increases in the *.net* domain name registration fees in February 2014 and 2015. Total revenue growth of 5% was slightly less than the 6% growth in the domain name base due to the timing of registrations throughout the year, as a significant portion of new registrations occurred during the third and fourth quarters of 2015.

Ongoing economic uncertainty, competitive pressure from ccTLDs, the introduction of new gTLDs, ongoing changes in internet practices and behaviors of consumers and business, as well as the motivation of existing domain name registrants and how they will manage their investment in domain names, has limited the rate of growth of the domain name base in recent years and may continue to do so in 2017 and beyond.

We expect revenues will remain consistent in 2017, as a result of the increased volume of domain registrations in 2016, continued growth in the domain name base in 2017, and increases in the *.net* domain name registration fees in February 2016 and 2017, partially offset by the decrease in revenue resulting from the planned divestiture of our iDefense business.

Geographic revenues

We generate revenue in the U.S.; Europe, the Middle East and Africa (“EMEA”); China; and certain other countries, including Canada, Australia and Japan.

The following table presents a comparison of the Company’s geographic revenues:

	<u>Year Ended December 31,</u>				
	<u>2016</u>	<u>% Change</u>	<u>2015</u>	<u>% Change</u>	<u>2014</u>
	(Dollars in thousands)				
U.S.....	\$ 667,301	4 %	\$ 639,170	4 %	\$ 616,125
EMEA	207,474	7 %	193,623	6 %	182,897
China	127,298	53 %	83,456	27 %	65,525
Other.....	140,094	(2)%	143,117	(2)%	145,570
Total revenues	<u>\$ 1,142,167</u>	<u>8 %</u>	<u>\$ 1,059,366</u>	<u>5 %</u>	<u>\$ 1,010,117</u>

Revenues for our Registry Services business are attributed to the country of domicile and the respective regions in which our registrars are located, however, this may differ from the regions where the registrars operate or where registrants are located. Revenue growth for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. Revenue growth for each region may also be impacted by registrars domiciled in one region, registering domain names in another region. Although revenues continued to grow in the more mature markets of the U.S. and EMEA during 2016, China saw the highest growth rate due in part to the increased volume of new registrations during the second half of 2015 and the first quarter of 2016.

Cost of revenues

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

A comparison of cost of revenues is presented below:

	Year Ended December 31,				
	2016	% Change	2015	% Change	2014
	(Dollars in thousands)				
Cost of revenues	\$ 198,242	3%	\$ 192,788	2%	\$ 188,425

2016 compared to 2015: Cost of revenues increased by \$5.5 million, primarily due to increases in salary and employee benefits expenses, and allocated overhead expenses, partially offset by a decrease in telecommunications expenses. Salary and employee benefits expenses increased by \$6.0 million, primarily due to an increase in average headcount and an increase in bonus expenses. Allocated overhead expenses increased by \$1.5 million as a result of an increase in average headcount compared to other cost types. Telecommunication expenses decreased by \$1.9 million, primarily due to savings on renewals of colocation agreements.

2015 compared to 2014: Cost of revenues increased by \$4.4 million, primarily due to increases in salary and employee benefits expenses, and registry fee expenses, partially offset by decreases in telecommunications expenses and depreciation expenses. Salary and employee benefits expenses increased by \$4.2 million, primarily due to an increase in average headcount and increases in salary, bonus, and allocated benefit expenses. Registry fees due to ICANN increased by \$2.7 million resulting from an increase in the volume of .com registrations and renewals. Telecommunication expenses decreased by \$1.8 million primarily due to savings on renewals of colocation agreements. Depreciation expenses decreased by \$1.6 million due to lower capital spending for equipment replacement in 2014 and 2015.

We expect cost of revenues as a percentage of revenues to remain consistent in 2017 as compared to 2016.

Sales and marketing

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

A comparison of sales and marketing expenses is presented below:

	Year Ended December 31,				
	2016	% Change	2015	% Change	2014
	(Dollars in thousands)				
Sales and marketing.....	\$ 80,250	(11)%	\$ 90,184	(2)%	\$ 92,001

2016 compared to 2015: Sales and marketing expenses decreased by \$9.9 million, primarily due to decreases in advertising and consulting expenses, salary and employee benefits expenses, stock-based compensation expenses, and allocated overhead expenses. Advertising and consulting expenses decreased by \$3.7 million, primarily due to a decrease in marketing activities and advertising agency costs. Salary and employee benefits expenses, including stock-based compensation expenses, decreased by \$2.9 million due to a reduction in average headcount. Allocated overhead expenses decreased by \$1.4 million due to the decrease in average headcount relative to other cost types.

2015 compared to 2014: Sales and marketing expenses decreased by \$1.8 million, primarily due to a decrease in advertising and consulting expenses, partially offset by an increase in salary and employee benefits expenses. Advertising and consulting expenses decreased by \$3.2 million, primarily due to a decrease in marketing activities and advertising agency costs. Salary and employee benefits expenses increased by \$1.4 million, primarily resulting from an increase in average headcount.

We expect sales and marketing expenses as a percentage of revenues to remain consistent in 2017 as compared to 2016.

Research and development

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

A comparison of research and development expenses is presented below:

	Year Ended December 31,				
	2016	% Change	2015	% Change	2014
	(Dollars in thousands)				
Research and development	\$ 59,100	(7)%	\$ 63,718	(6)%	\$ 67,777

2016 compared to 2015: Research and development expenses decreased by \$4.6 million, primarily due to decreases in salary and employee benefits expenses, and allocated overhead costs, partially offset by a decrease in capitalized labor. Salary and employee benefits expenses, allocated overhead expenses, and capitalized labor decreased by \$2.4 million, \$1.7 million, and \$1.5 million, respectively, due to a reduction in average headcount.

2015 compared to 2014: Research and development expenses decreased by \$4.1 million, primarily due to a decrease in salary and employee benefits expenses, including stock-based compensation expenses, contractors and professional services expenses, and allocated overhead costs. Salary and employee benefits expenses, including stock-based compensation expenses decreased by \$2.1 million due to a decrease in average headcount. Contract and professional services expenses decreased due to lower consulting costs on various research and development projects. Allocated overhead costs decreased primarily due to a decrease in proportional headcount compared to other cost types.

We expect research and development expenses as a percentage of revenues to remain consistent in 2017 as compared to 2016.

General and administrative

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

A comparison of general and administrative expenses is presented below:

	Year Ended December 31,				
	2016	% Change	2015	% Change	2014
	(Dollars in thousands)				
General and administrative	\$ 118,003	11%	\$ 106,730	9%	\$ 97,487

2016 compared to 2015: General and administrative expenses increased by \$11.3 million, primarily due to increases in salary and employee benefits expenses, stock-based compensation expenses, legal expenses, and a decrease in overhead expenses allocated to other cost types, partially offset by a decrease in depreciation expenses and certain non-income related taxes. Salary and employee benefits expenses increased by \$8.0 million due to increases in bonus expenses and average headcount. Stock based compensation expenses increased by \$4.5 million due to increases in the total value of restricted stock units (“RSUs”) granted in 2015 and 2016 and higher projected achievement levels on certain performance-based RSU grants. Legal expenses increased by \$2.6 million primarily due to an increase in services performed by external legal counsel. Overhead expenses allocated to other cost types decreased by \$1.6 million due to lower average headcount for other cost types. Depreciation expenses decreased by \$2.6 million as a result of a decrease in capital expenditures in recent years. We incurred \$2.1 million of certain non-income taxes in 2015, which did not recur in 2016.

2015 compared to 2014: General and administrative expenses increased by \$9.2 million, primarily due to increases in salary and employee benefits expenses, including stock-based compensation expenses, legal expenses, and miscellaneous expenses, partially offset by a decrease in contract and professional services expenses. Salary and employee benefits expenses, including stock-based compensation, increased by \$4.3 million due to annual salary increases and increased expenses related to employee benefits. Stock based compensation expense increased due to an increase in expense related to performance-based RSUs, and the impact of new RSU grants which had a higher grant date fair value due to the increase in our stock price, partially offset by additional expense recognized in 2014 for certain performance-based RSUs which were recorded based on their period-end fair value. Legal expenses increased by \$3.3 million primarily due to an increase in services performed by external legal counsel. Miscellaneous expenses increased by \$4.0 million primarily due to expenses for certain non-income related taxes in 2015, and certain expense reversals in 2014. Contract and professional services expenses decreased by \$2.6 million due to a decrease in consulting costs supporting various corporate functions.

We expect general and administrative expenses as a percentage of revenues to remain consistent in 2017 as compared to 2016.

Interest expense

See Note 6, “Debt and interest expense” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K. We expect interest expense to remain consistent in 2017 as compared to 2016.

Non-operating income (loss), net

See Note 11, “Non-operating income (loss), net” of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

Income tax expense

	Year Ended December 31,		
	2016	2015	2014
	(Dollars in thousands)		
Income tax expense	\$ 140,528	\$ 112,414	\$ 128,051
Effective tax rate.....	24%	23%	26%

Our effective tax rate for each year presented was lower than the statutory federal rate of 35% primarily due to benefits from foreign income taxed at lower rates, partially offset by state income taxes. Our effective tax rate for 2014 was also impacted by net income tax expense of \$9.8 million related to a reorganization of certain international operations and changes in estimates related to the 2013 worthless stock deduction and the 2014 repatriation of earnings from foreign subsidiaries.

As of December 31, 2016, we had deferred tax assets arising from deductible temporary differences, tax losses, and tax credits of \$235.7 million, net of valuation allowances, but before the offset of certain deferred tax liabilities. With the exception of deferred tax assets related to capital loss carryforwards, we believe it is more likely than not that the tax effects of the deferred tax liabilities, together with future taxable income, will be sufficient to fully recover the remaining deferred tax assets. Our deferred tax assets related to net operating loss (“NOL”) carryforwards and tax credit carryforwards decreased in 2016 as a portion of the NOL and tax credit carryforwards were utilized to offset 2016 taxable income.

Beginning in 2015, we qualified for a tax holiday in Switzerland which does not expire, unless the required thresholds are no longer met, or there is a law change which eliminates the holiday. We qualified for another tax holiday in Switzerland which expired on December 31, 2016, but may be renewed if certain criteria are satisfied. An additional tax holiday in Switzerland expired in 2014 and was not extended. The tax holidays provide reduced rates of taxation on certain types of income and also require certain thresholds of foreign source income. These tax holidays increased the Company’s earnings per share by \$0.16, \$0.14, and \$0.50 in 2016, 2015, and 2014, respectively.

Liquidity and Capital Resources

	As of December 31,	
	2016	2015
	(In thousands)	
Cash and cash equivalents	\$ 231,945	\$ 228,659
Marketable securities	1,565,962	1,686,771
Total	\$ 1,797,907	\$ 1,915,430

As of December 31, 2016, our principal source of liquidity was \$231.9 million of cash and cash equivalents and \$1.6 billion of marketable securities. The marketable securities consist primarily of debt securities issued by the U.S. Treasury meeting the criteria of our investment policy, which is focused on the preservation of our capital through investment in investment grade securities. The cash equivalents consist mainly of amounts invested in money market funds and U.S. Treasury bills purchased with original maturities of less than 90 days. As of December 31, 2016, all of our debt securities have contractual maturities of less than one year. Our cash and cash equivalents are readily accessible. For additional information on our investment portfolio, see Note 2, "Cash, Cash Equivalents, and Marketable Securities," of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

As of December 31, 2016, the amount of cash and cash equivalents and marketable securities held by foreign subsidiaries was \$1.4 billion. Our intent remains to indefinitely reinvest these funds outside of the U.S. and accordingly, we have not provided deferred U.S. taxes for these funds. In the event funds from foreign operations are needed to fund operations in the U.S. and if U.S. tax has not already been provided, we would be required to accrue and pay additional U.S. taxes in order to repatriate these funds. As of December 31, 2016, the amount of undistributed earnings of foreign subsidiaries for which deferred income taxes have not been provided was \$926.7 million.

In 2016, we repurchased 7.8 million shares of our common stock at an average stock price of \$81.73 for an aggregate cost of \$636.5 million under our share repurchase program. In 2015, we repurchased 9.3 million shares of our common stock at an average stock price of \$66.59 for an aggregate cost of \$621.9 million. In 2014, we repurchased 16.3 million shares of our common stock at an average stock price of \$53.15 for an aggregate cost of \$867.1 million. On February 9, 2017, our Board authorized the repurchase of approximately \$640.9 million of our common stock, in addition to the \$359.1 million of our common stock remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to \$1.0 billion of our common stock.

On March 27, 2015, we issued \$500.0 million of 5.25% senior unsecured notes due April 1, 2025. The proceeds were used for general corporate purposes, including, but not limited to, the repurchase of shares under our share repurchase program. As of December 31, 2016, we also had \$750.0 million of 4.625% senior unsecured notes outstanding, which are due in May 2023.

On March 31, 2015, we entered into a new \$200.0 million unsecured revolving credit facility. This facility will expire in 2020 and replaced our prior unsecured revolving credit facility. As of December 31, 2016, there were no borrowings outstanding under this credit facility.

As of December 31, 2016, we had \$1.25 billion principal amount outstanding of our Subordinated Convertible Debentures. The price of our common stock exceeded the conversion price threshold trigger during the fourth quarter of 2016. Accordingly, the Subordinated Convertible Debentures are convertible at the option of each holder through March 31, 2017. We do not expect a material amount of the Subordinated Convertible Debentures to be converted in the near term as the trading price of the debentures exceeds the value that is likely to be received upon conversion. However, we cannot provide any assurance that the trading price of the debentures will continue to exceed the value that would be derived upon conversion or that the holders will not elect to convert the Subordinated Convertible Debentures. If a holder elects to convert its Subordinated Convertible Debentures, we are permitted under the Indenture to pursue an exchange in lieu of conversion or to settle the conversion value (as defined in the Indenture) in cash, stock, or a combination thereof. If we choose not to pursue or cannot complete an exchange in lieu of conversion, we currently have the intent and the ability (based on current facts and circumstances) to settle the principal amount of the Subordinated Convertible Debentures in cash. However, if the principal amount of the Subordinated Convertible Debentures that holders actually elect to convert exceeds our cash on hand and cash from operations, we will need to draw cash from existing financing or pursue additional sources of financing to settle the Subordinated Convertible Debentures in cash. We cannot provide any assurances that we will be able to obtain new sources of financing on terms acceptable to us or at all, nor can we assure that we will be able to obtain such financing in time to settle the Subordinated Convertible Debentures that holders elect to convert. The Subordinated Convertible Debentures continue to generate cash tax benefits while they remain outstanding and they are an important part of our capital structure. Although we

will have the right to redeem these debentures under the terms of the indenture starting in August 2017, our intention, based on current conditions, is to not redeem these debentures, which will allow the cash tax benefits to continue to accrue.

We paid contingent interest of \$13.4 million in 2016 and \$10.8 million in 2015 in addition to the normal coupon interest on the Subordinated Convertible Debentures. On February 16, 2017, we paid contingent interest of \$7.7 million and we will pay an additional \$7.5 million in August 2017.

During the third quarter of 2016, we paid \$143.0 million for the future assignment to us of contractual rights to the .web gTLD, pending resolution of objections by other applicants, regulatory review, and approval from ICANN.

During 2014, we repatriated approximately \$740.9 million of cash held by foreign subsidiaries, net of foreign withholding taxes of \$28.1 million. We utilized substantially all of the remaining net operating losses generated from the 2013 worthless stock deduction to offset 2014 taxable income including the taxable income recognized in the U.S. as a result of the repatriation.

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

In summary, our cash flows for 2016, 2015, and 2014 were as follows:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Net cash provided by operating activities.....	\$ 667,949	\$ 651,482	\$ 600,94
Net cash (used in) provided by investing activities	(40,399)	(496,899)	112,68
Net cash used in financing activities	(623,763)	(117,778)	(859,75
Effect of exchange rate changes on cash and cash equivalents	(501)	246	(1,50
Net increase (decrease) in cash and cash equivalents.....	\$ 3,286	\$ 37,051	\$ (147,61

Net cash provided by operating activities

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

2016 compared to 2015: Cash provided by operating activities increased primarily due to an increase in cash received from customers and a decrease in cash paid for income taxes, partially offset by an increase in cash paid for interest. Cash received from customers increased primarily due to an increase in the number of domain name registration renewals and the increase in .net domain name registration fees in February 2016. Cash paid for income taxes decreased primarily due to income tax payments in 2015 related to the reorganization of certain international operations. Cash paid for interest increased due to the interest paid on the \$500.0 million senior notes issued on March 2015, and higher contingent interest related to the Subordinated Convertible Debentures.

2015 compared to 2014: Cash provided by operating activities increased primarily due to an increase in cash received from customers partially offset by increases in cash paid for interest. Cash received from customers increased primarily due to an increase in new and renewed domain name registrations. Cash paid for interest increased as a result of the contingent interest paid to holders of the Subordinated Convertible Debentures and the additional interest paid on the \$500.0 million senior notes issued in March 2015.

Net cash (used in) provided by investing activities

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

2016 compared to 2015: The decrease in cash used in investing activities was primarily due to an increase in sales and maturities of marketable securities, net of purchases, and a decrease in purchases of property and equipment and other investing activities, partially offset by the payments made for the future assignment of the rights to the .web gTLD.

2015 compared to 2014: The change in cash (used in) provided by investing activities was primarily due to a decrease in proceeds from maturities and sales of marketable securities, partially offset by a decrease in purchases of marketable securities.

Net cash used in financing activities

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

2016 compared to 2015: The increase in net cash used in financing activities was primarily due to an increase in share repurchases, and proceeds from the issuance of senior notes in March 2015, partially offset by an increase in excess tax benefits from stock-based compensation.

2015 compared to 2014: The decrease in net cash used in financing activities was primarily due to the proceeds from the issuance of the senior notes in 2015, a decrease in share repurchases, and higher recognized excess tax benefits associated with stock-based compensation, partially offset by lower proceeds from stock option exercises and ESPP.

Impact of Inflation

We do not believe that inflation has had a significant impact on our operations in any of the periods presented.

Income taxes

We derive significant tax savings from the Subordinated Convertible Debentures. During 2016 and 2015, the interest deduction, for income tax purposes, related to our Subordinated Convertible Debentures, was \$183.7 million and \$175.0 million, respectively, compared to cash interest paid, including contingent interest, of \$54.0 million and \$51.4 million in 2016 and 2015, respectively. For income tax purposes, we deduct interest expense on the Subordinated Convertible Debentures calculated at 8.5% of the adjusted issue price, subject to adjustment for actual versus projected contingent interest. The adjusted issue price, and consequently the interest deduction for income tax purposes, grows over the term due to the difference between the interest deduction taken using a comparable yield of 8.5% on the adjusted issue price, and the coupon rate of 3.25% on the principal amount, compounded annually. The interest deduction taken is subject to recapture upon settlement to the extent that the amount paid (in cash or stock) to settle Subordinated Convertible Debentures is less than the adjusted issue price. Interest recognized in accordance with GAAP, which is calculated at 8.39% of the liability component of the Subordinated Convertible Debentures, will also grow over the term, but at a slower rate. This difference will result in a continuing increase in the deferred tax liability on our Consolidated Balance Sheet.

We do not expect to pay significant U.S. federal income taxes during 2017 as a result of the interest deduction on our Subordinated Convertible Debentures, the use of foreign tax credits and other tax attributes. We expect the amount of cash paid for non-U.S. income taxes in 2017 to increase compared to 2016.

Property and Equipment Expenditures

Our planned property and equipment expenditures for 2017 are anticipated to be between \$35.0 million and \$45.0 million and will primarily be focused on infrastructure upgrades and enhancements to our product portfolio.

Contractual Obligations

See Note 13, “Commitments and Contingencies,” *Purchase Obligations and Contractual Agreements*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K.

Off-Balance Sheet Arrangements

It is not our business practice to enter into off-balance sheet arrangements. As of December 31, 2016, we did not have any significant off-balance sheet arrangements. See Note 13, “Commitments and Contingencies,” *Off-Balance Sheet Arrangements*, of our Notes to Consolidated Financial Statements in Item 15 of this Form 10-K for further information regarding off-balance sheet arrangements.

Dilution from Subordinated Convertible Debentures, RSUs and Stock Options

Any conversion of our Subordinated Convertible Debentures may dilute the holdings of existing shareholders due to the potential number of shares that could be required to settle the Subordinated Convertible Debentures. We have the intent and ability to settle the principal amount of the Subordinated Convertible Debentures in cash, but the excess of the conversion value over the principal amount (“the conversion spread”) may be settled in shares of common stock. As of December 31, 2016, there are 36.4 million shares of common stock reserved for issuance upon conversion or repurchase of the Subordinated Convertible Debentures. Based on the if-converted value of the Subordinated Convertible Debentures as of December 31, 2016, the conversion spread could have required us to issue up to 19.9 million shares of common stock.

Grants of stock-based awards are key components of the compensation packages we provide to attract and retain certain of our talented employees and align their interests with the interests of existing stockholders. We recognize that these stock-based awards dilute existing stockholders and have sought to control the number granted while providing competitive compensation packages. As of December 31, 2016, there are a total of 1.8 million unvested RSUs which represent potential dilution of 1.8%. This maximum potential dilution will only result if all outstanding RSUs vest and are settled. In recent years, our stock repurchase program has more than offset the dilutive effect of RSU grants to employees; however, we may reduce the level of our stock repurchases in the future as we may use our available cash for other purposes.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in interest rates, foreign exchange rates and market risks. We have not entered into any market risk sensitive instruments for trading purposes.

Interest rate sensitivity

The fixed income securities in our investment portfolio are subject to interest rate risk. As of December 31, 2016, we had \$1.6 billion of fixed income securities, which consisted of U.S. Treasury bills with maturities of less than one year. A hypothetical change in interest rates by 100 basis points would not have a significant impact on the fair value of our investments.

Foreign exchange risk management

We conduct business in several countries and transact in multiple foreign currencies. The functional currency for all of our international subsidiaries is the U.S. Dollar. Our foreign currency risk management program is designed to mitigate foreign exchange risks associated with monetary assets and liabilities of our operations that are denominated in currencies other than the U.S. dollar. The primary objective of this program is to minimize the gains and losses to income resulting from fluctuations in exchange rates. We may choose not to hedge certain foreign exchange exposures due to immateriality, prohibitive economic cost of hedging particular exposures, and limited availability of appropriate hedging instruments. We do not enter into foreign currency transactions for trading or speculative purposes, nor do we hedge foreign currency exposures in a manner that entirely offsets the effects of changes in exchange rates. The program may entail the use of forward or option contracts, which are usually placed and adjusted monthly. These foreign currency forward contracts are derivatives and are recorded at fair market value. We attempt to limit our exposure to credit risk by executing foreign exchange contracts with financial institutions that have investment grade ratings.

As of December 31, 2016, we held foreign currency forward contracts in notional amounts totaling \$39.2 million to mitigate the impact of exchange rate fluctuations associated with certain foreign currencies. Gains or losses on the foreign currency forward contracts would be largely offset by the remeasurement of our foreign currency denominated assets and liabilities, resulting in an insignificant net impact to income.

A hypothetical uniform 10% strengthening or weakening in the value of the U.S. dollar relative to the foreign currencies in which our revenues and expenses are denominated would not result in a significant impact to our financial statements.

Market risk management

The fair market values of our Subordinated Convertible Debentures and the senior notes are subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The Subordinated Convertible Debentures are subject to market risk due to the convertible feature of the debentures. The fair market value will increase as the market price of our common stock increases, and decrease as the market price of our common stock falls. The interest and market value changes affect the fair market value of the Subordinated Convertible Debentures and the senior notes. As of December 31, 2016, the fair value of the Subordinated Convertible Debentures was approximately \$2.8 billion and the fair values of the senior notes issued in 2013 and the senior notes issued in 2015 were \$764.1 million and \$514.1 million, respectively, based on available market information from public data sources.

The fair market value of the contingent interest derivative on Subordinated Convertible Debentures is also subject to market risk and, to a lesser extent, to interest rate risk. Generally, the fair market value of the contingent interest derivative will increase or decrease with the fair market value of the Subordinated Convertible Debentures.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**Financial Statements**

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

Supplementary Data (Unaudited)

The following tables set forth unaudited supplementary quarterly financial data for the two year period ended December 31, 2016. In management's opinion, the unaudited data has been prepared on the same basis as the audited information and includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the data for the periods presented.

	2016				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31,
	(In thousands, except per share data)				
Revenues	\$ 281,876	\$ 286,466	\$ 287,554	\$ 286,271	\$ 1,142,167
Gross Profit	\$ 231,294	\$ 237,713	\$ 237,747	\$ 237,171	\$ 943,925
Operating Income	\$ 166,767	\$ 176,267	\$ 174,776	\$ 168,762	\$ 686,572
Net income	\$ 107,456	\$ 113,210	\$ 114,427	\$ 105,552	\$ 440,645
Earnings per share:					
Basic	\$ 0.98	\$ 1.05	\$ 1.08	\$ 1.01	\$ 4.12
Diluted (1)	\$ 0.82	\$ 0.87	\$ 0.90	\$ 0.84	\$ 3.42

(1) Earnings per share for the year is computed independently and may not equal the sum of the quarterly earnings per share.

	2015				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31,
	(In thousands, except per share data)				
Revenues	\$ 258,422	\$ 262,539	\$ 265,780	\$ 272,625	\$ 1,059,366
Gross Profit	\$ 210,069	\$ 214,318	\$ 218,562	\$ 223,629	\$ 866,578
Operating Income	\$ 144,237	\$ 148,965	\$ 154,462	\$ 158,282	\$ 605,946
Net income	\$ 88,238	\$ 93,011	\$ 92,457	\$ 101,530	\$ 375,236
Earnings per share:					
Basic	\$ 0.75	\$ 0.80	\$ 0.82	\$ 0.92	\$ 3.29
Diluted	\$ 0.66	\$ 0.70	\$ 0.70	\$ 0.76	\$ 2.82

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

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES**a. Evaluation of Disclosure Controls and Procedures**

Based on our management's evaluation, with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), as of December 31, 2016, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act")) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2016 using the criteria established in *Internal Control-Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on our evaluation under the COSO framework, management has concluded that our internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

KPMG LLP, an independent registered public accounting firm, has issued a report concerning the effectiveness of our internal control over financial reporting as of December 31, 2016. See "Report of Independent Registered Public Accounting Firm" in Item 15 of this Form 10-K.

c. Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

d. Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting

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

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item relating to our directors and nominees, regarding compliance with Section 16(a) of the Exchange Act, and regarding our Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee will be included under the captions “Proposal No. 1: Election of Directors,” “Security Ownership of Certain Beneficial Owners and Management-Section 16(a) Beneficial Ownership Reporting Compliance,” and “Corporate Governance” in our Proxy Statement related to the 2017 Annual Meeting of Stockholders and is incorporated herein by reference (“2017 Proxy Statement”).

Pursuant to General Instruction G(3) of Form 10-K, the information required by this item relating to our executive officers is included under the caption “Executive Officers of the Registrant” in Part I of this Annual Report on Form 10-K.

We have adopted a “Verisign Code of Conduct-2016”, which is posted on our website under “Ethics and Business Conduct” at <https://investor.verisign.com/corporate-governance.cfm>. The code of conduct applies to all directors, officers and employees, including the principal executive officer, principal financial officer and other senior accounting officers. We have also adopted the “Corporate Governance Principles for the Board of Directors” which provides guidance to our directors on corporate practices that serve the best interests of the Company and its shareholders.

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the “Verisign Code of Conduct-2016,” to the extent applicable to the principal executive officer, principal financial officer, or other senior accounting officers, by posting such information on our website, on the web page found by clicking through to “Ethics and Business Conduct” as specified above.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated herein by reference to our 2017 Proxy Statement from the discussions under the captions “Compensation of Directors,” “Non-Employee Director Retainer Fees and Equity Compensation Information” and “Non-Employee Director Compensation Table for Fiscal 2016,” and “Executive Compensation.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated herein by reference from the discussions under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our 2017 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated herein by reference to our 2017 Proxy Statement from the discussions under the captions “Policies and Procedures with Respect to Transactions with Related Persons,” “Certain Relationships and Related Transactions” and “Independence of Directors.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated herein by reference to our 2017 Proxy Statement from the discussions under the captions “Principal Accountant Fees and Services” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors.”

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report

1. Financial statements

- Reports of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2016 and 2015
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2016, 2015, and 2014
- Consolidated Statements of Stockholders' Deficit for the Years Ended December 31, 2016, 2015, and 2014
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2015, and 2014
- Notes to Consolidated Financial Statements

2. Financial statement schedules

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

3. Exhibits

(a) Index to Exhibits

Pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), the Company has filed certain agreements as exhibits to this Form 10-K. These agreements may contain representations and warranties by the parties thereto. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (1) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements prove to be inaccurate, (2) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the Company's filings or are not required to be disclosed in those filings, (3) may apply materiality standards different from what may be viewed as material to investors and (4) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe the Company's actual state of affairs at the date hereof or at any other time.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2.01	Agreement and Plan of Merger dated as of March 6, 2000, by and among the Registrant, Nickel Acquisition Corporation and Network Solutions, Inc.	8-K	3/8/00	2.1	
3.01	Sixth Amended and Restated Certificate of Incorporation of the Registrant.				X
3.02	Amended and Restated Bylaws of VeriSign, Inc.	10-Q	7/28/16	3.02	
4.01	Indenture dated as of August 20, 2007 between the Registrant and U.S. Bank National Association.	8-K/A	9/6/07	4.1	
4.02	Indenture, dated as of April 16, 2013, between VeriSign, Inc., each of the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee.	8-K	4/17/13	4.1	
4.03	Indenture dated as of March 27, 2015 between VeriSign, Inc. and U.S. Bank National Association, as trustee.	8-K	3/30/15	4.1	
10.01	Registrant's 2007 Employee Stock Purchase Plan, as adopted August 30, 2007. +	S-1	11/5/07	10.19	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
10.02	Amendment No. Thirty (30) to Cooperative Agreement - Special Awards Conditions NCR-92-18742, between VeriSign and U.S. Department of Commerce managers.	10-K	7/12/07	10.27	
10.03	VeriSign, Inc. Annual Incentive Compensation Plan. +	10-K	2/24/11	10.64	
10.04	Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into as of June 27, 2011.	8-K	6/28/11	10.01	
10.05	Form of Amended and Restated Change-in-Control and Retention Agreement. +	10-Q	7/29/11	10.03	
10.06	Amended and Restated Change-in-Control and Retention Agreement [CEO Form of Agreement]. +	10-Q	7/29/11	10.04	
10.07	Purchase and Sale Agreement for 12061 Bluemont Way Reston, Virginia between 12061 Bluemont Owner, LLC, a Delaware limited liability company, as Seller and VeriSign, Inc., a Delaware corporation, as Purchaser Dated August 18, 2011.	8-K	9/7/11	10.01	
10.08	Guarantee Agreement, dated as of November 22, 2011, among VeriSign, Inc., the other guarantors identified therein and JPMorgan Chase Bank, N.A., as Administrative Agent.	8-K	11/29/11	10.02	
10.09	VeriSign, Inc. 2006 Equity Incentive Plan Form of Non-Employee Director Restricted Stock Unit Agreement. +	10-Q	7/27/12	10.03	
10.10	Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into on November 29, 2012.	8-K	11/30/12	10.1	
10.11	Amendment Number Thirty-Two (32) to the Cooperative Agreement between VeriSign, Inc. and Department of Commerce, entered into on November 29, 2012.	8-K	11/30/12	10.2	
10.12	VeriSign, Inc. 2006 Equity Incentive Plan Employee Restricted Stock Unit Agreement. +	10-Q	4/25/13	10.02	
10.13	VeriSign, Inc. 2006 Equity Incentive Plan Performance-Based Restricted Stock Unit Agreement +	10-Q	4/28/16	10.01	
10.14	Credit Agreement dated as of March 31, 2015 among VeriSign, Inc., the Lenders as defined therein, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent.	8-K	4/1/15	99.1	
10.15	VeriSign, Inc. 2006 Equity Incentive Plan Form of Employee Restricted Stock Unit Agreement +	10-K	2/19/16	10.70	
10.16	Amendment to the .com Registry Agreement between VeriSign, Inc. and the Internet Corporation for Assigned Names and Numbers, entered into on October 20, 2016	8-K	10/20/16	10.1	
10.17	Amendment Number Thirty-Three (33) to the Cooperative Agreement between VeriSign, Inc. and Department of Commerce, entered into on October 20, 2016	8-K	10/20/16	10.2	
10.18	Amendment Number Thirty-Four (34) to the Cooperative Agreement between VeriSign, Inc. and Department of Commerce, entered into on October 20, 2016	8-K	10/20/16	10.3	
10.19	Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan, as amended and restated	DEF 14A	4/29/16	Appendix A	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
21.01	Subsidiaries of the Registrant.				X
23.01	Consent of Independent Registered Public Accounting Firm.				X
24.01	Powers of Attorney (Included as part of the signature pages hereto).				X
31.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a).				X
31.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a).				X
32.01	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *				X
32.02	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code (18 U.S.C. 1350). *				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.				X

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

+ Indicates a management contract or compensatory plan or arrangement.

FINANCIAL STATEMENTS

As required under Item 8—Financial Statements and Supplementary Data, the consolidated financial statements of Verisign, Inc. are provided in this separate section. The consolidated financial statements included in this section are as follows:

<u>Financial Statement Description</u>	<u>Page</u>
Reports of Independent Registered Public Accounting Firm	47
Consolidated Balance Sheets As of December 31, 2016 and December 31, 2015	49
Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2016, 2015, and 2014.....	50
Consolidated Statements of Stockholders' Deficit For the Years Ended December 31, 2016, 2015, and 2014.....	51
Consolidated Statements of Cash Flows For the Years Ended December 31, 2016, 2015, and 2014.....	52
Notes to Consolidated Financial Statements	53

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
VeriSign, Inc.:

We have audited the accompanying consolidated balance sheets of VeriSign, Inc. and subsidiaries (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), VeriSign, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 17, 2017 expressed an unqualified opinion on the effectiveness of VeriSign, Inc.'s internal control over financial reporting.

/s/ KPMG LLP
McLean, Virginia
February 17, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
VeriSign, Inc.:

We have audited VeriSign, Inc.'s (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting (Item 9A.b). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of VeriSign, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 17, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
McLean, Virginia
February 17, 2017

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

	December 31, 2016	December 31, 2015
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents.....	\$ 231,945	\$ 228,659
Marketable securities	1,565,962	1,686,771
Accounts receivable, net	13,051	12,638
Other current assets	31,384	39,856
Total current assets.....	1,842,342	1,967,924
Property and equipment, net.....	266,125	295,570
Goodwill.....	52,527	52,527
Deferred tax assets	9,385	17,361
Deposits to acquire intangible assets	145,000	2,000
Other long-term assets.....	19,193	22,355
Total long-term assets	492,230	389,813
Total assets.....	\$ 2,334,572	\$ 2,357,737
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 203,920	\$ 188,171
Deferred revenues	688,265	680,483
Subordinated convertible debentures, including contingent interest derivative	629,764	634,326
Total current liabilities	1,521,949	1,502,980
Long-term deferred revenues	287,424	280,859
Senior notes.....	1,237,189	1,235,354
Deferred tax liabilities	371,433	294,194
Other long-term tax liabilities	117,172	114,797
Total long-term liabilities.....	2,013,218	1,925,204
Total liabilities.....	3,535,167	3,428,184
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock—par value \$.001 per share; Authorized shares: 5,000; Issued and outstanding shares: none	—	—
Common stock—par value \$.001 per share; Authorized shares: 1,000,000; Issued shares: 324,118 at December 31, 2016 and 322,990 at December 31, 2015; Outstanding shares: 103,091 at December 31, 2016 and 110,072 at December 31, 2015	324	323
Additional paid-in capital.....	16,987,488	17,558,822
Accumulated deficit	(18,184,954)	(18,625,599)
Accumulated other comprehensive loss	(3,453)	(3,993)
Total stockholders' deficit.....	(1,200,595)	(1,070,447)
Total liabilities and stockholders' deficit.....	\$ 2,334,572	\$ 2,357,737

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Revenues	\$ 1,142,167	\$ 1,059,366	\$ 1,010,117
Costs and expenses:			
Cost of revenues	198,242	192,788	188,425
Sales and marketing	80,250	90,184	92,001
Research and development	59,100	63,718	67,777
General and administrative	118,003	106,730	97,487
Total costs and expenses	455,595	453,420	445,690
Operating income	686,572	605,946	564,427
Interest expense	(115,564)	(107,631)	(85,994)
Non-operating income (loss), net	10,165	(10,665)	4,878
Income before income taxes	581,173	487,650	483,311
Income tax expense	(140,528)	(112,414)	(128,051)
Net income	440,645	375,236	355,260
Realized foreign currency translation adjustments, included in net income	85	(291)	—
Unrealized gain (loss) on investments	533	(519)	84
Realized (gain) loss on investments, included in net income	(78)	(185)	3
Other comprehensive income (loss)	540	(995)	87
Comprehensive income	\$ 441,185	\$ 374,241	\$ 355,347
Earnings per share:			
Basic	\$ 4.12	\$ 3.29	\$ 2.80
Diluted	\$ 3.42	\$ 2.82	\$ 2.52
Shares used to compute earnings per share			
Basic	107,001	114,155	126,710
Diluted	128,833	133,031	140,895

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balance at December 31, 2013	133,724	\$ 320	\$ 18,935,302	\$ (19,356,095)	\$ (3,085)	\$ (423,558)
Net income	—	—	—	355,260	—	355,260
Other comprehensive income	—	—	—	—	87	87
Issuance of common stock under stock plans	1,341	2	17,595	—	—	17,597
Stock-based compensation	—	—	46,728	—	—	46,728
Net excess income tax benefits associated with stock-based compensation	—	—	3,823	—	—	3,823
Repurchase of common stock	(16,613)	—	(883,403)	—	—	(883,403)
Balance at December 31, 2014	118,452	322	18,120,045	(19,000,835)	(2,998)	(883,466)
Net income	—	—	—	375,236	—	375,236
Other comprehensive loss	—	—	—	—	(995)	(995)
Issuance of common stock under stock plans	1,291	1	14,689	—	—	14,690
Stock-based compensation	—	—	48,793	—	—	48,793
Net excess income tax benefits associated with stock-based compensation	—	—	18,464	—	—	18,464
Repurchase of common stock	(9,671)	—	(643,169)	—	—	(643,169)
Balance at December 31, 2015	110,072	323	17,558,822	(18,625,599)	(3,993)	(1,070,447)
Net income	—	—	—	440,645	—	440,645
Other comprehensive income	—	—	—	—	540	540
Issuance of common stock under stock plans	1,128	1	13,669	—	—	13,670
Stock-based compensation	—	—	52,430	—	—	52,430
Net excess income tax benefits associated with stock-based compensation	—	—	25,058	—	—	25,058
Repurchase of common stock	(8,109)	—	(662,491)	—	—	(662,491)
Balance at December 31, 2016	103,091	\$ 324	\$ 16,987,488	\$ (18,184,954)	\$ (3,453)	\$ (1,200,595)

See accompanying Notes to Consolidated Financial Statements

VERISIGN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income	\$ 440,645	\$ 375,236	\$ 355,260
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment.....	58,167	61,491	63,690
Stock-based compensation	50,044	46,075	43,977
Excess tax benefit associated with stock-based compensation.....	(25,058)	(18,464)	(6,054)
Unrealized (gain) loss on contingent interest derivative on Subordinated Convertible Debentures.....	(2,402)	14,130	(2,249)
Payment of contingent interest.....	(13,385)	(10,759)	—
Amortization of debt discount and issuance costs.....	13,411	12,292	10,878
Other, net.....	(3,787)	(1,781)	480
Changes in operating assets and liabilities			
Accounts receivable.....	(871)	661	(73)
Prepaid expenses and other assets.....	8,980	(1,728)	11,571
Accounts payable and accrued liabilities	40,244	21,013	45,419
Deferred revenues	14,347	70,988	34,518
Net deferred income taxes and other long-term tax liabilities	87,614	82,328	43,532
Net cash provided by operating activities	<u>667,949</u>	<u>651,482</u>	<u>600,949</u>
Cash flows from investing activities:			
Proceeds from maturities and sales of marketable securities and investments	3,817,899	2,767,027	3,428,659
Purchases of marketable securities	(3,691,057)	(3,219,329)	(3,277,096)
Purchases of property and equipment.....	(26,574)	(40,656)	(39,327)
Deposits to acquire intangible assets	(143,000)	—	—
Other investing activities	2,333	(3,941)	452
Net cash (used in) provided by investing activities.....	<u>(40,399)</u>	<u>(496,899)</u>	<u>112,688</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock from option exercises and employee stock purchase plans.....	13,670	14,690	17,597
Repurchases of common stock.....	(662,491)	(643,169)	(883,403)
Proceeds from senior notes, net of issuance costs.....	—	492,237	—
Excess tax benefit associated with stock-based compensation	25,058	18,464	6,054
Net cash used in financing activities	<u>(623,763)</u>	<u>(117,778)</u>	<u>(859,752)</u>
Effect of exchange rate changes on cash and cash equivalents	(501)	246	(1,500)
Net increase (decrease) in cash and cash equivalents.....	3,286	37,051	(147,615)
Cash and cash equivalents at beginning of period.....	228,659	191,608	339,223
Cash and cash equivalents at end of period.....	<u>\$ 231,945</u>	<u>\$ 228,659</u>	<u>\$ 191,608</u>
Supplemental cash flow disclosures:			
Cash paid for interest	\$ 115,544	\$ 99,473	\$ 75,088
Cash paid for income taxes, net of refunds received	<u>\$ 14,303</u>	<u>\$ 39,723</u>	<u>\$ 35,201</u>

See accompanying Notes to Consolidated Financial Statements.

VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016, 2015 AND 2014

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

VeriSign, Inc. (“Verisign” or “the Company”) was incorporated in Delaware on April 12, 1995. The Company has one reportable segment, which consists of Registry Services and Security Services. Registry Services ensure the security, stability and resiliency of key internet infrastructure and services, including the .com and .net domains, two of the Internet’s root servers, and operation of the root-zone maintainer functions for the core of the internet’s Domain Name System (“DNS”). Security Services provides infrastructure assurance services consisting of Distributed Denial of Services (“DDoS”) Protection Services, Verisign iDefense Security Intelligence Services (“iDefense”) and Managed DNS Services. On February 9, 2017, the Company entered into an agreement to sell the iDefense business, subject to customary closing conditions.

Basis of Presentation

The accompanying consolidated financial statements of Verisign and its subsidiaries have been prepared in conformity with generally accepted accounting principles (“GAAP”) in the United States (“U.S.”). All significant intercompany accounts and transactions have been eliminated.

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Reclassifications

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

Significant Accounting Policies

Cash and Cash Equivalents

Verisign considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include certain money market funds, debt securities and various deposit accounts. Verisign maintains its cash and cash equivalents with financial institutions that have investment grade ratings and, as part of its cash management process, performs periodic evaluations of the relative credit standing of these financial institutions.

Marketable Securities

Marketable securities primarily consist of debt securities issued by the U.S. Treasury. All marketable securities are classified as available-for-sale and are carried at fair value. Unrealized gains and losses, net of taxes, are reported as a component of Accumulated other comprehensive loss. The specific identification method is used to determine the cost basis of the marketable securities sold. The Company classifies its marketable securities as current based on their nature and availability for use in current operations.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets of 35 to 47 years for buildings, 10 years for building improvements and three to five years for computer equipment, software, office equipment, and furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or associated lease terms.

Capitalized Software

Software included in property and equipment includes amounts paid for purchased software and development costs for internally developed software. The following table summarizes such costs capitalized during 2016 and 2015.

VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016, 2015 AND 2014

	Year Ended December 31,	
	2016	2015
	(In thousands)	
Third-party implementation and consulting services	\$ 493	\$ 426
Internally developed software	\$ 17,523	\$ 20,061

Goodwill and Other Long-lived Assets

Goodwill represents the excess of purchase consideration over fair value of net assets of businesses acquired. Goodwill is not amortized, but instead tested for impairment. All of the Company's goodwill is included in the Registry Services reporting unit which has a negative carrying value. The Company performs a qualitative analysis at the end of each reporting period to determine if any events have occurred or circumstances exist that would indicate that it is more likely than not that a goodwill impairment exists. The qualitative factors the Company reviews include, but are not limited to: (a) macroeconomic conditions; (b) industry and market considerations such as a deterioration in the environment in which an entity operates; (c) a significant adverse change in legal factors or in the business climate; (d) an adverse action or assessment by a regulator; (e) unanticipated competition; (f) loss of key personnel; (g) a more-likely-than-not expectation of sale or disposal of a reporting unit or a significant portion thereof; or (h) testing for recoverability of a significant asset group within a reporting unit.

Long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. Such events or circumstances include, but are not limited to, a significant decrease in the fair value of the underlying business, a significant decrease in the benefits realized from an acquired business, difficulties or delays in integrating the business or a significant change in the operations of an acquired business. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset, or asset group, to estimated undiscounted future cash flows expected to be generated by the asset, or asset group. An impairment charge is recognized in the amount by which the carrying amount of the asset exceeds its fair value.

As of December 31, 2016, the Company's assets include a deposit related to the purchase of the contractual rights to the .web gTLD, as discussed in Note 4. The amount paid to date has been recorded as a deposit until such time that the contractual rights are transferred to the Company. This asset would be tested for recoverability if the Company were to determine that it is no longer probable that the rights will be transferred. At the time of the transfer of the contractual rights, the Company will record the amount as an indefinite-lived intangible asset subject to review for impairment on an annual basis or more frequently if events or changes in circumstances indicate that an impairment is more likely than not.

3.25% Junior Subordinated Convertible Debentures Due 2037 ("Subordinated Convertible Debentures")

Upon issuance of the Subordinated Convertible Debentures, Verisign separated the liability (debt) and equity (conversion option) components in a manner that reflected the borrowing rate for a similar non-convertible debt. The liability component was recognized based on the fair value of a similar instrument without a conversion feature at issuance. The excess of the principal amount of the Subordinated Convertible Debentures over the liability component at issuance is the equity component or debt discount. Such excess represents the estimated fair value of the conversion feature and is recorded as Additional paid-in capital. The debt discount is amortized using the Company's effective interest rate over the term of the Subordinated Convertible Debentures as a non-cash charge to interest expense.

The Subordinated Convertible Debentures also have a contingent interest payment provision that requires the Company to pay interest based on certain thresholds, and upon the occurrence of certain events, as outlined in the Indenture governing the Subordinated Convertible Debentures. The contingent interest payment provision has been identified as an embedded derivative, which is accounted for separately at fair value, and is marked to market at the end of each reporting period, with any gains and losses recorded in Non-operating income (loss), net. Contingent interest payments reflect the partial settlement of the embedded derivative. Verisign will have the right to redeem the Subordinated Convertible Debentures under the terms of the indenture, starting August 15, 2017. Therefore, the fair value of the contingent interest embedded derivative for periods after August 15, 2017 is negligible.

Foreign Currency Remeasurement

Verisign conducts business in several different countries and transacts in multiple currencies. The functional currency for all of Verisign's international subsidiaries is the U.S. Dollar. The Company's subsidiaries' financial statements are remeasured

VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016, 2015 AND 2014

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into U.S. Dollars using a combination of current and historical exchange rates and any remeasurement gains and losses are included in Non-operating income (loss), net. Remeasurement gains or losses in each of the last three years were \$1.0 million or less.

Verisign maintains a foreign currency risk management program designed to mitigate foreign exchange risks associated with the monetary assets and liabilities that are denominated in currencies other than the U.S. dollar. The primary objective of this program is to minimize the gains and losses resulting from fluctuations in exchange rates. The Company does not enter into foreign currency transactions for trading or speculative purposes, nor does it hedge foreign currency exposures in a manner that entirely offsets the effects of changes in exchange rates. The program may entail the use of forward or option contracts, which are usually placed and adjusted monthly. These foreign currency forward contracts are derivatives and are recorded at fair market value. The Company records gains and losses on foreign currency forward contracts in Non-operating income (loss), net. The Company recorded gains or losses related to foreign currency forward contracts of less than \$1.0 million in each of the last three years.

As of December 31, 2016, Verisign held foreign currency forward contracts in notional amounts totaling \$39.2 million to mitigate the impact of exchange rate fluctuations associated with certain assets and liabilities held in foreign currencies.

Revenue Recognition

Verisign recognizes revenues when the following four criteria are met:

- Persuasive evidence of an arrangement exists: It is the Company's customary practice to have a written contract, signed by both the customer and Verisign or a service order form from those customers who have previously negotiated a standard master services agreement with Verisign.
- Delivery has occurred or services have been rendered: The Company's services are usually delivered continuously from service activation date through the term of the arrangement.
- The fee is fixed or determinable: Substantially all of the Company's revenue arrangements have fixed or determinable fees.
- Collectability is reasonably assured: Collectability is assessed on a customer-by-customer basis. Verisign typically sells to customers for whom there is a history of successful collection. The majority of customers either maintain a deposit with Verisign or provide an irrevocable letter of credit in excess of the amounts owed. New customers are subjected to a credit review process that evaluates the customer's financial condition and, ultimately, their ability to pay. If Verisign determines from the outset of an arrangement that collectability is not probable based upon its credit review process, revenues are recognized as cash is collected.

Registry Services

Registry Services revenues primarily arise from fixed fees charged to registrars for the initial registration or renewal of .com, .net, and other domain names. Revenues from the initial registration or renewal of domain names are deferred and recognized ratably over the registration term, generally one year and up to ten years. Fees for renewals and advance extensions to the existing term are deferred until the new incremental period commences. These fees are then recognized ratably over the renewal term.

Verisign also offers promotional marketing programs to its registrars based upon market conditions and the business environment in which the registrars operate. Amounts payable to these registrars for such promotional marketing programs are usually recorded as a reduction of revenue. If Verisign obtains an identifiable benefit separate from the services it provides to the registrars, then amounts payable up to the fair value of the benefit received are recorded as advertising expenses and the excess, if any, is recorded as a reduction of revenue.

Security Services

Following the revenue recognition criteria above, revenues from Security Services are usually deferred and recognized over the service term, generally one to two years.

VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016, 2015 AND 2014

Advertising Expenses

Advertising costs are expensed as incurred and are included in Sales and marketing expenses. Advertising expenses, including costs for advertising campaigns conducted jointly with our registrar customers were \$17.2 million, \$16.0 million, and \$20.2 million in 2016, 2015, and 2014, respectively.

Income Taxes

Verisign uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce deferred tax assets to an amount whose realization is more likely than not. For every tax-paying component and within each tax jurisdiction, all deferred tax liabilities and assets are offset and presented as a single net noncurrent asset or liability.

The Company's income taxes payable is reduced by the tax benefits from restricted stock unit ("RSU") vestings. The Company's income tax benefit related to RSUs is equal to the fair market value of the stock at the vesting date. If the income tax benefit at exercise or vesting date is greater than the income tax benefit recorded based on the grant date fair value of the stock options or RSUs, such excess tax benefit is recognized as an increase to Additional paid-in capital. If the income tax benefit at exercise or vesting date is less than the income tax benefit recorded based on the grant date fair value of the stock options or RSUs, the shortfall is recognized as a reduction of Additional paid-in capital to the extent of previously recognized excess tax benefits.

Verisign's global operations involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes payable are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from U.S. federal, state, and international tax audits. The Company may only recognize or continue to recognize tax positions that are more likely than not to be sustained upon examination. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from its current estimate of the tax liabilities.

The Company's assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and character of future taxable income, such as income from operations or capital gains income. Actual operating results and the underlying amount and character of income in future years could render the Company's current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause the Company's actual income tax obligations to differ from its estimates, thus materially impacting its financial condition and results of operations.

Stock-based Compensation

The Company's stock-based compensation is primarily related to RSUs granted to employees and its employee stock purchase plan ("ESPP"). For awards that are expected to vest, after considering estimated forfeitures, stock-based compensation expense is typically recognized ratably over the requisite service period. The Company also grants RSUs which include performance conditions, and in some cases market conditions, to certain executives. The expense for these performance-based RSUs is recognized based on the probable outcome of the performance conditions. The expense recognized for awards with market conditions is based on the grant date fair value of the awards including the impact of the market conditions, using a Monte Carlo simulation model. The Company uses the Black-Scholes option pricing model to determine the fair value of its ESPP offerings. The determination of the fair value of stock-based payment awards using the Monte Carlo simulation model or the Black-Scholes option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables.

Earnings per Share

The Company computes basic earnings per share by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share gives effect to dilutive potential common shares, including outstanding stock options, unvested RSUs, ESPP offerings and the conversion spread related to the Subordinated Convertible Debentures using the treasury stock method.

Fair Value of Financial Instruments

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The Company measures and reports certain financial assets and liabilities at fair value on a recurring basis, including its investments in money market funds classified as Cash and cash equivalents, marketable securities, foreign currency forward contracts, and the contingent interest derivative associated with the Subordinated Convertible Debentures.

Legal Proceedings

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

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

Recent Accounting Pronouncements

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will become effective for the Company on January 1, 2018. The FASB also issued several amendments to the standard, including clarification on accounting for licenses of intellectual property and identifying performance obligations. The Company's evaluation of the new revenue guidance is substantially complete. The Company does not currently expect the adoption of the new revenue standard to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The guidance introduces a lessee model that requires most leases to be reported on the balance sheet. This ASU will become effective for the Company on January 1, 2019 and requires the modified retrospective transition method. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016, 2015 AND 2014

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for share-based payment award transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The ASU requires that excess tax benefits and tax deficiencies (the tax effect of the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes) be recognized as income tax expense or benefit in the Consolidated Statements of Comprehensive Income. This change could result in increased volatility in the Company's effective tax rate in future periods. There are different transition methods for different aspects of the standard. The new standard became effective for the Company on January 1, 2017. Upon adoption of this ASU in the first quarter of 2017, the Company expects to record a deferred tax asset, net of a valuation allowance, for tax credit and tax loss carryforwards related to previously unrecognized excess tax benefits on share-based awards. Additionally, as permitted under the new ASU, the Company has elected to change its policy on accounting for forfeitures and recognize them as they occur. Both of these changes will be adopted using the modified retrospective transition method, which will result in a cumulative-effect adjustment to the January 1, 2017 opening retained earnings balance.

Note 2. Cash, Cash Equivalents, and Marketable Securities

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

	As of December 31,	
	2016	2015
	(In thousands)	
Cash.....	\$ 39,183	\$ 99,027
Money market funds.....	134,790	137,593
Time deposits.....	4,632	4,007
Debt securities issued by the U.S. Treasury.....	1,626,764	1,685,882
Equity securities of public companies.....	2,174	890
Total.....	<u>\$ 1,807,543</u>	<u>\$ 1,927,399</u>
Included in Cash and cash equivalents.....	\$ 231,945	\$ 228,659
Included in Marketable securities.....	\$ 1,565,962	\$ 1,686,771
Included in Other long-term assets (Restricted cash).....	\$ 9,636	\$ 11,969

The fair value of the debt securities held as of December 31, 2016 was \$1.6 billion, including less than \$1.0 million of gross and net unrealized losses. All of the debt securities held as of December 31, 2016 have contractual maturities of less than one year.

VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016, 2015 AND 2014

2016

Note 3. Fair Value of Financial Instruments

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and December 31, 2015:

	Total Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
(In thousands)				
As of December 31, 2016:				
Assets:				
Investments in money market funds	\$ 134,790	\$ 134,790	\$ —	\$ —
Debt securities issued by the U.S. Treasury	1,626,764	1,626,764	—	—
Equity securities of public companies	2,174	2,174	—	—
Foreign currency forward contracts (1)	242	—	242	—
Total	<u>\$ 1,763,970</u>	<u>\$ 1,763,728</u>	<u>\$ 242</u>	<u>\$ —</u>
Liabilities:				
Contingent interest derivative on Subordinated Convertible Debentures	\$ 14,339	\$ —	\$ —	\$ 14,339
Foreign currency forward contracts (2)	87	—	87	—
Total	<u>\$ 14,426</u>	<u>\$ —</u>	<u>\$ 87</u>	<u>\$ 14,339</u>
As of December 31, 2015:				
Assets:				
Investments in money market funds	\$ 137,593	\$ 137,593	\$ —	\$ —
Debt securities issued by the U.S. Treasury	1,685,882	1,685,882	—	—
Equity securities of public companies	890	890	—	—
Foreign currency forward contracts (1)	230	—	230	—
Total	<u>\$ 1,824,595</u>	<u>\$ 1,824,365</u>	<u>\$ 230</u>	<u>\$ —</u>
Liabilities:				
Contingent interest derivative on Subordinated Convertible Debentures	\$ 30,126	\$ —	\$ —	\$ 30,126
Foreign currency forward contracts (2)	164	—	164	—
Total	<u>\$ 30,290</u>	<u>\$ —</u>	<u>\$ 164</u>	<u>\$ 30,126</u>

(1) Included in Other current assets

(2) Included in Accounts payable and accrued liabilities

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

The fair value of the debt securities consisting of U.S. Treasury bills is based on their quoted market prices and are classified as Level 1. Debt securities purchased with original maturities in excess of three months are included in Marketable securities. Debt securities purchased with original maturities less than three months are included in Cash and cash equivalents.

The fair value of the equity securities of public companies is based on quoted market prices and are classified as Level 1. Investments in equity securities of public companies are included in marketable securities.

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

The Company utilizes a valuation model to estimate the fair value of the contingent interest derivative on the Subordinated Convertible Debentures. The inputs to the model include stock price, risk free interest rates, volatility, and credit spread observations. As several significant inputs are not observable, the overall fair value measurement of the derivative is

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classified as Level 3. The volatility and credit spread assumptions used in the calculation are the most significant unobservable inputs. As of December 31, 2016, the valuation of the contingent interest derivative assumed a volatility rate of approximately 26% and a credit spread of approximately 4%. The fair value of the contingent interest derivative would not have significantly changed using a volatility rate of either 21% or 31%, or a credit spread of either 3% or 5%.

The following table summarizes the change in the fair value of the Company's contingent interest derivative on Subordinated Convertible Debentures during the year ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
	(In thousands)	
Beginning balance	\$ 30,126	\$ 26,755
Unrealized (gain) loss on contingent interest derivative on Convertible Debentures	(2,402)	14,130
Payment of contingent interest	(13,385)	(10,759)
Ending balance	<u>\$ 14,339</u>	<u>\$ 30,126</u>

The contingent interest derivative balance as of December 31, 2016 includes \$7.7 million which was paid on February 16, 2017.

As of December 31, 2016, the Company's other financial instruments include cash, accounts receivable, restricted cash, and accounts payable whose carrying values approximated their fair values. The fair value of the Company's Subordinated Convertible Debentures was \$2.8 billion as of December 31, 2016. The fair values of the Company's senior notes due 2023 (the "2023 Senior Notes") and the senior notes due 2025 (the "2025 Senior Notes") were \$764.1 million and \$514.1 million, respectively, as of December 31, 2016. The fair values of these debt instruments are based on available market information from public data sources and are classified as Level 2.

Note 4. Deposits to Acquire Intangible Assets

As of December 31, 2016, the Company has paid \$145.0 million for the future assignment to the Company of contractual rights to the .web gTLD, pending resolution of objections by other applicants, regulatory review, and approval from ICANN. Upon assignment of the contractual rights, the Company will record the total investment as an indefinite-lived intangible asset.

Note 5. Other Balance Sheet Items

Other Current Assets

Other current assets consist of the following:

	As of December 31,	
	2016	2015
	(In thousands)	
Prepaid expenses	\$ 14,385	\$ 14,823
Income taxes receivable.....	15,328	23,098
Other	1,671	1,935
Total other current assets	<u>\$ 31,384</u>	<u>\$ 39,856</u>

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Property and Equipment, Net

The following table presents the detail of property and equipment, net:

	As of December 31,	
	2016	2015
	(In thousands)	
Land	\$ 31,141	\$ 31,141
Buildings and building improvements	246,237	244,760
Computer equipment and software	441,732	432,463
Capital work in progress	4,246	5,406
Office equipment and furniture	6,203	6,203
Leasehold improvements	1,350	1,350
Total cost	<u>730,909</u>	<u>721,323</u>
Less: accumulated depreciation	(464,784)	(425,753)
Total property and equipment, net	<u>\$ 266,125</u>	<u>\$ 295,570</u>

Goodwill

The following table presents the detail of goodwill:

	As of December 31,	
	2016	2015
	(In thousands)	
Goodwill, gross	\$ 1,537,843	\$ 1,537,843
Accumulated goodwill impairment	(1,485,316)	(1,485,316)
Total goodwill	<u>\$ 52,527</u>	<u>\$ 52,527</u>

There was no impairment of goodwill or other long-lived assets recognized in any of the periods presented.

Other Long-Term Assets

Other long-term assets consist of the following:

	As of December 31,	
	2016	2015
	(In thousands)	
Long-term restricted cash	9,636	11,969
Other taxes receivable	5,673	5,673
Long-term prepaid expenses and other assets	3,884	4,713
Total other long-term assets	<u>\$ 19,193</u>	<u>\$ 22,355</u>

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Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	As of December 31,	
	2016	2015
	(In thousands)	
Accounts payable.....	\$ 19,455	\$ 23,298
Accrued employee compensation.....	61,426	51,851
Customer deposits, net.....	52,173	48,307
Interest Payable.....	27,701	27,701
Taxes payable and other tax liabilities.....	23,144	16,943
Other accrued liabilities.....	20,021	20,071
Total accounts payable and accrued liabilities.....	<u>\$ 203,920</u>	<u>\$ 188,171</u>

Note 6. Debt and Interest Expense

Senior Notes due 2025

On March 27, 2015, the Company issued \$500.0 million principal amount of 5.25% senior unsecured notes due April 1, 2025. In connection with the offering the Company incurred \$6.5 million of issuance costs which are being amortized to Interest expense over the 10 year term of the notes. The Company pays interest on the notes semi-annually on April 1 and October 1. The Company may redeem the 2025 Senior Notes, in whole or in part, at any time at the Company's option at specified redemption prices.

Senior Notes due 2023

On April 16, 2013, the Company issued \$750.0 million principal amount of 4.625% senior unsecured notes due May 1, 2023. In connection with the offering the Company incurred \$12.0 million of issuance costs which are being amortized to Interest expense over the 10 year term of the Senior Notes. The Company pays interest on the notes semi-annually on May 1 and November 1. The Company may redeem the 2023 Senior Notes, in whole or in part, at any time at the Company's option at specified redemption prices.

The indenture governing the 2023 Senior Notes contains covenants that limit the ability of the Company and/or its restricted subsidiaries, under certain circumstances, to, among other things: (i) pay dividends or make distributions on, or redeem or repurchase, its capital stock; (ii) make certain investments; (iii) create liens on assets; (iv) enter into sale/leaseback transactions and (v) merge or consolidate or sell all or substantially all of its assets. These covenants are subject to a number of important limitations and exceptions. The Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, accrued and unpaid interest and any other monetary obligations on all the then outstanding Notes to be due and payable immediately.

2015 Credit Facility

On March 31, 2015, the Company entered into a credit agreement for a \$200.0 million committed senior unsecured revolving credit facility (the "2015 Credit Facility"). The 2015 Credit Facility includes financial covenants requiring that the Company's interest coverage ratio not be less than 3.0 to 1.0 for any period of four consecutive quarters and the Company's leverage ratio not exceed 2.5 to 1.0. As of December 31, 2016, there were no borrowings outstanding under the facility and the Company was in compliance with the financial covenants. The 2015 Credit Facility expires on April 1, 2020 at which time any outstanding borrowings are due. Verisign may from time to time request lenders to agree on a discretionary basis to increase the commitment amount by up to an aggregate of \$150.0 million.

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Subordinated Convertible Debentures

In August 2007, Verisign issued \$1.25 billion principal amount of 3.25% subordinated convertible debentures due August 15, 2037, in a private offering. The Subordinated Convertible Debentures are initially convertible, subject to certain conditions, into shares of the Company’s common stock at a conversion rate of 29.0968 shares of common stock per \$1,000 principal amount of Subordinated Convertible Debentures, representing an initial effective conversion price of approximately \$34.37 per share of common stock. The conversion rate will be subject to adjustment for certain events as outlined in the Indenture governing the Subordinated Convertible Debentures but will not be adjusted for accrued interest. As of December 31, 2016, approximately 36.4 million shares of common stock were reserved for issuance upon conversion or repurchase of the Subordinated Convertible Debentures.

On or after August 15, 2017, the Company may redeem all or part of the Subordinated Convertible Debentures for the principal amount plus any accrued and unpaid interest if the closing price of the Company’s common stock has been at least 150% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading-day period prior to the date on which the Company provides notice of redemption.

The Company’s common stock price exceeded the current conversion price threshold trigger of \$44.68 during the fourth quarter of 2016. Accordingly, the Subordinated Convertible Debentures were convertible at the option of each holder during the first quarter of 2017. Further, in the event of conversion, the Company intends, and has the ability, to settle the principal amount of the Subordinated Convertible Debentures in cash, and therefore, classified the debt component of the Subordinated Convertible Debentures, net of unamortized debt issuance costs and the embedded contingent interest derivative as a current liability, as of December 31, 2016. The determination of whether or not the Subordinated Convertible Debentures are convertible, and accordingly, the classification as long-term or current, must continue to be performed quarterly. As of December 31, 2016, the if-converted value of the Subordinated Convertible Debentures exceeded its principal amount. Based on the if-converted value of the Subordinated Convertible Debentures as of December 31, 2016, the conversion spread could have required the Company to issue up to an additional 19.9 million shares of common stock.

The Company calculated the carrying value of the liability component at issuance as the present value of its cash flows using a discount rate of 8.5% (borrowing rate for similar non-convertible debt with no contingent payment options), adjusted for the fair value of the contingent interest feature, yielding an effective interest rate of 8.39%. The excess of the principal amount of the debt over the carrying value of the liability component is also referred to as the “debt discount” or “equity component” of the Subordinated Convertible Debentures. The debt discount is being amortized using the Company’s effective interest rate of 8.39% over the term of the Subordinated Convertible Debentures as a non-cash charge included in Interest expense. As of December 31, 2016, the remaining term of the Subordinated Convertible Debentures is 20.6 years. Interest is payable semiannually in arrears on August 15 and February 15.

Proceeds upon issuance of the Subordinated Convertible Debentures were as follows (in thousands):

Principal value of Subordinated Convertible Debentures	\$ 1,250,000
Less: Issuance costs.....	(25,777)
Net proceeds, Subordinated Convertible Debentures.....	<u>\$ 1,224,223</u>
Amounts recognized at issuance:	
Subordinated Convertible Debentures, including contingent interest derivative (net of issuance costs of \$11,328)	\$ 546,915
Additional paid-in capital.....	418,996
Long-term deferred tax liabilities.....	267,225
Non-operating loss	(8,913)
Net proceeds, Subordinated Convertible Debentures.....	<u>\$ 1,224,223</u>

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The table below presents the carrying amounts of the liability and equity components:

	As of December 31,	
	2016	2015
	(In thousands)	
Debt discount upon issuance (net of issuance costs of \$14,449).....	\$ 686,221	\$ 686,221
Deferred taxes associated with the debt discount upon issuance	(267,225)	(267,225)
Carrying amount of equity component.....	<u>\$ 418,996</u>	<u>\$ 418,996</u>
Principal amount of Subordinated Convertible Debentures	\$ 1,250,000	\$ 1,250,000
Unamortized discount of liability component	(624,315)	(635,378)
Unamortized debt issuance costs associated with the liability component	(10,260)	(10,422)
Carrying amount of liability component	<u>615,425</u>	<u>604,200</u>
Contingent interest derivative	14,339	30,126
Subordinated Convertible Debentures, including contingent interest derivative	<u>\$ 629,764</u>	<u>\$ 634,326</u>

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

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Contractual interest on Subordinated Convertible Debentures	\$ 40,625	\$ 40,625	\$ 40,625
Contractual interest on Senior Notes.....	60,938	54,667	34,688
Amortization of debt discount on the Subordinated Convertible Debentures	11,094	10,218	9,412
Credit facility and other interest expense.....	2,907	2,121	1,269
Total interest expense.....	<u>\$ 115,564</u>	<u>\$ 107,631</u>	<u>\$ 85,994</u>

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Note 7. Stockholders' Deficit

Treasury Stock

Treasury stock is accounted for under the cost method. Treasury stock includes shares repurchased under Stock Repurchase Programs and shares withheld in lieu of minimum tax withholdings due upon vesting of RSUs.

On February 11, 2016, the Company's Board of Directors ("Board") authorized the repurchase of approximately \$611.2 million of its common stock, in addition to the \$388.8 million of its common stock remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to \$1.0 billion of its common stock. The share repurchase program has no expiration date. Purchases made under the program could be effected through open market transactions, block purchases, accelerated share repurchase agreements or other negotiated transactions. As of December 31, 2016 there was approximately \$429.2 million remaining available for repurchases under the share repurchase program.

Effective February 9, 2017, the Company's Board authorized the repurchase of approximately \$640.9 million of its common stock, in addition to the \$359.1 million of its common stock remaining available for repurchase under the previous share repurchase program, for a total repurchase authorization of up to \$1.0 billion of its common stock.

The summary of the Company's common stock repurchases for 2016, 2015 and 2014 are as follows:

	2016		2015		2014	
	Shares	Average Price	Shares	Average Price	Shares	Average Price
(In thousands, except average price amounts)						
Total repurchases under the repurchase plans	7,789	\$ 81.73	9,338	\$ 66.59	16,316	\$ 53.15
Total repurchases for tax withholdings	320	\$ 80.74	333	\$ 64.03	297	\$ 54.73
Total repurchases.....	8,109	\$ 81.70	9,671	\$ 66.50	16,613	\$ 53.18
Total costs	<u>\$ 662,491</u>		<u>\$ 643,169</u>		<u>\$ 883,403</u>	

Since inception, the Company has repurchased 221.0 million shares of its common stock for an aggregate cost of \$8.2 billion, which is recorded as a reduction of Additional paid-in capital.

Accumulated Other Comprehensive Loss

The following table summarizes the changes in the components of Accumulated other comprehensive loss for 2016 and 2015:

	Foreign Currency Translation Adjustments Loss	Unrealized Gain (Loss) On Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)		
Balance, December 31, 2014.....	\$ (3,160)	\$ 162	\$ (2,998)
Changes	(291)	(704)	(995)
Balance, December 31, 2015	(3,451)	(542)	(3,993)
Changes	85	455	540
Balance, December 31, 2016.....	<u>\$ (3,366)</u>	<u>\$ (87)</u>	<u>\$ (3,453)</u>

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Note 8. Calculation of Earnings per Share

The following table presents the computation of weighted-average shares used in the calculation of basic and diluted earnings per share:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Weighted-average shares of common stock outstanding	107,001	114,155	126,710
Weighted-average potential shares of common stock outstanding:			
Conversion spread related to Subordinated Convertible Debentures	21,074	18,047	13,384
Unvested RSUs, stock options, and ESPP	758	829	801
Shares used to compute diluted earnings per share	128,833	133,031	140,895

The calculation of diluted weighted average shares outstanding, excludes potentially dilutive securities, the effect of which would have been anti-dilutive, as well as performance based RSUs granted by the Company for which the relevant performance criteria have not been achieved. The number of potential shares excluded from the calculation was not significant in any period presented.

Note 9. Geographic and Customer Information

The Company generates revenue in the U.S.; Europe, the Middle East and Africa (“EMEA”); China; and certain other countries, including Canada, Australia and Japan.

The following table presents a comparison of the Company’s geographic revenues:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
U.S.	\$ 667,301	\$ 639,170	\$ 616,125
EMEA	207,474	193,623	182,897
China	127,298	83,456	65,525
Other	140,094	143,117	145,570
Total revenues	\$ 1,142,167	\$ 1,059,366	\$ 1,010,117

Revenues for our Registry Services business are generally attributed to the country of domicile and the respective regions in which the Company’s registrars are located, however, this may differ from the regions where the registrars operate or where registrants are located. Revenue growth for each region may be impacted by registrars reincorporating, relocating, or from acquisitions or changes in affiliations of resellers. Revenue growth for each region may also be impacted by registrars domiciled in one region, registering domain names in another region.

The following table presents a comparison of property and equipment, net of accumulated depreciation, by geographic region:

	As of December 31,	
	2016	2015
	(In thousands)	
U.S.	\$ 261,837	\$ 287,986
Other	4,288	7,584
Total property and equipment, net	\$ 266,125	\$ 295,570

Major Customers

One customer accounted for approximately 30% of revenues in 2016 and approximately 31% of revenues in 2015 and 2014. The Company does not believe that the loss of this customer would have a material adverse effect on the Company's business because, in that event, end-users of this customer would transfer to the Company's other existing customers.

Note 10. Employee Benefits and Stock-based Compensation

401(k) Plan

The Company maintains a defined contribution 401(k) plan (the "401(k) Plan") for substantially all of its U.S. employees. Under the 401(k) Plan, eligible employees may contribute up to 50% of their pre-tax salary, subject to the Internal Revenue Service ("IRS") annual contribution limits. The Company matches 50% of up to the first 6% of the employee's annual salary contributed to the plan. The Company contributed \$3.8 million in 2016, \$3.7 million in 2015, and \$3.4 million in 2014 under the 401(k) Plan. The Company can terminate matching contributions at its discretion at any time.

Equity Incentive Plan

The majority of Verisign's stock-based compensation relates to RSUs. As of December 31, 2016, a total of 11.4 million shares of common stock were reserved for issuance upon the vesting of RSUs and for the future grant of equity awards.

On May 26, 2006, the stockholders of Verisign approved the 2006 Equity Incentive Plan, which was amended and restated on June 9, 2016 (the "2006 Plan"). The 2006 Plan authorizes the award of incentive stock options to employees and non-qualified stock options, restricted stock awards, RSUs, stock bonus awards, stock appreciation rights and performance shares to eligible employees, officers, directors, consultants, independent contractors and advisers. The 2006 Plan is administered by the Compensation Committee which may delegate to a committee of one or more members of the Board or Verisign's officers the ability to grant certain awards and take certain other actions with respect to participants who are not executive officers or non-employee directors. RSUs are awards covering a specified number of shares of Verisign common stock that may be settled by issuance of those shares (which may be restricted shares). RSUs generally vest over four years. Certain performance-based RSUs, granted to the Company's executives, vest over either three or four year terms. Additionally, the Company has granted fully vested RSUs to members of its Board in each of the last three years. The Compensation Committee may authorize grants with a different vesting schedule in the future. A total of 27.0 million common shares were authorized and reserved for issuance under the 2006 Plan.

2007 Employee Stock Purchase Plan

On August 30, 2007, the Company's stockholders approved the 2007 Employee Stock Purchase Plan. A total of 6.0 million common shares were authorized and reserved for issuance under the ESPP. Eligible employees may purchase common stock through payroll deductions by electing to have between 2% and 25% of their compensation withheld to cover the purchase price. Each participant is granted an option to purchase common stock on the first day of each 24-month offering period and this option is automatically exercised on the last day of each six-month purchase period during the offering period. The purchase price for the common stock under the ESPP is 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period or the last day of the applicable purchase period. Offering periods begin on the first business day of February and August of each year. As of December 31, 2016, 1.2 million shares of the Company's common stock are reserved for issuance under this plan.

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Stock-based Compensation

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

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Stock-based compensation:			
Cost of revenues	\$ 7,253	\$ 7,009	\$ 6,400
Sales and marketing.....	5,738	6,763	8,023
Research and development	6,739	6,488	7,018
General and administrative	30,314	25,815	22,536
Total stock-based compensation	<u>\$ 50,044</u>	<u>\$ 46,075</u>	<u>\$ 43,977</u>

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

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
RSUs.....	\$ 37,325	\$ 36,664	\$ 32,304
Performance-based RSUs	11,512	8,078	10,232
ESPP	3,593	4,051	4,192
Capitalization (Included in Property and equipment, net)	(2,386)	(2,718)	(2,751)
Total stock-based compensation expense	<u>\$ 50,044</u>	<u>\$ 46,075</u>	<u>\$ 43,977</u>

The income tax benefit recognized on stock-based compensation within Income tax expense for 2016, 2015, and 2014 was \$17.7 million, \$16.0 million, and \$15.1 million, respectively.

RSUs Information

The following table summarizes unvested RSUs activity:

	Year Ended December 31,					
	2016		2015		2014	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
	(Shares in thousands)					
Unvested at beginning of period	2,110	\$ 54.77	2,179	\$ 46.36	2,442	\$ 38.00
Granted	760	78.58	1,075	61.74	909	55.05
Vested and settled.....	(873)	49.95	(932)	43.92	(878)	35.99
Forfeited.....	(151)	61.57	(212)	51.47	(294)	44.00
	<u>1,846</u>	<u>\$ 66.30</u>	<u>2,110</u>	<u>\$ 54.77</u>	<u>2,179</u>	<u>\$ 46.36</u>

The RSUs in the table above include certain RSUs granted to the Company's executives that are subject to performance conditions, and in some cases, market conditions. The unvested RSUs as of December 31, 2016 include approximately 0.4 million RSUs subject to performance and/or market conditions. The number of RSUs, subject to these performance and market conditions, that ultimately vest may range from zero to a maximum of 0.8 million RSUs depending on the level of performance achieved and whether any market conditions are satisfied.

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The closing price of Verisign's stock was \$76.07 on December 31, 2016. As of December 31, 2016, the aggregate market value of unvested RSUs was \$140.7 million. The fair values of RSUs that vested during 2016, 2015, and 2014 were \$70.5 million, \$59.8 million, and \$47.9 million, respectively. As of December 31, 2016, total unrecognized compensation cost related to unvested RSUs was \$67.7 million which is expected to be recognized over a weighted-average period of 2.3 years.

Note 11. Non-operating Income (Loss), Net

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

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Unrealized gain (loss) on contingent interest derivative on Subordinated Convertible Debentures.....	2,402	(14,130)	2,249
Interest income.....	6,191	2,128	922
Other, net.....	1,572	1,337	1,707
Total non-operating income (loss), net.....	\$ 10,165	\$ (10,665)	\$ 4,878

The unrealized gains and losses on the contingent interest derivative on the Subordinated Convertible Debentures reflects the change in value of the derivative that results primarily from the changes in the Company's stock price. Interest income is earned principally from the Company's surplus cash balances and marketable securities.

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Note 12. Income Taxes

Income before income taxes is categorized geographically as follows:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
United States	\$ 299,304	\$ 248,932	\$ 270,373
Foreign	281,869	238,718	212,938
Total income before income taxes	<u>\$ 581,173</u>	<u>\$ 487,650</u>	<u>\$ 483,311</u>

The provision for income taxes consisted of the following:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Current expense (benefit):			
Federal	\$ 34,842	\$ 13,601	\$ 4,643
State	240	156	(14)
Foreign, including withholding tax	19,268	17,241	69,614
	<u>54,350</u>	<u>30,998</u>	<u>74,243</u>
Deferred expense (benefit):			
Federal	64,301	65,168	76,614
State	21,492	15,767	15,402
Foreign	385	481	(38,208)
	<u>86,178</u>	<u>81,416</u>	<u>53,808</u>
Total income tax expense	<u>\$ 140,528</u>	<u>\$ 112,414</u>	<u>\$ 128,051</u>

The difference between income tax expense and the amount resulting from applying the federal statutory rate of 35% to Income before income taxes is attributable to the following:

	Year Ended December 31,		
	2016	2015	2014
	(In thousands)		
Income tax expense at federal statutory rate	\$ 203,410	\$ 170,677	\$ 169,159
State taxes, net of federal benefit	14,517	9,616	11,308
Differences between statutory rate and foreign effective tax rate	(79,087)	(66,238)	(57,876)
Reorganization of certain non-U.S. operations	—	—	14,474
Changes in estimates related to worthless stock deduction	—	—	14,497
Change in valuation allowance	(511)	434	(41,700)
Accrual for uncertain tax positions	963	706	22,719
Other	1,236	(2,781)	(4,530)
Total income tax expense	<u>\$ 140,528</u>	<u>\$ 112,414</u>	<u>\$ 128,051</u>

During 2014 the Company repatriated \$740.9 million of cash held by foreign subsidiaries, net of \$28.1 million of foreign withholding taxes which were accrued during 2013. During 2014, the Company recognized a net income tax benefit of \$8.6 million, resulting from the completion of the repatriation and changes to estimates related to the 2013 worthless stock deduction. The components of this net benefit are included in the table above for changes in valuation allowances, adjustments to the benefit from the worthless stock deduction, changes to the accrual for uncertain tax positions and other.

VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016, 2015 AND 2014

2016

VERISIGN FORM 10-K

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries because these earnings are intended to be indefinitely reinvested. As of December 31, 2016, the amount of such earnings was \$926.7 million. The amount of unrecognized deferred tax liability related to undistributed foreign earnings is estimated to be \$264.1 million.

Beginning in 2015, the Company qualified for a tax holiday in Switzerland which does not expire, unless the required thresholds are no longer met, or there is a law change which eliminates the holiday. The Company qualified for another tax holiday in Switzerland which expired on December 31, 2016, but may be renewed if certain criteria are satisfied. An additional tax holiday in Switzerland expired in 2014 and was not extended. The tax holidays provide reduced rates of taxation on certain types of income and also require certain thresholds of foreign source income. These tax holidays increased the Company's earnings per share by \$0.16, \$0.14, and \$0.50 in 2016, 2015, and 2014, respectively. In the fourth quarter of 2014, the Company incurred a charge of \$14.5 million in non-US income taxes as a result of a reorganization of certain international operations.

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows:

	As of December 31,	
	2016	2015
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards.....	\$ 46,879	\$ 56,108
Deductible goodwill and intangible assets.....	10,473	21,044
Tax credit carryforwards.....	59,337	86,951
Deferred revenue, accruals and reserves.....	114,548	106,572
Capital loss carryforwards and book impairment of investments.....	1,161,772	1,162,320
Other.....	4,791	5,039
Total deferred tax assets.....	<u>1,397,800</u>	<u>1,438,034</u>
Valuation allowance.....	(1,162,101)	(1,162,604)
Net deferred tax assets.....	<u>235,699</u>	<u>275,430</u>
Deferred tax liabilities:		
Property and equipment.....	(4,212)	(10,787)
Subordinated Convertible debentures.....	(590,921)	(538,098)
Other.....	(2,614)	(3,378)
Total deferred tax liabilities.....	<u>(597,747)</u>	<u>(552,263)</u>
Total net deferred tax liabilities.....	<u>\$ (362,048)</u>	<u>\$ (276,833)</u>

With the exception of deferred tax assets related to capital loss carryforwards, management believes it is more likely than not that the tax effects of the deferred tax liabilities together with future taxable income, will be sufficient to fully recover the remaining deferred tax assets.

As of December 31, 2016, the Company had federal, state and foreign net operating loss carryforwards of approximately \$6.8 million, \$1.4 billion and \$ 16.5 million, respectively, before applying tax rates for the respective jurisdictions. As of December 31, 2016, the Company had federal and state research tax credits of \$13.5 million and \$2.9 million, respectively, and alternative minimum tax credits of \$17.6 million available for future years. Certain net operating loss carryforwards and credits are subject to an annual limitation under Internal Revenue Code Section 382, but are expected to be fully realized. The amount of excess tax benefits from stock-based compensation that have not been recognized as of December 31, 2016, because they did not reduce income taxes payable, was \$52.1 million. The federal and state net operating loss and federal tax credit carryforwards expire in various years from 2017 through 2034. The foreign net operating loss can be carried forward indefinitely. As of December 31, 2016, the Company had federal and state capital loss carryforwards of \$3.0 billion and \$3.1 billion, respectively, before applying tax rates for the respective jurisdictions. The capital loss carryforwards expire in 2018 and are also subject to annual limitations under Internal Revenue Code Section 382. The Company does not expect to realize any tax benefits from the capital loss carryforwards and accordingly has reserved the entire amount through valuation allowance

VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016, 2015 AND 2014

and accrual for uncertain tax positions. As of December 31, 2016, the Company has foreign tax credit carryforwards of \$143.9 million. The majority of these foreign tax credits will expire in 2024.

The deferred tax liability related to the Subordinated Convertible Debentures is driven by the excess of the tax deduction taken for interest expense over the amount of interest expense recognized in the consolidated financial statements. The interest expense deducted for tax purposes is based on the adjusted issue price of the Subordinated Convertible Debentures, while the interest expense recognized in accordance with GAAP is based only on the liability portion of the Subordinated Convertible Debentures. The adjusted issue price of the Subordinated Convertible Debentures grows over the term due to the difference between the interest deduction taken for income tax, using a comparable yield of 8.5%, and the coupon rate of 3.25%, compounded annually, adjusted for actual versus projected contingent interest payments.

The Company maintains liabilities for uncertain tax positions. These liabilities involve considerable judgment and estimation and are continuously monitored by management based on the best information available including changes in tax regulations and other information. A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

	As of December 31,	
	2016	2015
	(In thousands)	
Gross unrecognized tax benefits at January 1	\$ 220,280	\$ 219,908
Increases in tax positions for prior years	119	—
Decreases in tax positions for prior years	(71)	—
Increases in tax positions for current year	354	372
Gross unrecognized tax benefits at December 31	\$ 220,682	\$ 220,280

As of December 31, 2016, approximately \$212.0 million of unrecognized tax benefits, including penalties and interest, could affect the Company's tax provision and effective tax rate. It is reasonably possible that during the next twelve months, the Company's unrecognized tax benefits may change by a significant amount as a result of IRS audits. However the timing of completion and ultimate outcome of the audits remains uncertain. Therefore, the Company cannot currently estimate the impact on the balance of unrecognized tax benefits.

In accordance with its accounting policy, the Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of tax expense. These accruals were not material in any period presented.

The Company's major taxing jurisdictions are the U.S., the state of Virginia, and Switzerland. The Company's U.S. federal income tax returns are currently under examination by the IRS for 2010 through 2014. The Company's other tax returns are not currently under examination by their respective taxing jurisdictions. Because the Company uses historic net operating loss carryforwards and other tax attributes to offset its taxable income in current and future years' income tax returns for the U.S. and Virginia, such attributes can be adjusted by these taxing authorities until the statute closes on the year in which such attributes were utilized. The open years in Switzerland are the 2012 tax year and forward.

VERISIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
DECEMBER 31, 2016, 2015 AND 2014

2016

Note 13. Commitments and Contingencies

Purchase Obligations and Contractual Agreements

The following table represents the minimum payments required by Verisign under certain purchase obligations, leases, the .tv Agreement with the Government of Tuvalu, and the interest payments and principal on the Subordinated Convertible Debentures and the Senior Notes:

	Purchase Obligations	.tv Agreement	Senior Notes	Subordinated Convertible Debentures	Total
(In thousands)					
2017.....	\$ 30,946	\$ 5,000	\$ 60,938	\$ 48,344	\$ 145,228
2018.....	5,265	5,000	60,938	40,625	111,828
2019.....	619	5,000	60,938	40,625	107,182
2020.....	—	5,000	60,938	40,625	106,563
2021.....	—	5,000	60,938	40,625	106,563
Thereafter.....	—	—	1,411,250	1,884,766	3,296,016
Total.....	<u>\$ 36,830</u>	<u>\$ 25,000</u>	<u>\$ 1,715,940</u>	<u>\$ 2,095,610</u>	<u>\$ 3,873,380</u>

The amounts in the table above exclude \$212.0 million of income tax related uncertain tax positions, as the Company is unable to reasonably estimate the ultimate amount or time of settlement of those liabilities.

Verisign enters into certain purchase obligations with various vendors. The Company's significant purchase obligations include firm commitments with telecommunication carriers and other service providers. The Company does not have any significant purchase obligations beyond 2019.

The Company has an agreement with Internet Corporation for Assigned Name and Numbers ("ICANN") to be the sole registry operator for domain names in the .com registry through November 30, 2024. Under this agreement, the Company pays ICANN on a quarterly basis, \$0.25 for each annual increment of a domain name registered or renewed during such quarter. As of December 31, 2016, there were 126.9 million domain names in the .com registry. However, the number of domain names registered and renewed each quarter may vary significantly. The Company incurred registry fees for the .com registry of \$31.5 million in 2016, \$30.9 million in 2015, and \$28.4 million in 2014. Registry fees for other top-level domains that we operate have been excluded from the table above because the amounts are variable or passed through to registrars.

The Company has an agreement with the Government of Tuvalu to be the sole registry operator for .tv domain names through December 31, 2021. Registry fees were \$5.0 million in 2016 and 2015, and \$4.5 million in 2014.

Verisign leases a small portion of its facilities under operating leases that extend into 2020. Rental expenses under operating leases were not material in any period presented. Future rental expenses under existing operating leases are not material.

Off-Balance Sheet Arrangements

As of December 31, 2016 and 2015, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, the Company is not exposed to any financing, liquidity, market or credit risk that could arise if the Company had engaged in such relationships.

It is not the Company's business practice to enter into off-balance sheet arrangements. However, in the normal course of business, the Company does enter into contracts in which it makes representations and warranties that guarantee the performance of the Company's products and services. Historically, there have been no significant losses related to such guarantees.

ITEM 16. 10-K SUMMARY

None.



VeriSign, Inc.

12061 Bluemont Way
Reston, Virginia 20190

April 12, 2017

To Our Stockholders:

You are cordially invited to attend the 2017 Annual Meeting of Stockholders of VeriSign, Inc. (the “Company”) to be held at our corporate offices located at 12061 Bluemont Way, Reston, Virginia 20190 on Thursday, May 25, 2017, at 10:00 a.m., Eastern Time (the “Meeting”).

The matters expected to be acted upon at the Meeting are described in detail in the following *Notice of the 2017 Annual Meeting of Stockholders* and *Proxy Statement*.

We are utilizing a U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the internet. As a result, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of our annual report to security holders, which includes our Annual Report on Form 10-K for the year ended December 31, 2016 (collectively, the “Annual Report”), and this Proxy Statement. The Notice of Internet Availability of Proxy Materials contains instructions on how to access those documents over the internet. The Notice of Internet Availability of Proxy Materials also contains instructions on how each stockholder can receive a paper copy of our proxy soliciting materials, including this notice and Proxy Statement, our Annual Report and a form of proxy card or voting instruction card. We believe that this process will conserve natural resources and reduce the costs of printing and distributing our proxy materials.

It is important that you use this opportunity to take part in the affairs of the Company by voting on the business to come before this Meeting. **WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE THE PROXY ELECTRONICALLY OR BY PHONE AS DESCRIBED ON THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS AND UNDER “INTERNET AND TELEPHONE VOTING” IN THE PROXY STATEMENT, OR ALTERNATIVELY, IF RECEIVING PAPER COPIES OF PROXY MATERIALS, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING.** Returning or completing the proxy does not deprive you of your right to attend the Meeting and to vote your shares in person.

We look forward to seeing you at our 2017 Annual Meeting of Stockholders.

Sincerely,

/s/ D. James Bidzos

D. James Bidzos

*Chairman of the Board of Directors and Executive
Chairman, President and Chief Executive Officer*

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VERISIGN, INC.
12061 Bluemont Way
Reston, Virginia 20190

Notice of the 2017 Annual Meeting of Stockholders

TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the 2017 Annual Meeting of Stockholders of VeriSign, Inc. (the “Company”) will be held at the Company’s corporate offices located at 12061 Bluemont Way, Reston, Virginia 20190 on Thursday, May 25, 2017, at 10:00 a.m., Eastern Time. The 2017 Annual Meeting of Stockholders is being held for the following purposes:

1. To elect the seven directors of the Company named in the Proxy Statement, each to serve until the next annual meeting, or until a successor has been elected and qualified or until the director’s earlier resignation or removal.
2. To approve, on a non-binding, advisory basis, the Company’s executive compensation.
3. To approve, on a non-binding, advisory basis, the frequency of the executive compensation vote.
4. To approve an amendment to the Company’s 2007 Employee Stock Purchase Plan.
5. To ratify the selection of KPMG LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2017.
6. To transact such other business as may properly come before the 2017 Annual Meeting of Stockholders or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on March 31, 2017, are entitled to notice of, and to vote at, the 2017 Annual Meeting of Stockholders or any adjournment or postponement thereof.

By Order of the Board of Directors,

/s/ Thomas C. Indelicarto

Thomas C. Indelicarto

Secretary

Reston, Virginia
April 12, 2017

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE THE PROXY ELECTRONICALLY OR BY PHONE AS DESCRIBED ON THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS AND UNDER “INTERNET AND TELEPHONE VOTING” IN THE PROXY STATEMENT, OR ALTERNATIVELY, IF RECEIVING PAPER COPIES OF PROXY MATERIALS, COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE PROXY IN THE ENCLOSED POSTAGE-PAID ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 25, 2017: The Proxy Statement and Annual Report are available at www.edocumentview.com/vrsn.

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VERISIGN, INC.
12061 Bluemont Way
Reston, Virginia 20190

PROXY STATEMENT
FOR THE 2017 ANNUAL MEETING OF STOCKHOLDERS

April 12, 2017

The accompanying proxy is solicited on behalf of the Board of Directors (the “Board”) of VeriSign, Inc. (“Verisign” or the “Company”) for use at the 2017 Annual Meeting of Stockholders (the “Meeting”) to be held at our corporate offices located at 12061 Bluemont Way, Reston, Virginia 20190 on Thursday, May 25, 2017 at 10:00 a.m., Eastern Time. Only holders of record of our common stock at the close of business on March 31, 2017, which is the record date, will be entitled to vote at the Meeting. This Proxy Statement and the accompanying form of proxy (collectively, the “Proxy Statement”) were first made available to stockholders on or about April 12, 2017. Our annual report to security holders, which includes our Annual Report on Form 10-K for the year ended December 31, 2016 (collectively, the “Annual Report”), is enclosed with this Proxy Statement for stockholders receiving a paper copy of proxy soliciting materials. The Annual Report and Proxy Statement can both be accessed on the Investor Relations section of our website at <https://investor.verisign.com>, or at www.edocumentview.com/vrsn.

All proxies will be voted in accordance with the instructions as submitted. Unless contrary instructions are specified, if the applicable proxy is submitted (and not revoked) prior to the Meeting, the shares of Verisign common stock represented by the proxy will be voted: (1) **FOR** the election of each of the seven director candidates nominated by the Board; (2) **FOR** the non-binding, advisory resolution to approve Verisign’s executive compensation; (3) **FOR** the non-binding, advisory resolution to approve annual stockholder voting on executive compensation; (4) **FOR** the approval of an amendment to the Company’s 2007 Employee Stock Purchase Plan; (5) **FOR** the ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017 (“fiscal 2017”); and (6) in accordance with the best judgment of the named proxies on any other matters properly brought before the Meeting.

Voting Rights

At the close of business on the record date, we had 101,843,488 shares of common stock outstanding and entitled to vote. Holders of our common stock are entitled to one vote for each share held as of the record date.

Quorum, Effect of Abstentions and Broker Non-Votes, Vote Required to Approve the Proposals

A majority of the shares of common stock outstanding and entitled to vote must be present or represented by proxy at the Meeting in order to have a quorum. Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the Meeting. A broker non-vote occurs when a bank, broker or other stockholder of record holding shares for a beneficial owner has not received voting instructions from the beneficial owner and does not vote on a particular proposal because that record holder does not have discretionary voting power with respect to that “non-routine” proposal. Each of the election of directors, the non-binding, advisory vote to approve executive compensation, the non-binding, advisory vote to approve the frequency of stockholder voting on executive compensation and the approval of the amendment to the Company’s 2007 Employee Stock Purchase Plan is a “non-routine” proposal and so shares for which record holders do not receive voting instructions will not be voted on such matters.

If a quorum is present, to be elected, a nominee for director must receive a majority of the votes cast (the number of shares voted “for” a director nominee must exceed the number of votes cast “against” that nominee). Under this voting standard, abstentions and broker non-votes will not affect the voting outcome. Stockholders may not cumulate votes in the election of directors.

If a nominee who currently serves as a director is not re-elected, Delaware law provides that the director would continue to serve on the Board as a “holdover director.” Under our Corporate Governance Principles, each director that is not re-elected by the stockholders must tender his or her resignation to the Board. In that situation, our Corporate Governance and Nominating Committee would make a recommendation to the Board about whether to accept or reject the resignation, or whether to take other action. Within 90 days from the date that the election results are certified, the Board will act on the Corporate Governance and Nominating Committee’s recommendation and publicly disclose its decision and the rationale behind it.

If a quorum is present, approvals of the proposals for:

- the non-binding, advisory resolution to approve Verisign’s executive compensation;
- the non-binding, advisory resolution to approve the frequency of stockholder voting on executive compensation;
- the approval of the amendment to the Company’s 2007 Employee Stock Purchase Plan; and
- the ratification of the selection of KPMG LLP as the Company’s independent registered public accounting firm for fiscal 2017

require the affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote on the subject matter. Under this voting standard, abstentions will have the effect of votes cast against the proposal, and broker non-votes will not affect the voting outcome.

The inspector of elections appointed for the Meeting will separately tabulate affirmative and withheld votes, abstentions and broker non-votes.

Adjournment of Meeting

In the event that a quorum shall fail to attend the Meeting, either in person or represented by proxy, the Chairman may adjourn the Meeting, or alternatively, the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the Meeting. Any such adjournment proposed by a stockholder or person named as a proxy would require the affirmative vote of the majority of the outstanding shares present in person or represented by proxy at the Meeting.

Expenses of Soliciting Proxies

Verisign will pay the expenses of soliciting proxies to be voted at the Meeting. Verisign intends to retain Morrow Sodali LLC for various services related to the solicitation of proxies, which we anticipate will cost approximately \$15,000, plus reimbursement of expenses. Following the original mailing of the Notice of Internet Availability of Proxy Materials and paper copies of proxies and other proxy soliciting materials, we and/or our agents may also solicit proxies by mail, telephone, electronic transmission, including email, or in person. Following the original mailing of the Notice of Internet Availability of Proxy Materials and paper copies of the proxies and other proxy soliciting materials, we will request that brokers, custodians, nominees and other record holders of our shares forward copies of the proxy and other proxy soliciting materials to persons for whom they hold shares and request authority for the exercise of proxies. In such cases, we will reimburse the record holders for their reasonable expenses if they ask us to do so.

Revocability of Proxies

A stockholder who holds shares of record as a registered stockholder may revoke any proxy that is not irrevocable by attending the Meeting and voting in person or by delivering a proxy in accordance with applicable law bearing a later date to the Secretary of the Company. If your shares are held through a bank or brokerage firm, you must follow the instructions provided by that institution to change or revoke your voting instructions.

Internet and Telephone Voting

If you hold shares of record as a registered stockholder, you can simplify your voting process and save the Company expense by voting your shares by telephone at 1-800-652-VOTE (8683) or on the internet at www.envisionreports.com/vrsn twenty-four hours a day, seven days a week. Telephone and internet voting are available through 12:00 a.m. Eastern Time the day of the Meeting. More information regarding internet voting is given on the Notice of Internet Availability of Proxy Materials. If you hold shares through a bank or brokerage firm, the bank or brokerage firm will provide you with separate instructions on a form you will receive from them. Many such firms make telephone or internet voting available, but the specific processes available will depend on those firms’ individual arrangements.

Householding

A number of brokerage firms have instituted a procedure called “householding,” which has been approved by the Securities and Exchange Commission (the “SEC”). Under this procedure, the firm delivers only one copy of the Notice of Internet Availability of Proxy Materials or paper copies of the Annual Report and Proxy Statement, as the case may be, to multiple stockholders who share the same address and have the same last name, unless it has received contrary instructions from an affected stockholder. If your shares are held in “street name” and you would like to receive only one copy of these materials (instead of separate copies) in the future, please contact your bank, broker or other holder of record to request information about householding. If you would like to receive an individual copy of the Notice of Internet Availability of Proxy Materials or paper copies of the Annual Report and Proxy Statement, as the case may be, now or in the future, we will promptly deliver these materials to you upon request to VeriSign, Inc., 12061 Bluemont Way, Reston, Virginia 20190, Attention: Secretary or (703) 948-3200.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

There are currently seven directors. The terms of the current directors, who are identified below, expire upon the election and qualification of the directors to be elected at the Meeting. The Board has nominated D. James Bidzos, Kathleen A. Cote, Thomas F. Frist III, Jamie S. Gorelick, Roger H. Moore, Louis A. Simpson and Timothy Tomlinson, each of whom are current directors, for re-election at the Meeting to serve until the 2018 Annual Meeting of Stockholders and until their respective successors have been elected and qualified. Proxies cannot be voted for more than seven persons, which is the number of nominees.

Unless otherwise directed, the persons named in the proxy intend to vote all proxies **FOR** the re-election of the nominees, as listed below, each of whom has consented to serve as a director if elected. If, at the time of the Meeting, any of the nominees is unable or declines to serve as a director, the discretionary authority provided in the enclosed proxy will be exercised to vote for a substitute candidate designated by the Board, unless the Board chooses to reduce its own size. The Board has no reason to believe any of the nominees will be unable or will decline to serve if elected.

Director Nominees

Set forth below is certain information relating to our director nominees, including details on each director nominee's specific experience, qualifications, attributes or skills that led the Board to conclude that the person should serve as a director of the Company.

Name	Age	Position
Nominees for election as directors for a term expiring in 2018:		
D. James Bidzos.....	62	Chairman of the Board, Executive Chairman, President and Chief Executive Officer
Kathleen A. Cote(1)(2).....	68	Director
Thomas F. Frist III (2).....	49	Director
Jamie S. Gorelick(2)(3).....	66	Director
Roger H. Moore(1)(2).....	75	Director
Louis A. Simpson(2)(3).....	80	Lead Independent Director
Timothy Tomlinson(1)(2)(3).....	67	Director

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

D. James Bidzos has served as Executive Chairman since August 2009 and President and Chief Executive Officer since August 2011. He served as Executive Chairman and Chief Executive Officer on an interim basis from June 2008 to August 2009 and served as President from June 2008 to January 2009. He served as Chairman of the Board since August 2007 and from April 1995 to December 2001. He served as Vice Chairman of the Board from December 2001 to August 2007. Mr. Bidzos served as a director of VeriSign Japan K.K. ("VeriSign Japan") from March 2008 to August 2010 and served as Representative Director of VeriSign Japan from March 2008 to September 2008. Mr. Bidzos served as Vice Chairman of RSA Security Inc., an internet identity and access management solution provider, from March 1999 to May 2002, and Executive Vice President from July 1996 to February 1999. Prior thereto, he served as President and Chief Executive Officer of RSA Data Security, Inc. from 1986 to February 1999.

Mr. Bidzos is a business executive with significant expertise in the technology that is central to the Company's businesses. Mr. Bidzos is an internet and security industry pioneer who understands the strategic technology trends in markets that are important to the Company. Mr. Bidzos was a founder of the Company and has been either Chairman or Vice Chairman of the Company's Board of Directors since the Company's founding in April 1995, providing him with valuable insight and institutional knowledge of the Company's history and development. Mr. Bidzos has prior experience on our Compensation Committee and our Corporate Governance and Nominating Committee and as a member of several other public-company boards. Mr. Bidzos's years of board-level experience contribute important knowledge and insight to the Board. Additionally, Mr. Bidzos's executive-level experience includes many years as a Chief Executive Officer, providing him with a perspective that the Board values. Mr. Bidzos also has international business experience from his service as a director of VeriSign Japan.

Kathleen A. Cote has served as a director since February 2008. From May 2001 to June 2003, Ms. Cote served as Chief Executive Officer of Worldport Communications Company, a provider of internet managed services. From September 1998 to May 2001, she served as Founder and President of Seagrass Partners, a consulting firm specializing in providing strategic planning, business, operational and management support for startup and mid-sized technology companies. Prior thereto, she served as President and Chief Executive Officer of Computervision Corporation, a supplier of desktop and enterprise, client server and web-based product development and data management software and services. During the past five years, Ms. Cote has held directorships at Asure

Software Corporation, GT Advanced Technologies Inc., 3Com Corporation and Western Digital Corporation. Ms. Cote holds an Honorary Doctorate from the University of Massachusetts, an M.B.A. degree from Babson College, and a B.A. degree from the University of Massachusetts, Amherst.

Ms. Cote is a business executive with significant expertise overseeing global companies in technology and operations in the areas of systems integration, networks, hardware and software, including web-based applications and internet services. Ms. Cote's expertise in technology and operations is directly relevant to the Company's businesses. Ms. Cote's expertise as a business executive also includes sales and marketing, product development, strategic planning and international experience, which contributes important expertise to the Board in those areas of business administration. Ms. Cote's financial and accounting skills qualify her as an audit committee financial expert. In addition to Ms. Cote's tenure as a director of the Company, Ms. Cote has served on several other boards of directors, including service on the audit and corporate governance committees of those boards, providing her with valuable board-level experience. Ms. Cote's executive-level experience includes experience as a Chief Executive Officer, providing her with a perspective that the Board values.

Thomas F. Frist III has served as a director and member of the Corporate Governance and Nominating Committee since December 2015. Mr. Frist is the Founder and Managing Principal of Frist Capital, LLC, an investment firm based in Nashville, TN that makes long-term equity investments in public and private companies. Mr. Frist previously was the managing member of FS Partners, L.L.C. and worked in principal investments at Rainwater, Inc. Mr. Frist holds a B.A. degree from Princeton University and an M.B.A. degree from Harvard Business School.

Mr. Frist's significant directorship experience provides valuable expertise and perspective to the Board. Mr. Frist was on the Audit Committee and Board of Directors of Triad Hospitals, Inc. from 1998-2007. He joined the board of HCA Holdings, Inc., one of the largest non-governmental operators of health care facilities in the United States, in 2008, serving on the Executive and Audit Committees, chairing the Nominating and Governance Committee, and chairing the Finance and Investments Committee. Mr. Frist has also served as a director for Science Applications International Corporation since 2009, serving as Chair of the Nominating and Governance Committee and a member of the Audit Committee since its separation from Leidos in 2013. He also chaired the Finance Committee at legacy SAIC. In addition to the significant experience as a board member mentioned above, Mr. Frist provides valuable experience in areas of business administration, finance and operations, which the Board values.

Jamie S. Gorelick has served as a director since January 2015. Ms. Gorelick has been a partner at Wilmer Cutler Pickering Hale and Dorr LLP, an international law firm, since 2003. She served as Deputy Attorney General of the United States from 1994 to 1997 and as General Counsel of the Department of Defense from 1993 to 1994. She has been a director of Amazon.com, Inc. since 2012 and serves as Chair of its Nominating and Governance Committee. She previously served as a director of United Technologies Corp. and of Schlumberger, Ltd. She holds B.A. and J.D. degrees from Harvard University.

Ms. Gorelick is an experienced attorney with significant expertise in legal, policy and corporate matters. Ms. Gorelick's regulatory and policy experience is directly relevant to the Company's business. She is well-versed in critical infrastructure and national security issues and brings a valuable skill-set and wealth of government experience to the Board. Ms. Gorelick has served on several other corporate boards, a compensation committee, and a nominating and governance committee, and served on numerous government boards and commissions. Ms. Gorelick's experience in both the public and private sectors, combined with her experience in the corporate boardroom, provides her valuable board experience, and she offers a perspective the Board values.

Roger H. Moore has served as a director since February 2002. From December 2007 to May 2009, he served as a consultant assisting Verisign in the divestiture of its Communications Services business. From June 2007 through November 2007, Mr. Moore served as interim Chief Executive Officer of Arbinet Corporation, a provider of online trading services. He was President and Chief Executive Officer of Illuminet Holdings, Inc. from December 1995 until December 2001 when Verisign acquired Illuminet Holdings. During the past five years, Mr. Moore has held directorships at Western Digital Corporation and Consolidated Communications Holdings, Inc. Mr. Moore holds a B.S. degree in General Science from Virginia Polytechnic Institute and State University.

Mr. Moore is a business executive with significant expertise in general management, sales, technology and strategic planning in the telecommunications industry. Mr. Moore's expertise contributes operational knowledge of important inputs to the Company's businesses and provides valuable experience in areas of business administration. Mr. Moore also has significant experience, both as a senior executive and as a board member, in joint venture and mergers and acquisition transactions, which is experience that is valuable to the Board. Mr. Moore's financial and accounting skills qualify him as an audit committee financial expert. Mr. Moore also serves on several other boards of directors, including service on the audit, compensation and corporate governance committees of certain of those boards, providing him with valuable board-level experience. In addition to the several years of business management experience mentioned above, Mr. Moore has international business experience from his time as President of Nortel Japan and as President of AT&T Canada.

Louis A. Simpson has served as a director since May 2005. Mr. Simpson has served as Chairman of SQ Advisors, LLC, an investment firm since January 2011. From May 1993 to December 2010, he served as President and Chief Executive Officer, Capital Operations, of GEICO Corporation, a passenger auto insurer. Mr. Simpson previously served as Vice Chairman of the Board of GEICO from 1985 to 1993. During the past five years, Mr. Simpson has held directorships at Science Applications International

Corporation. and Chesapeake Energy Corporation. Mr. Simpson holds a B.A. degree from Ohio Wesleyan University and an M.A. degree in Economics from Princeton University.

Mr. Simpson is a business executive with significant expertise in insurance, finance and private investment. Mr. Simpson's expertise contributes all around business acumen, skills in strategic planning and finance, along with knowledge important to mergers and acquisitions activity. Throughout his career, Mr. Simpson has served on the boards of directors of more than fifteen publicly traded companies, providing him with extensive and valuable board-level experience. Mr. Simpson's board-level experience also includes previous audit committee, finance committee, nominating and corporate governance committee and compensation committee experience on certain of those public-company boards. Mr. Simpson is a recognized expert in corporate governance matters, having lectured and presented numerous times on corporate governance topics at seminars and continuing education courses. As indicated above, Mr. Simpson's career includes executive-level experience as a Chief Executive Officer, providing him with a perspective that the Board values.

Timothy Tomlinson was a corporate lawyer employed as General Counsel of Portola Minerals Company, a producer and seller of limestone products, from May 2011 through December 2013. Mr. Tomlinson was employed as Of Counsel by the law firm Greenberg Traurig, LLP from May 2007 through May 2011. Mr. Tomlinson was the founder and a named partner of Tomlinson Zisko LLP and practiced with this Silicon Valley law firm from 1983 until its acquisition by Greenberg Traurig, LLP in May 2007. He served as managing partner of Tomlinson Zisko LLP for multiple terms. Mr. Tomlinson is a long-tenured member of the Board, having served from the Company's founding in 1995 until 2002, and again since his reappointment in November 2007. Mr. Tomlinson holds a B.A. degree in Economics, a Ph.D. degree in History, an M.B.A. and a J.D. degree from Stanford University.

Mr. Tomlinson has significant expertise in corporate matters including finance and mergers and acquisitions and has represented clients in the technology industry for more than thirty years. Mr. Tomlinson's long-term service on our Board has provided him with valuable insight and institutional knowledge of the Company's history and development. Mr. Tomlinson's financial and accounting skills qualify him as an audit committee financial expert. He has extensive experience in corporate governance, both as a lawyer advising clients, and through serving on our Audit, Compensation and Corporate Governance and Nominating Committees, as well as the audit, compensation, and governance committees of other public companies.

Compensation of Directors

This section provides information regarding the compensation policies for non-employee directors and amounts earned and securities awarded to these directors in fiscal 2016. Mr. Bidzos is the Company's Executive Chairman, President and Chief Executive Officer. As an employee of the Company, Mr. Bidzos does not participate in the compensation program for non-employee directors, and he is compensated as an executive officer of the Company. Mr. Bidzos' compensation is described in "Executive Compensation" elsewhere in this Proxy Statement.

Non-Employee Director Retainer Fees and Equity Compensation Information

On July 26, 2016, the Compensation Committee met to consider the cash and equity-based compensation to be paid to non-employee directors. The Compensation Committee reviewed competitive market data prepared by Frederic W. Cook & Co., Inc. ("FW Cook"), its independent compensation consultant, for the same peer group used to benchmark executive compensation, as well as compensation practices for board of other companies based on available information. For information about the peer group, see "Executive Compensation—Compensation Discussion and Analysis." Following this review and consideration of the recommendations made by FW Cook, the Compensation Committee determined that it was in the best interests of Verisign and its stockholders to maintain the amount of the annual cash retainer fees at current levels and increase the value of the annual equity award grant to each director from \$240,000 to \$250,000 (made solely in the form of restricted stock units ("RSUs")). New directors are granted an equity award equal to the pro rata amount of such annual equity award, the amount of which is determined based on the date of such new director's appointment or election to the Board. Directors are subject to the Company's Stock Retention Policy as described in "Executive Compensation—Compensation Discussion and Analysis."

Directors received annual cash retainer fees for fiscal 2016 as follows:

Annual retainer for non-employee directors	\$ 40,000
Additional annual retainer for Non-Executive Chairman of the Board(1).....	\$ 100,000
Additional annual retainer for Lead Independent Director	\$ 25,000
Additional annual retainer for Audit Committee members.....	\$ 25,000
Additional annual retainer for Compensation Committee members.....	\$ 20,000
Additional annual retainer for Corporate Governance and Nominating Committee members.....	\$ 10,000
Additional annual retainer for Audit Committee Chairperson.....	\$ 15,000
Additional annual retainer for Compensation Committee Chairperson.....	\$ 10,000
Additional annual retainer for Corporate Governance and Nominating Committee Chairperson.....	\$ 5,000
Additional annual retainer for Safety and Security Council Liaison(2).....	\$ 15,000

- (1) The position of “Non-Executive Chairman of the Board” was not held during 2016, and as such no annual retainer fees were paid during this period.
(2) At the July 27, 2016 meeting, the Board appointed Mr. Moore to serve as the Board’s liaison to management’s Safety and Security Council and approved an annual retainer of \$15,000 to act as the Safety and Security Council liaison.

Non-employee directors are reimbursed for their expenses incurred in attending meetings.

Non-Employee Director Compensation Table for Fiscal 2016

The following table sets forth a summary of compensation information for our non-employee directors for fiscal 2016.

DIRECTOR COMPENSATION FOR FISCAL 2016

Non-Employee Director Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)	Total (\$)
William L. Chenevich (3).....	33,173	-	33,173
Kathleen A. Cote.....	80,000	249,919	329,919
Thomas F. Frist.....	50,000	249,919	299,919
Jamie S. Gorelick.....	70,000	249,919	319,919
Roger H. Moore.....	81,440	249,919	331,359
Louis A. Simpson.....	105,000	249,919	354,919
Timothy Tomlinson.....	110,000	249,919	359,919

- (1) Amounts shown represent retainer fees earned by each director.
(2) Stock Awards consist solely of RSUs. Amounts shown represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the applicable awards granted in fiscal 2016. The grant date fair value of each Stock Award granted to each non-employee director on July 26, 2016 was \$ 249,919 (2,977 RSUs at \$83.95 per share closing price on the grant date).
(3) Mr. Chenevich served as a director until the 2016 Annual Meeting of Stockholders.

RSUs granted to non-employee directors in 2016 vested immediately upon grant. The Compensation Committee may authorize grants with different vesting schedules in the future. The vesting of equity awards for all non-employee directors accelerates as to 100% of any unvested equity awards upon certain changes-in-control as set forth in the Amended and Restated VeriSign, Inc. 2006 Equity Incentive Plan (the “2006 Plan”).

The Board Recommends a Vote “FOR” the Election of Each of the Nominated Directors.

CORPORATE GOVERNANCE

Independence of Directors

As required under The NASDAQ Stock Market's listing standards, a majority of the members of our Board must qualify as "independent," as determined by the Board. The Board and the Corporate Governance and Nominating Committee consult with our legal counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in pertinent listing standards of The NASDAQ Stock Market.

Consistent with these considerations, after review of all relevant transactions and relationships between each director, or any of his or her family members, and Verisign, our executive officers or our independent registered public accounting firm, the Board affirmatively determined on February 15, 2017 that the majority of our Board is comprised of independent directors. Our independent directors are: Ms. Cote, Mr. Frist, Ms. Gorelick, Mr. Moore, Mr. Simpson and Mr. Tomlinson. Each director who serves on the Audit Committee, the Compensation Committee or the Corporate Governance and Nominating Committee is an independent director. Mr. Bidzos serves as Executive Chairman, President and Chief Executive Officer and thus is not considered independent. William L. Chenevich, who served as a director until the 2016 Annual Meeting of Stockholders, was determined to be independent pursuant to these same standards.

Board Leadership Structure

The Board regularly considers the appropriate leadership structure for the Company and has concluded that the Company and its stockholders are best served by not having a formal policy on whether the same individual should serve as both Chief Executive Officer and Chairman of the Board. This flexibility allows the Board to utilize its considerable experience and knowledge to elect the most appropriate director as Chairman, while maintaining the ability to separate the Chairman of the Board and Chief Executive Officer roles when necessary. This determination is made according to what the Board believes is best to provide appropriate leadership for the Company at such time. Currently, the Company's seven-member Board is led by Chairman D. James Bidzos. Mr. Bidzos is also an officer of the Company, serving as its Executive Chairman, President and Chief Executive Officer. The Board has appointed Louis A. Simpson as Lead Independent Director. The Lead Independent Director (a) has authority to call executive sessions of the independent directors, (b) presides at all meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent directors, (c) serves as liaison between the Chairman of the Board and the independent directors, and (d) exercises such other powers and duties as from time to time may be assigned to him or her by the Board.

The Board has determined that its current leadership represents an appropriate structure for the Company. In particular, this structure capitalizes on the expertise and experience of Messrs. Bidzos and Simpson due to their long-tenured service to the Board. The structure permits Mr. Bidzos to engage in the operations of the Company in a more in-depth way as Executive Chairman, President and Chief Executive Officer. Lastly, the structure ensures Board independence from management by permitting the Lead Independent Director to call and chair meetings of the independent directors separate and apart from the Chairman of the Board.

Mr. Bidzos was a founder of the Company and its initial Chief Executive Officer, and he has been either Chairman or Vice Chairman of the Company's Board of Directors since the Company's founding in 1995. Mr. Bidzos's current tenure as Chairman of the Board dates to August 2007. Mr. Bidzos was appointed Executive Chairman, President and Chief Executive Officer of Verisign on an interim basis on June 30, 2008. On January 14, 2009, Mr. Bidzos resigned as President on an interim basis, and on August 17, 2009, Mr. Bidzos resigned as Executive Chairman and Chief Executive Officer on an interim basis and was appointed Executive Chairman of Verisign. On August 1, 2011, Mr. Bidzos was also appointed President and Chief Executive Officer. Mr. Simpson has been the Lead Independent Director since July 2015.

Succession Planning

The Board recognizes the importance of the effectiveness of the Company's executive leaders for the Company's success, and the Board is actively engaged in executive succession planning. The Board has delegated to the Corporate Governance and Nominating Committee responsibility for reviewing and assessing the management development and succession planning process for senior management. As part of the succession planning process, the Committee works closely with management, including Human Resources, to identify succession candidates for senior management other than the Executive Chairman, President and Chief Executive Officer. Although the Board retains responsibility for identifying succession candidates for the Executive Chairman, President and Chief Executive Officer, the Committee is charged with developing the processes to identify succession candidates.

Board Role in Risk Oversight

The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. The full Board (or the appropriate committee in the case of risks that are under the purview of a particular committee) receives these reports from the appropriate member of senior management responsible for mitigating these risks within the organization to enable it to understand our risk identification, risk management and risk mitigation strategies. When a committee

receives a report on risks under its purview, the Chairperson of the relevant committee reports on the discussion to the full Board during the committee reports portion of the next Board meeting. This enables the Board and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. All of our Board members have experience with enterprise risk management. In addition, the Board discusses cyber risks regularly during its regularly scheduled board meetings.

Board and Committee Meetings

The Board met six times and its committees collectively met fourteen times during 2016. During 2016, no director attended fewer than 75% of the aggregate of (i) the total number of meetings held by the Board and (ii) the total number of meetings held by all committees on which he or she served.

Board Members' Attendance at the Annual Meeting

We do not have a formal policy regarding attendance by members of the Board at our annual meeting of stockholders. One member of the Board attended our 2016 Annual Meeting of Stockholders.

Corporate Governance and Nominating Committee

The Board has established a Corporate Governance and Nominating Committee to recruit, evaluate, and nominate candidates for appointment or election to serve as members of the Board, recommend nominees for committees of the Board, assess contributions and independence of incumbent directors, review and make recommendations regarding the Board's leadership structure, recommend changes to corporate governance principles and committee charters and periodically review and assess the adequacy of these documents, and review annually the performance of the Board. The Corporate Governance and Nominating Committee is currently composed of Ms. Cote (Chairperson), Mr. Frist, Ms. Gorelick, Mr. Moore, Mr. Simpson and Mr. Tomlinson, each of whom has been determined by the Board to be an "independent director" under the rules of The NASDAQ Stock Market. Mr. Chenevich, who served on the Corporate Governance and Nominating Committee until the 2016 Annual Meeting of Stockholders had previously been determined independent. The Corporate Governance and Nominating Committee operates pursuant to a written charter. The Corporate Governance and Nominating Committee's charter is located on our website at <https://investor.verisign.com/documents.cfm>. The Corporate Governance and Nominating Committee met four times during fiscal 2016.

In nominating candidates for election to the Board, the Corporate Governance and Nominating Committee considers the performance and qualifications of each potential nominee or candidate, not only for his or her individual strengths but also for his or her potential contribution to the Board as a group. While it has no express policy, in carrying out this responsibility the Corporate Governance and Nominating Committee also considers additional factors, such as diversity of business administration specialty, expertise within industries and markets tangential or complementary to the Company's industry, and business contacts among the various market segments relevant to the Company's sales, human resource and development strategies. Additionally, pursuant to its charter, the Corporate Governance and Nominating Committee evaluates and reviews with the Board the criteria for selecting new directors, including skills and characteristics, in the context of the current composition of the Board and its committees.

The Corporate Governance and Nominating Committee considers candidates for director nominees proposed by directors and stockholders. The Corporate Governance and Nominating Committee may also from time to time retain one or more third-party search firms to identify suitable candidates.

If you would like to recommend to the Corporate Governance and Nominating Committee a prospective candidate, please submit the candidate's name and qualifications to: Thomas C. Indelicarto, Secretary, VeriSign, Inc., 12061 Bluemont Way, Reston, Virginia 20190.

The Corporate Governance and Nominating Committee will consider all candidates identified by the directors, chief executive officer, stockholders, or third-party search firms through the processes described above, and will evaluate each of them, including incumbents and candidates nominated by stockholders, based on the same criteria.

Audit Committee

The Board has established an Audit Committee that oversees the accounting and financial reporting processes at the Company, internal control over financial reporting, audits of the Company's financial statements, the qualifications of the Company's independent registered public accounting firm, and the performance of the Company's internal audit department and the independent registered public accounting firm. The independent registered public accounting firm reports directly to the Audit Committee, and the Audit Committee is responsible for the appointment (subject to stockholder ratification), compensation and retention of the independent registered public accounting firm. The Audit Committee also oversees the Company's processes to manage business and financial risk, and compliance with significant applicable legal and regulatory requirements, and oversees the Company's ethics and compliance programs. The Audit Committee is currently composed of Mr. Tomlinson (Chairperson), Ms. Cote and Mr. Moore. Each member of the Audit Committee meets the independence criteria of The NASDAQ Stock Market and the SEC. Mr. Chenevich, who served on the Audit Committee until the 2016 Annual Meeting of Stockholders had previously been determined to be independent by these standards. Each Audit Committee member meets The NASDAQ Stock Market's financial knowledge requirements, and the

Board has determined that the Audit Committee has at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities as required by Rule 5605(c)(2) of The NASDAQ Stock Market. The Audit Committee operates pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC and The NASDAQ Stock Market. The Audit Committee's charter is located on our website at <https://investor.verisign.com/documents.cfm>. The Audit Committee met five times during fiscal 2016.

Audit Committee Financial Expert

Our Board has determined that Ms. Cote, Mr. Moore and Mr. Tomlinson are "audit committee financial experts" as such term is defined in Item 407(d)(5) of Regulation S-K of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Ms. Cote, Mr. Moore and Mr. Tomlinson meet the independence requirements for audit committee members as defined in the applicable listing standards of The NASDAQ Stock Market.

Report of the Audit Committee

The Audit Committee is composed of three directors who meet the independence and experience requirements of The NASDAQ Stock Market Rules. The Audit Committee operates under a written charter adopted by the board of directors (the "Board") of VeriSign, Inc. ("Verisign"). The members of the Audit Committee are Messrs. Tomlinson (Chairperson) and Moore, and Ms. Cote. The Audit Committee met five times during fiscal 2016.

Management is responsible for the preparation, presentation and integrity of Verisign's financial statements, accounting and financial reporting principles and internal controls and processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting standards and applicable laws and regulations (the "Internal Controls"). The independent registered public accounting firm, KPMG LLP ("KPMG"), is responsible for performing an independent audit of Verisign's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting in accordance with standards of the Public Company Accounting Oversight Board (United States) and for issuing reports thereon.

The Audit Committee is responsible for oversight of Verisign's financial, accounting and reporting processes and its compliance with significant applicable legal and regulatory requirements. The Audit Committee is also responsible for the appointment, compensation and oversight of Verisign's independent registered public accounting firm, including (i) evaluating the independent registered public accounting firm's qualifications and performance, with consideration given to comments from management, including the Chief Financial Officer's assessment of their performance, (ii) reviewing and confirming the independent registered public accounting firm's independence, (iii) reviewing and approving the planned scope of the annual audit, (iv) overseeing the audit work of the independent registered public accounting firm, (v) reviewing and pre-approving any non-audit services that may be performed by the independent registered public accounting firm, (vi) reviewing with management and the independent registered public accounting firm the adequacy of Verisign's Internal Controls, and (vii) reviewing Verisign's critical accounting policies, the application of accounting principles and conduct of the audit, including the oversight of the resolution of any issues identified by the independent registered public accounting firm.

To ensure the independence of Verisign's independent registered public accountant, we follow the applicable laws, rules and regulations regarding the rotation of audit partners, including Rule 2-01 of Regulation S-X. The Audit Committee is involved in the selection of the audit partner when a rotational change is required.

During fiscal 2016, the Audit Committee met privately with KPMG to discuss the results of the audit, evaluations by the independent registered public accounting firm of Verisign's Internal Controls and the quality of Verisign's financial reporting. In addition, during its regularly scheduled meetings, the Audit Committee met privately with each of Verisign's Chief Financial Officer, General Counsel and Compliance Officer, Vice President of Internal Audit, and Controller to discuss various legal, accounting, auditing and internal control matters.

The Audit Committee has reviewed and discussed the audited consolidated financial statements contained in Verisign's Annual Report on Form 10-K for the year ended December 31, 2016 with management. This review included a discussion of the accounting principles, reasonableness of significant judgments, and clarity of disclosures in the consolidated financial statements. Management represented to the Audit Committee that Verisign's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and the Audit Committee has reviewed and discussed the consolidated financial statements with KPMG.

The Audit Committee has discussed with KPMG the matters required to be discussed under the applicable rules adopted by the Public Company Accounting Oversight Board. In addition, the Audit Committee has received from KPMG the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG's

communications with the Audit Committee concerning independence, and the Audit Committee has discussed with KPMG their independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in Verisign's Annual Report on Form 10-K for the year ended December 31, 2016, for filing with the SEC.

This report is submitted by the Audit Committee
Timothy Tomlinson (Chairperson)
Kathleen A. Cote
Roger H. Moore

Compensation Committee

The Board has established a Compensation Committee to discharge the Board's responsibilities with respect to all forms of compensation of the Company's employees, including directors and executive officers, to administer the Company's equity incentive plans, and to produce an annual report on executive compensation for use in the Company's Proxy Statement. The Compensation Committee is also responsible for overseeing Verisign's overall compensation philosophy and approving and evaluating executive officer compensation arrangements, plans, policies and programs of the Company, and for administering the Company's equity incentive plans for employees. The Compensation Committee operates pursuant to a written charter. The Compensation Committee's charter is located on our website at <https://investor.verisign.com/documents.cfm>. The Compensation Committee is currently composed of Mr. Simpson (Chairperson), Ms. Gorelick, and Mr. Tomlinson, each of whom is an "independent director" under the rules of The NASDAQ Stock Market for compensation committee members, a "non-employee director" pursuant to Rule 16b-3 promulgated under Section 16 of the Exchange Act and an "outside director" pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Compensation Committee met five times during fiscal 2016. For further information regarding the role of compensation consultants and management in setting executive compensation, see "Executive Compensation—Compensation Discussion and Analysis."

Communicating with the Board

Any stockholder who desires to contact the Board may do so electronically by sending an e-mail to the following address: bod@verisign.com. Alternatively, a stockholder may contact the Board by writing to: Board of Directors, VeriSign, Inc., 12061 Bluemont Way, Reston, Virginia 20190, Attention: Secretary. Communications received electronically or in writing are distributed to the Chairman of the Board or other members of the Board, as appropriate, depending on the facts and circumstances outlined in the communication received.

Code of Conduct

We have adopted a code of conduct that applies to all officers and employees, including our principal executive officer, principal financial officer and other senior accounting officers. This code of conduct, titled "Verisign Code of Conduct 2016," is posted on our website under "Ethics and Business Conduct" at <https://investor.verisign.com/corporate-governance.cfm>.

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of the "Verisign Code of Conduct 2016," to the extent applicable to the principal executive officer, principal financial officer, or other senior accounting officers, by posting such information on our website, on the web page found by clicking through to "Ethics and Business Conduct" as specified above.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 31, 2017, except as otherwise indicated, by:

- each current stockholder who is known to own beneficially more than 5% of our common stock;
- each current director;
- each of the Named Executive Officers (see “Executive Compensation—Summary Compensation Table” elsewhere in this Proxy Statement); and
- all current directors and executive officers as a group.

The percentage ownership is based on 101,843,488 shares of common stock outstanding at March 31, 2017. Shares of common stock that are covered by RSUs vesting within 60 days of March 31, 2017, are deemed outstanding for the purpose of computing the percentage ownership of the person holding such RSUs but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated in the footnotes following the table, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

BENEFICIAL OWNERSHIP TABLE

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Number(1)	Percent(1)
Greater Than 5% Stockholders		
T. Rowe Price Associates, Inc.(2) 100 E. Pratt Street Baltimore, MD 21202	14,316,927	14.06 %
Warren Buffett(3) Berkshire Hathaway, Inc. 3555 Farnam Street Omaha, NE 68131	12,952,745	12.72 %
Capital World Investors(4) 333 South Hope Street Los Angeles, CA 90071	12,789,339	12.56 %
The Vanguard Group(5) 100 Vanguard Boulevard Malvern, PA 19355.....	8,431,609	8.28 %
BlackRock, Inc. (6) 55 East 52 nd Street New York, NY 10055	6,981,112	6.85 %
Capital International Investors (7) 11100 Santa Monica Boulevard 16th Floor Los Angeles, CA 90025	5,440,940	5.34 %
Directors and Named Executive Officers		
D. James Bidzos(8).....	575,789	*
Kathleen A. Cote.....	37,319	*
Thomas F. Frist III.....	4,642	*
Jamie S. Gorelick.....	9,739	*
Roger H. Moore	33,212	*
Louis A. Simpson(9).....	210,638	*
Timothy Tomlinson(10).....	17,046	*
Todd B. Strubbe(11).....	44,263	*
George E. Kilguss, III(12)	70,536	*
Thomas C. Indelicarto(13).....	37,973	*
All current directors and executive officers as a group (10 persons)(14).....	1,041,157	1.02 %

* Less than 1% of Verisign's outstanding common stock.

- (1) The percentages are calculated using 101,843,488 outstanding shares of the Company's common stock on March 31, 2017 as adjusted pursuant to Rule 13d-3(d)(1)(i). Pursuant to Rule 13d-3(d)(1) of the Exchange Act, beneficial ownership information for each person also includes shares subject to options exercisable, or RSUs vesting, within 60 days of March 31, 2016, as applicable.
- (2) Based on Schedule 13G/A filed on February 7, 2017 with the SEC by T. Rowe Price Associates, Inc. with respect to beneficial ownership of 14,316,927 shares. T. Rowe Price Associates, Inc. has sole voting power over 4,275,698 of these shares and sole dispositive power over 14,316,927 of these shares.
- (3) Based on Schedule 13G/A filed on February 14, 2017 with the SEC by Berkshire Hathaway, Inc., with respect to beneficial ownership of 12,952,745 shares. Berkshire Hathaway, Inc., is a diversified holding company which Mr. Buffett may be deemed to control. Mr. Buffett and Berkshire Hathaway share voting and dispositive power over 12,952,745 of these shares, which include shares beneficially owned by certain subsidiaries of Berkshire Hathaway. National Indemnity Company and GEICO Corporation share voting and dispositive power over 7,905,481 of these shares.
- (4) Based on Schedule 13G/A filed on February 13, 2017 with the SEC by Capital World Investors, with respect to beneficial ownership of 12,789,339 shares. Capital World Investors has sole voting power over 12,789,339 of these shares and sole dispositive power over 12,789,339 of these shares.
- (5) Based on Schedule 13G/A filed on February 10, 2017 with the SEC by The Vanguard Group with respect to beneficial ownership of 8,431,609 shares. The Vanguard Group has sole voting power over 143,962 of these shares, sole dispositive power over 8,271,331 of these shares, shared voting power over 18,048 of these shares and shared dispositive power over 160,278 of these shares.
- (6) Based on Schedule 13G/A filed on January 27, 2017 with the SEC by BlackRock, Inc. with respect to beneficial ownership of 6,981,112 shares. BlackRock has sole voting power over 5,924,528 of these shares and sole dispositive power over 6,981,112 of these shares.
- (7) Based on Schedule 13G/A filed on December 31, 2015 with the SEC by Capital International Investors with respect to beneficial ownership of 5,440,940 shares. Capital International Investors has sole voting power over 5,112,520 of these shares and sole dispositive power over 5,440,940 of these shares.
- (8) Includes 4,057 RSUs vesting within 60 days of March 31, 2017 held directly by Mr. Bidzos.
- (9) Includes 210,638 shares held by the Louis A. Simpson Living Trust, under which Mr. Simpson is the trustee.
- (10) Includes 17,046 shares held indirectly by the Tomlinson Family Trust, under which Mr. Tomlinson and his spouse are co-trustees.
- (11) Includes 20,536 RSUs vesting within 60 days of March 31, 2017 held directly by Mr. Strubbe.
- (12) Includes 1,218 RSUs vesting within 60 days of March 31, 2017 held directly by Mr. Kilguss.

- (13) Includes 950 RSUs vesting within 60 days of March 31, 2017 held directly by Mr. Indelicato.
- (14) Includes the shares described in footnotes (8)-(13).

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and officers, and persons who own more than 10% of Verisign's common stock to file initial reports of ownership and reports of changes in ownership with the SEC and The NASDAQ Stock Market. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file. We file Section 16(a) reports on behalf of our directors and executive officers to report their initial and subsequent changes in beneficial ownership of our common stock.

Based solely on a review of the reports we filed on behalf of our directors and executive officers, or written representations from reporting persons that all reportable transactions were reported, the Company believes that all Section 16(a) filing requirements applicable to our directors and executive officers were complied with for fiscal 2016, except that one Form 4 relating to one transaction was inadvertently filed late for Kathleen A. Cote due to an administrative error.

PROPOSAL NO. 2

TO APPROVE, ON A NON-BINDING ADVISORY BASIS, VERISIGN'S EXECUTIVE COMPENSATION

Under Schedule 14A of the Exchange Act and the corresponding SEC rules, Verisign is seeking an advisory stockholder vote with respect to approval of compensation awarded to our Named Executive Officers for 2016 as disclosed in the Compensation Discussion and Analysis section and accompanying compensation tables contained in this Proxy Statement. The stockholder vote approving executive compensation is advisory only, and the result of the vote is not binding upon the Company or its Board. Although the resolution is non-binding, the Board and the Compensation Committee will consider the outcome of the advisory vote approving executive compensation when making future compensation decisions. On May 26, 2011, the majority of the Company's stockholders voted in favor of an annual non-binding stockholder advisory vote approving executive compensation and, in consideration of the outcome of the frequency vote, the Board determined to hold such advisory vote each year. Following the Meeting, the next such non-binding advisory vote to approve Verisign's executive compensation is scheduled to occur at the 2018 Annual Meeting of Stockholders.

Verisign's executive compensation program and compensation paid to the Named Executive Officers are described elsewhere in this Proxy Statement. The Compensation Committee oversees the program and compensation awarded, adopting changes to the program and awarding compensation as appropriate to reflect the Company's circumstances and to promote the main objectives of the program: to provide competitive overall pay relative to peers, taking into account company and individual performance, to effectively tie pay to performance, and to align the Named Executive Officers' interests with stockholders.

This proposal allows our stockholders to express their opinions regarding the decisions of the Compensation Committee on the prior fiscal year's annual compensation to the Named Executive Officers. You may vote *for* or *against* the following resolution, or you may abstain. This vote is advisory and non-binding.

Resolved, that the stockholders approve the compensation of VeriSign, Inc.'s Named Executive Officers, as disclosed under Securities and Exchange Commission rules, including the Compensation Discussion and Analysis section, the compensation tables and related material included in this Proxy Statement.

The Board Recommends a Vote "FOR" the foregoing resolution.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis (“CD&A”) provides comprehensive information about our executive compensation program for our fiscal 2016 Named Executive Officers (“NEOs”), who are listed below, and provides context for the decisions underlying the compensation reported in the executive compensation tables in the Proxy Statement. Our NEOs are:

- D. James Bidzos, Executive Chairman, President and Chief Executive Officer (“CEO”);
- Todd B. Strubbe, Executive Vice President, Chief Operating Officer (“COO”);
- George E. Kilguss, III, Executive Vice President, Chief Financial Officer (“CFO”); and
- Thomas C. Indelicarto, Executive Vice President, General Counsel and Secretary.

Messrs. Kilguss and Indelicarto were promoted to Executive Vice President on February 17, 2016.

In the sections below, we will describe the material elements of our executive compensation program for 2016, including how we set compensation and tie pay to performance. We refer to our NEOs and Senior Vice Presidents, collectively as our “executives.”

Compensation Philosophy and Objectives

Our executive compensation program is designed to attract and retain the executive talent we need to maintain our current high performance standards and grow our business for the future. Our philosophy is to provide a mix of compensation that motivates our executives to achieve our short and long-term performance goals, which in turn will create value for our stockholders.

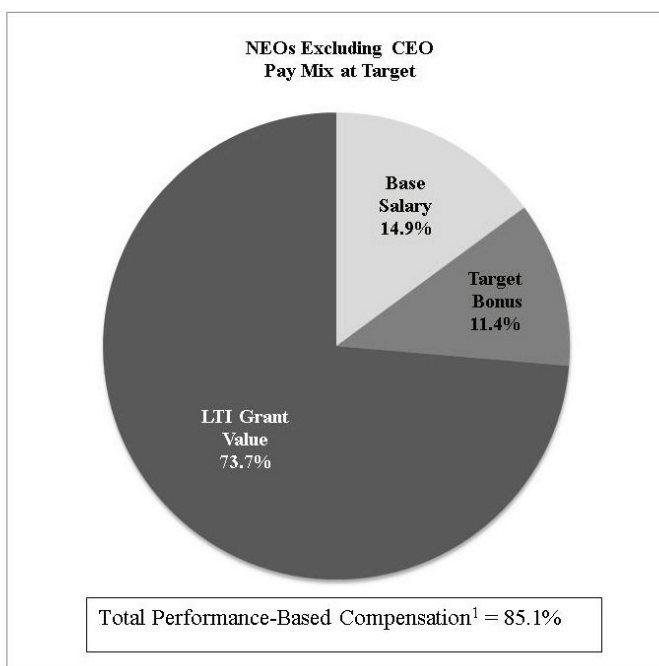
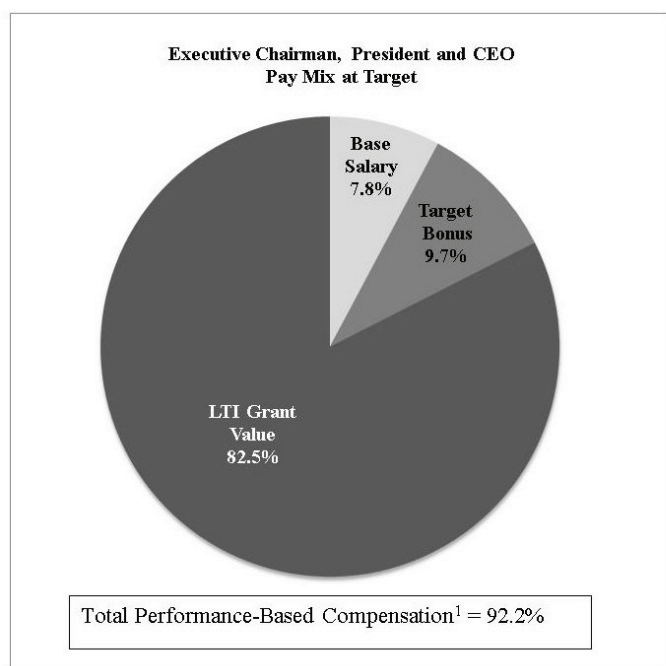
Our executive compensation program is designed with the following objectives in mind:

Objective	Program Design
Attract and retain talented executives	Provide a competitive level of total compensation (base salary, bonus and long-term incentive).
Tie a significant portion of our executives’ compensation to achievement of the Company’s performance objectives	Provide a compensation program that is weighted in favor of annual and long-term incentives that are tied to financial and strategic goals designed to enhance stockholder value.
Recognize and reward individual performance	Provide annual incentive bonuses based on Company performance that may be modified up or down based on individual performance to closely align executives’ personal accomplishments with their compensation.
Align the interests of our executives with our stockholders	Provide a significant portion of compensation tied to the long term value of our stock by requiring executives to meet stock ownership guidelines and retain their required ownership until six months after termination of employment.

Key features of our current executive compensation program include:

- *A majority of our executives’ compensation is performance based.*
- *Our executives do not have employment contracts.*
- *Our executives’ change in control agreements contain a double trigger and do not allow for tax gross-ups.*
- *We do not have special pension plans, special retirement plans or other significant perquisites for executives.*
- *Our executives participate in the same benefit programs as all other employees.*
- *Our Board of Directors has established an incentive compensation recovery policy applicable to our NEOs in the event of a materially inaccurate financial statement.*
- *We have stock ownership requirements applicable to our executives and directors.*
- *Our securities trading policy prohibits any employee or director from hedging or pledging our stock.*
- *The Compensation Committee has retained an independent compensation consultant.*
- *We pay careful attention to stockholder dilution and burn rate in our equity compensation decisions.*

Pay and Performance Relationship: Attracting and retaining the level of executive talent we need to be successful is a key objective of our executive compensation program. However, it is equally important that our executives are motivated and rewarded to achieve objectives that provide long-term benefits to our stockholders. We have designed our executive compensation program so that a significant amount of our NEOs' compensation is performance-based to ensure the actual compensation paid to our NEOs is appropriately aligned with our Company's performance and stockholders' long-term interests. The charts below illustrate our emphasis on performance-based compensation.



¹Performance-Based Compensation = 2016 Annual Target Bonus + 2016 Long-Term Incentive ("LTI"), valued as of the date of the grant. Special performance-based RSUs included in "LTI" for 2016 assume target performance, valued at \$2,277,452 for Mr. Bidzos and \$455,429 each for Mr. Kilguss and Mr. Indelicato

Results of Shareholder Advisory Votes on Executive Compensation: When the Compensation Committee set compensation amounts for 2017 it took into account the results of the stockholder advisory vote on executive compensation that took place in May 2016. Although the vote was advisory and not binding, our stockholders indicated strong support of our executive compensation program for our NEOs as disclosed in the 2016 Proxy Statement (92,651,045 votes were in favor, 40,762 abstained and 1,600,390 voted against, with 5,968,875 broker non-votes). Over 98% of the votes cast and approximately 85% of the shares entitled to vote (the number of shares entitled to vote as of the record date was 108,591,750) were in favor of our NEO compensation program. As such, we did not make any material changes to our 2016 executive compensation program from 2015.

Elements of Our Executive Compensation Program

Our executive compensation program is made up of three main elements: base salary, annual incentive bonus, and long-term incentive compensation. The chart below shows our objectives for each element of compensation and what factors we use to determine actual awards. For each element of compensation, we review peer group and relevant survey data to determine award levels.

Element	Objective	Factors Used to Determine Awards
Base Salary	Provide a guaranteed level of annual income in order to attract and retain our executive talent; in order to promote a performance culture, increases are not automatic or guaranteed.	<ul style="list-style-type: none"> • Job responsibilities • Experience • Individual contributions • Internal pay equity • Effect on other elements of compensation
Annual Incentive Bonus	Provide a target reward for achieving financial and strategic operational goals, and a greater than target award for exceeding goals.	<ul style="list-style-type: none"> • Company performance • Individual performance
Long-Term Incentive Compensation	Provide a reward that serves both a retentive purpose and incentivizes executives to manage Verisign from the perspective of a stockholder.	<ul style="list-style-type: none"> • Job responsibilities • Individual contributions • Future potential • Value of vested and unvested outstanding equity awards • Internal pay equity

Our Process for Setting Compensation

Role of the Compensation Committee: The Compensation Committee oversees our compensation and benefit programs and sets the policies that govern compensation of our executives and other employees. As part of its role in approving executives' compensation, the Compensation Committee annually:

- Reviews and makes changes as appropriate to the peer group used to benchmark competitive compensation levels for our executives;
- Reviews the report from its compensation consultant as described below in the section titled "*Role of External Compensation Consultant*";
- Reviews and approves design elements of executive compensation for market competitiveness and alignment with Company performance;
- Sets performance goals for our annual and long-term incentive compensation programs;
- Reviews the Board's assessment of the individual performance of the CEO during the fiscal year and determines any adjustments to the CEO's base salary, annual incentive bonus, and equity awards based on this assessment; and
- Reviews the CEO's assessment of individual performance of each executive in conjunction with performance achieved during the fiscal year and approves any adjustments to base salary, annual incentive bonus, and equity awards based on this assessment.

Role of Management: The CEO annually reviews the performance of each executive, other than the CEO (whose performance is reviewed by the Board), and makes recommendations to the Compensation Committee for base salary adjustments, annual incentive bonuses and equity awards based on this assessment.

Role of External Compensation Consultant: The Compensation Committee has engaged Frederic W. Cook & Co., Inc. ("FW Cook") as its independent consultant to assist it in evaluating and analyzing the Company's executive compensation program. FW Cook also reviews compensation design recommendations by the Company's management and provides recommendations to the Compensation Committee for any changes to the CEO's compensation. FW Cook provides the following services to the Compensation Committee:

- Analyzes the executives' annual compensation based on comparisons to the Company's peer group, including comparing target and actual total compensation and advises the Compensation Committee on the appropriateness of management's recommendations for any changes to the executives' compensation;

- Reviews the Company’s peer group annually and provides recommendations for changes as appropriate;
- Advises the Compensation Committee on best practices related to governance and design of the Company’s executive compensation program;
- Reviews the Company’s equity compensation philosophy and incentive design;
- Reviews the risk assessment of the Company’s incentive plans and arrangements;
- Reviews and provides guidance on the executive compensation disclosures; and
- Reviews non-employee director compensation.

At its meeting in October 2016, the Compensation Committee reviewed FW Cook’s performance, and in December 2016, the Committee assessed FW Cook’s independence against the six independence factors set forth in the NASDAQ rules. FW Cook provided the Committee with a written statement addressing the six independence factors and presented information which addressed all six factors. Upon review of FW Cook’s responses, the Committee determined that FW Cook was independent and engaged FW Cook for fiscal year 2017. FW Cook performs no other services for the Company and the Committee concluded that its services for the Committee do not raise any conflicts of interest.

Competitive Market Assessment: Each year, we assess the competitiveness of our executives’ base salary, annual incentive bonus targets and long-term incentive compensation targets (element by element and in aggregate) by comparing our program to a peer group of publicly-traded, high technology companies that we view as representative of our competitors for executive talent. We examine the compensation data of our peer group and also review broader survey data for high technology companies that are comparable to us in industry and annual revenues.

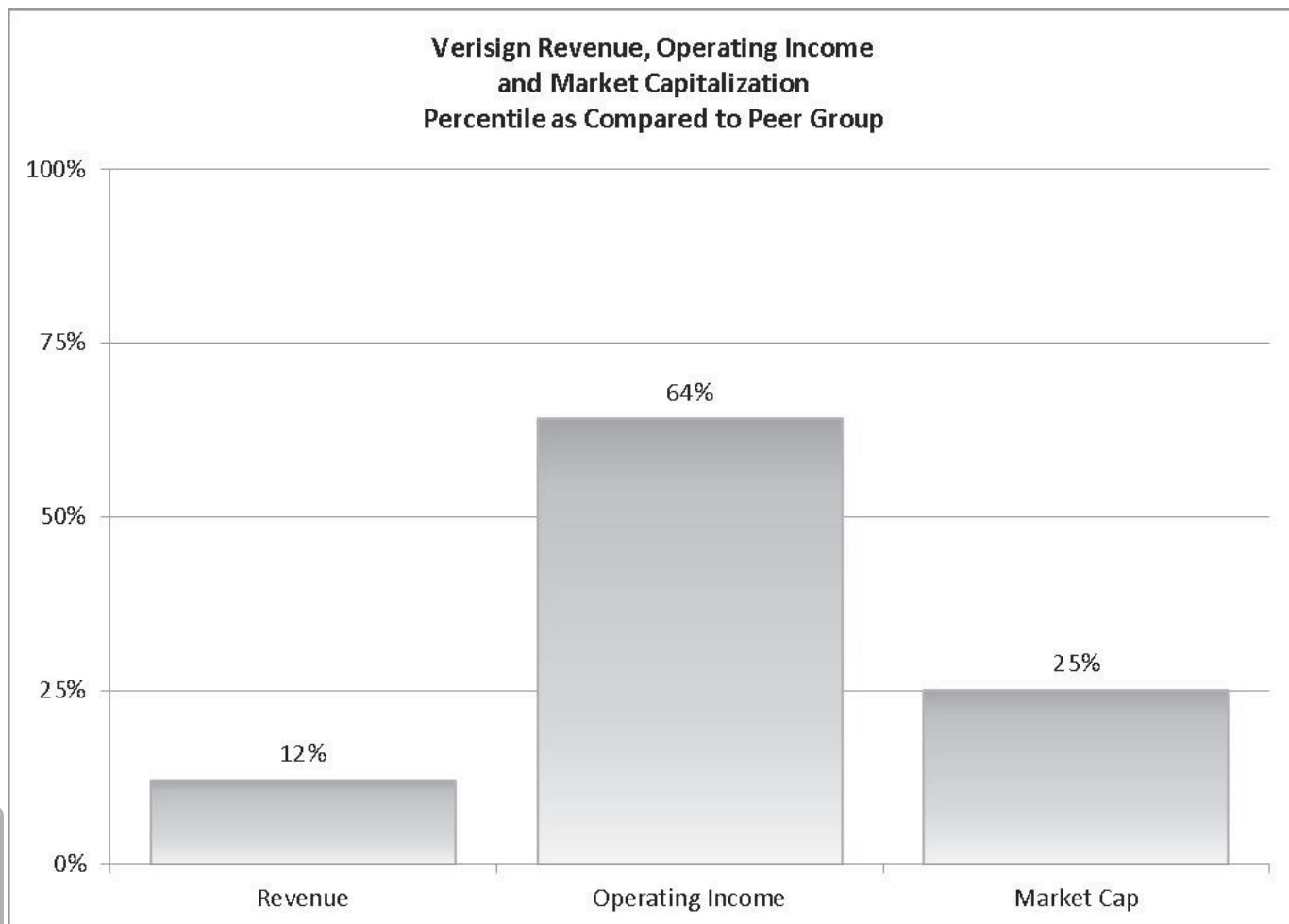
The Compensation Committee carefully considers our peer group and survey data when determining total compensation for our executives. The Compensation Committee also considers each executive’s individual performance, future potential, scope of responsibilities and experience when approving compensation.

Each year, the Compensation Committee reviews the peer group with the assistance of its independent consultant and makes changes as appropriate in order to ensure it continues to suitably reflect the competitive market for executive talent. As part of its annual review in October of 2016, FW Cook completed and provided the Committee with an evaluation to revalidate current peers and identify any potential new peers based on financial size (revenue, operating income, and market capitalization), free cash flow yield, EBITDA growth, use of dividends or buybacks, inclusion in the S&P 500 and their industry. The evaluation resulted in no additional peers being added; however, Rovi/Tivo, Rackspace Hosting, and Solera Holdings were removed from the peer group because they ceased to be independent public companies.

For 2016, our peer group was:

Akamai Technologies	Fiserv
Alliance Data Systems	Intuit
ANSYS	Nuance Communications
Autodesk	Paychex
Citrix Systems	Red Hat
Equinix	Roper Technologies
F5 Networks	Teradata
Factset Research Systems	Total System Services

The chart below illustrates Verisign's revenue, operating income and market capitalization percentile as compared to its 2016 peer group as of December 31, 2016 with revenue reflecting the most recently reported four quarters.



Note: The data source is Standard & Poor's Capital IQ

Base Salary: For 2016, the Compensation Committee reviewed competitive benchmark data provided by FW Cook and recommendations from our CEO regarding each executive's individual performance. Based on that review, adjustments were made to NEOs' salaries as summarized in the chart below.

Name	Position	2015 Base Salary	2016 Base Salary	Rationale for Adjustment
D. James Bidzos	Executive Chairman, President and CEO	\$ 750,000	\$ 800,000	Mr. Bidzos received a salary increase to better align with CEO peer group market data. This was the first salary increase since he assumed the role of CEO in August 2011.
Todd B. Strubbe	Executive Vice President, COO	\$ 550,000	\$ 550,000	Mr. Strubbe received no increase for 2016 as base salary was aligned with peer group.
George E. Kilguss, III	Executive Vice President, CFO	\$ 425,000	\$ 475,000	Mr. Kilguss' base salary was increased by 11.8% in February of 2016 to better align with peer group market data and in recognition of promotion to EVP.
Thomas C. Indelicarto	Executive Vice President, General Counsel and Secretary	\$ 350,000	\$ 425,000	Mr. Indelicarto's base salary was increased by 21.4% in February of 2016 to better align with peer group market data and in recognition of promotion to EVP.

Annual Incentive Bonus: We provide annual cash bonuses to our employees, including our NEOs, under the Verisign Performance Plan (“VPP”). These bonuses are based on the Company’s achievement of pre-established financial goals, as well as individual performance. The Compensation Committee retains the ability to use its discretion to increase (up to the maximum individual bonus payments described below for NEOs under *Tax Treatment of Executive Compensation* and the 200% funding limitation for the VPP) or reduce the payouts when appropriate.

We determine the target annual incentive opportunity for each of our NEOs based on a comparison to our peer group and information obtained from relevant survey data. For 2016, the Compensation Committee approved the following bonus targets as a percent of base salary for our NEOs:

NEOs	2016 Bonus Target as a % of Base Salary
Executive Chairman, President and CEO	125%
Executive Vice President, COO.....	80%
Executive Vice President, CFO	75%
Executive Vice President, General Counsel and Secretary.....	75%

The Compensation Committee approves actual annual incentive award payments for our executives taking into account the Company’s performance. The Company’s performance determines the initial level of funding for the annual incentive bonus pool. The Compensation Committee then considers, and approves as appropriate, management’s recommendation for modifying any individual awards above or below the level of funding based on an assessment of individual performance, subject to the maximum individual bonus payments described below for NEOs under *Tax Treatment of Executive Compensation* and the 200% funding limitation for the VPP.

The Company’s performance goals for the fiscal 2016 VPP were approved by the Compensation Committee in December 2015 and were based on two financial measures: Revenue and non-GAAP operating margin, both weighted equally at 50%.

For purposes of determining the bonus pool, we calculate the non-GAAP operating margin by taking the consolidated non-GAAP operating income as a percentage of revenue. We determine the consolidated non-GAAP operating income by excluding stock-based compensation from the Company’s consolidated operating income. We use this non-GAAP performance measure because we believe it presents a clearer picture of the performance of the Company’s core operations than the corresponding GAAP performance measures.

A description of the performance measures and funding established for each of the goals pertaining to the 2016 VPP are set forth below:

- **Revenue:** Weighted at 50% of the total bonus pool, this component would be funded when the actual results met a threshold level of achievement greater than 97% of the established target of \$1,115.8 million. Revenue achievement between 97% and 100% of target would result in funding from 0% to 100% with respect to this goal; revenue achievement between 100% and 103.8% of target would result in funding from 100% to 200% with respect to this goal.
- **Non-GAAP operating margin:** Weighted at 50% of the total bonus pool, this component would be funded when the actual results met a threshold level of achievement greater than 97% of the established target of 63.1%. Non-GAAP operating margin achievement between 97% and 100% of target would result in funding from 0% to 100% with respect to this goal; non-GAAP operating margin achievement between 100% and 104.4% of target would result in funding from 100% to 200% with respect to this goal

The chart below illustrates how each goal component and its respective performance achievement resulted in a calculated funding multiplier rounded to 153% of total target bonus pool for the VPP bonus plan.

Goal	Target	Actual	Actual as % of Target	Achievement	Weighting	Rounded Funding Multiplier
Revenue.....	\$1,115.8	\$1,142.2	102.4%	162.1%	50%	81%
Non – GAAP operating margin.....	63.1%	64.3%	101.9%	144.4%	50%	72%
Total						153%

The Compensation Committee approved a discretionary downward adjustment to the VPP funding multiplier. The Company expended \$8.3 million less on promotional marketing programs as compared to the amounts included in the target revenue and non-GAAP operating margin goals. The Compensation Committee determined that due to the nature and intent of the promotional marketing

programs it was appropriate to adjust the revenue and non-GAAP operating margin achievement for purposes of the final 2016 VPP funding calculation. The impact of the downward adjustment resulted in a reduction of revenue attainment by \$4.1 million and a reduction in non-GAAP operating margin attainment by 0.9%. The chart below illustrates how each goal component and its respective performance achievement resulted in a final adjusted funding multiplier rounded to 143% of total target bonus pool for the VPP bonus plan:

Adjusted Achievement

Goal	Target	Adjusted Actual	Adjusted Actual as % of Target	Adjusted Achievement	Weighting	Adjusted Rounded Funding Multiplier
Revenue	\$1,115.8	\$1,138.1	102.0%	152.5%	50%	76%
Non – GAAP operating margin.....	63.1%	63.4%	101.4%	132.6%	50%	67%
Total						143%

In order to establish actual award amounts under the VPP bonus plan, the Compensation Committee also reviewed the CEO’s assessment of individual performance of the NEOs and considered the Board’s assessment of the CEO’s individual performance. The chart below indicates the Compensation Committee’s approved annual incentive bonus award for each NEO under the 2016 VPP bonus plan.

Name	Position	2016 Base Salary	Bonus Target as a % of Base Salary	2016 Actual Bonus Payment			Actual Payout as a % of Base Salary	Notes
				Funding Multiplier as a % of Target	Actual Payout as a % of Target	Actual Payout Amount		
D. James Bidzos	Executive Chairman, President and CEO	\$800,000	125%	143%	143%	\$1,430,000	179%	Mr. Bidzos’ bonus payment was made at the funding multiplier level of 143% of his target bonus. No further adjustment was made.
Todd B. Strubbe	Executive Vice President, COO	\$550,000	80%	143%	140%	\$613,800	112%	Mr. Strubbe’s bonus payment was made at 140% of his target bonus based on the funding multiplier and individual performance.
George E. Kilguss, III	Executive Vice President, CFO	\$475,000	75%	143%	143%	\$509,438	107%	Mr. Kilguss’ bonus payout at the funding multiplier level of 143% of his target bonus. No further adjustment was made.
Thomas C. Indelicato	Executive Vice President, General Counsel and Secretary	\$425,000	75%	143%	152%	\$485,000	114%	Mr. Indelicato’s bonus payout was made at 152% of his target bonus. the adjustment over the funding multiplier was made due to performance and contributions.

Long-Term Incentive Compensation: Equity-based grants are a key element of our total compensation program. Consistent with our compensation philosophy, we believe it is important that these awards have a performance component and that they are aligned with total shareholder return. The target award amounts are based on several factors including competitiveness as determined by our peer group and relevant survey data provided by FW Cook, job responsibilities, individual contributions, and future potential of the executive.

In 2016, the Compensation Committee granted long-term equity compensation to our executives, other than the CEO, consisting of 50% performance-based RSUs (“PSUs”) and 50% time-vesting RSUs. The CEO received long-term equity compensation consisting of 58% PSUs and 42% time-vesting RSUs. The time-vesting RSUs provide strong retentive value for our executive talent as they vest ratably over four years, subject to continued employment. They are also linked to increases in stockholder value creation as their value goes up or down with the Company’s stock price. The PSUs are linked to long-term Company financial performance as well as increases in stockholder value.

The metrics associated with the 2016 PSUs consist of two financial measures - compound annual growth rate (“CAGR”) of operating income per share and Total Shareholder Return (“TSR”) of Verisign stock compared to the TSR of the S&P 500 index. The number of

RSUs earned may range from 0 to 200% of the target award based on CAGR of operating income per share for the relevant performance period, but no more than 100% of target may be earned unless the TSR of Verisign stock equals or outperforms the TSR of the S&P 500 index for the period January 1, 2016 through December 31, 2018. We believe that the performance metrics coincide with shareholder interests, create a long-term performance focus and complement the performance metrics in the Company's short term annual incentive plan. The vesting of the 2016 PSUs at the end of a three-year performance period provides a strong retention incentive.

Equity awards for NEOs were granted on February 17, 2016 at the regularly scheduled Compensation Committee meeting. The Compensation Committee approved the total value granted to individual executives (time-vesting and performance-based) based on the factors discussed herein. The actual number of RSUs was a function of the closing stock price on February 17, 2016.

The chart below shows the number of RSUs granted to each NEO in February 2016:

Name	Position	2016 Annual Equity Grants			
		Total Market Value of Equity Grant	FMV at Grant per RSU	Time- Vesting RSUs granted (1) (2)	PSUs granted (2) (3)
D. James Bidzos	Executive Chairman, President and CEO	\$ 6,199,893	\$ 81.45	31,921	44,198
Todd B. Strubbe.....	Executive Vice President, COO	\$ 2,759,852	\$ 81.45	16,942	16,942
George E. Kilguss, III.....	Executive Vice President, CFO	\$ 2,099,944	\$ 81.45	12,891	12,891
Thomas C. Indelicarto	Executive Vice President, General Counsel and Secretary	\$ 1,399,963	\$ 81.45	8,594	8,594

- (1) 25% vested on February 17, 2017, and the remainder vests ratably, 6.25% each quarter for the 3 years thereafter.
- (2) The equity award values for the CEO and other NEOs were determined taking into account alignment with market LTI values of our peer group, in addition to individual factors such as job responsibilities, experience, individual contributions, future potential, and internal equity.
- (3) Vesting of shares for the 2016 PSUs granted is based on meeting a CAGR of the operating income per share target for the three-year period (January 1, 2016 to December 31, 2018). PSUs earned for CAGR of operating income per share above target are subject to the TSR of Verisign stock equaling or outperforming the TSR of the S&P 500 Index for the period January 1, 2016 to December 31, 2018. Total market value of the grant in the table above is calculated based on FMV per RSU on the date of grant. Vesting occurs after the performance goal has been certified by the Committee and the Company has received an unqualified signed opinion on the Company's financial statements from its independent registered public accounting firm.

At its meeting on October 20, 2015, the Compensation Committee awarded special equity awards for certain of its executives. The Committee approved one-time stock awards for Messrs. Bidzos, Kilguss and Indelicarto of approximately \$5,000,000, \$1,000,000 and \$1,000,000, respectively, based on grant date stock price. The one-time stock awards were evenly split between time-vested RSUs and PSUs. The time-vested RSUs were granted on October 20, 2015 and the PSUs were granted on January 4, 2016, in order to align the awards with the performance period of the PSUs. The PSUs are based on TSR achievement over a four-year performance period. The time-vested RSUs vest over four years with 25% vesting on the one year anniversary of the award and quarterly (6.25% per quarter) thereafter for the remaining three years. This one-time stock award was in recognition of each executive's value to the Company and was designed to serve as a retentive tool.

The chart below shows the number of PSUs granted to each NEO in January 2016:

Name	Position	2016 Special Equity Grants	
		Grant Date Value	Target Number of PSUs Granted
D. James Bidzos	Executive Chairman, President and CEO	\$2,277,452	29,779
Todd B. Strubbe (1).....	Executive Vice President, COO	-	-
George E. Kilguss, III.....	Executive Vice President, CFO	\$455,429	5,955
Thomas C. Indelicarto	Executive Vice President, General Counsel and Secretary	\$455,429	5,995

- (1) Mr. Strubbe was appointed Executive Vice President, COO on April 20, 2015 and did not receive the 2016 special equity grant.

2017 Long-Term Incentive Program

At its meeting on December 17, 2016, the Committee approved the 2017 Equity Program for its executives. The program includes a mix of time-vesting RSUs and PSUs. Performance measures and goals associated with the PSUs include CAGR of the operating income per share growth and TSR of Verisign stock equaling or outperforming the TSR of the S&P 500 Index over the three-year period ending December 31, 2019.

Achievement of Performance Awards Granted in 2014

In February 2014, the Committee granted PSUs with a performance period of January 1, 2014 through December 31, 2016. The performance goals were subject to achievement of compound annual growth rate of Operating Income per share over a three-year period, with above target potential based on Verisign's TSR outperforming the TSR of the S&P 500 Index for the relevant performance period. The number of PSUs earned is modified by the funding table (up or down) at the end of the performance period with a maximum achievement of 200%. In February 2017, the Committee confirmed the extent of achievement of the performance goal results for these PSUs.

The compound annual growth rate of Operating Income per share over the three-year period ended December 31, 2016 was achieved at 16.2% versus the target achievement of 8.0%. The TSR of Verisign stock of 35.49% was greater than the TSR of the S&P 500 Index of 32.55%. This resulted in performance at the maximum achievement level of 200% for this three-year performance period.

The chart below shows the number of PSUs that were earned in February 2017 based on achievement of the performance metrics tied to the performance period of the 2014 performance-based grant.

Name	Position	Total Performance-Based RSUs Granted in 2014	Goal Achievement	Performance Based RSUs Earned and Vested in February 2017
D. James Bidzos	Executive Chairman, President and CEO	63,359	200%	126,718
Todd B. Strubbe(1).....	Executive Vice President, COO	-	-	-
George E. Kilguss, III.....	Executive Vice President, CFO	15,837	200%	30,774
Thomas C. Indelicarto(2)	Executive Vice President, General Counsel and Secretary	-	-	-

(1) Mr. Strubbe was appointed Executive Vice President, COO on April 20, 2015 and therefore was not eligible for the 2014 Performance Grant.

(2) Mr. Indelicarto was appointed Senior Vice President, General Counsel and Secretary effective November 14, 2014 and therefore was not eligible for the 2014 Performance Grant.

CEO Compensation

Our philosophy is that our CEO should be primarily compensated in the form of performance-based compensation. We place the greatest emphasis on the annual and long-term incentive compensation elements when determining appropriate compensation levels, and especially emphasize equity compensation. We believe that it is important that our CEO make decisions that are in the best interests of our stockholders, and we reinforce that philosophy through our executive compensation program.

Mr. Bidzos' 2016 compensation was determined by the Compensation Committee as part of its annual review of executive compensation in February 2016. The components of his compensation are summarized below:

- Mr. Bidzos' annual base salary of \$750,000 was increased to \$800,000 in 2016. Based on data provided by FW Cook for CEOs in our peer group, the Committee determined that Mr. Bidzos' salary should be increased to better align with our peer group. Prior to 2016, Mr. Bidzos had not received a salary increase since he was appointed Chief Executive Officer in 2011.
- Mr. Bidzos' bonus target of 100% of his base salary was adjusted to 125% for 2016. His bonus target was increased to more appropriately align with the market data provided by FW Cook for CEOs in our peer group. In February 2017, the Committee awarded Mr. Bidzos a bonus of \$1,430,000 for 2016 performance. The Committee determined this amount as it reflected the performance achievement as approved by the Committee for the 2016 VPP (143%), as discussed above.
- Mr. Bidzos received an equity award for 2016 with an aggregate value of \$6,199,893 consisting of 31,921 time-vested RSUs and 44,198 performance-based (at target achievement level) with a fair market value per RSU of \$81.45 on the date of the grant. The time-based RSUs vest 25% on the one year anniversary and quarterly (6.25% per quarter) thereafter for the remaining three years. The PSUs vest based on performance achievement of compound annual growth rate of Operating Income per share over a three-year period, with above target potential based on Verisign's TSR outperforming the TSR of the S&P 500 Index between January 1, 2016 and December 31, 2018.
- The Compensation Committee also approved a one-time special stock award for Mr. Bidzos in October 2015. This award was in recognition of his performance and value to the Company and was designed to serve as a retentive tool. The grant was split between time-vested RSUs and PSUs.

- The time-vested RSUs were granted on October 20, 2015 in the amount of \$2,499,933 consisting of 32,985 time-vested RSUs with a fair market value per RSU of \$75.79. The time-vested RSUs vest over four years with 25% vesting on the one year anniversary of the award and quarterly (6.25% per quarter) thereafter for the remaining three years.
- The PSUs were granted on January 4, 2016 in order to align the awards with the performance period of the PSUs. The grant was in the amount of \$2,277,452, consisting of 29,779 PSUs. The PSUs are based on TSR achievement over a four-year performance period.
- Mr. Bidzos is eligible for certain payments and benefits in the event of a change-in-control, but is not otherwise eligible for any severance payments. His change-in-control agreement provides for a severance payment of two times his base salary and a bonus payment of two times target bonus plus the cash equivalent of two years of continuation of health benefits if he participates in the Company's health plans at the date of his termination. The other terms of his change-in-control agreement are the same as other executives as described below.

Other Features of our Executive Compensation Program

Stock Retention Policy: Our stock retention policy applies to our employees at the Senior Vice President level and above, officers who are subject to the provisions of Section 16 of the Securities Exchange Act of 1934, as amended ("Section 16 Officers"), and board members.

Ownership levels are set as a multiple of base salary or annual retainer and are as follows:

- CEO: 6x Base Salary
- Directors: 5x Annual Retainer
- Section 16 Officers and Senior Vice Presidents, other than the CEO: 2x Base Salary

The policy also requires participants to retain 50% of their shares received from equity awards (net of taxes) until they reach their minimum ownership level and that shares at specified ownership targets must be held until six months after the participant ceases employment or board service with the Company. We believe requiring executives and board members to continue to retain stock after their service with the Company ceases is important to align our executives' interests with the long-term interests of our stockholders. Our Stock Retention Policy can be found on our website at <https://investor.verisign.com/documents.cfm>.

Securities Trading Policy: Our Securities Trading Policy prohibits employees, including our executives and directors, from buying or selling derivative securities related to our common stock, such as puts or calls. We believe derivative securities diminish the alignment of incentives between our executives and stockholders. The Policy also prohibits employees and directors from entering into agreements or purchasing instruments designed to hedge or offset decreases in the market value of the Company's securities. Additionally, under our Policy, our executives and directors may only purchase and sell our common stock during approved trading windows.

Recovery of Incentive Compensation: The Compensation Committee adopted an executive incentive compensation recovery policy in March 2010, and amended it in 2014, that applies to annual and long-term incentive awards. The policy applies when there is an inaccurate financial statement, including statements of earnings, revenues, or gains or any other material inaccurate performance metric criterion, regardless of whether such inaccuracy was the subject of an accounting restatement. If, as a result of such inaccurate financial statement, certain executives received materially more incentive compensation than they would have had the correct financial statement been prepared at the time of the compensation award, the Compensation Committee shall seek recovery of this overpayment. The recovery could occur either by limiting future awards or directly seeking repayment. The Compensation Committee may determine not to seek recovery of such an overpayment if the direct costs of recovery are expected to exceed the amount of recovery. In the case of fraudulent, intentional, willful or grossly negligent misconduct by the recipient of an award, the Compensation Committee can recoup previous incentive awards paid regardless of when the awards were paid to the executive. If the inaccuracy is not the result of these circumstances, the Compensation Committee can only recover incentive awards paid based on the inaccuracy if they were paid in the three years prior to the determination that the financial statement was inaccurate.

Equity Award Practices: The Compensation Committee approves all equity awards to our executives, the aggregate annual equity pool, employee grant guidelines, and all equity awards to all employees during the annual grant process, which generally takes place in February. For employees hired during the year that are below the Senior Vice President level, the Compensation Committee has delegated actual award determination to the Grant Committee which currently has one member, D. James Bidzos. Grant Committee awards are granted on the 15th of the month (or next scheduled trading day if the 15th is not a trading day) following approval by the Grant Committee.

Benefits: We do not provide our executives with any benefits other than those provided to all of our other U.S.-based employees. All of our U.S.-based employees are eligible for medical, dental and vision insurance, life insurance, short and long-term disability, paid time off, an employee stock purchase plan, and a qualified 401(k) salary deferral plan.

Severance Agreements: We generally do not enter into severance or employment agreements with our executives, nor do we provide severance or other benefits following voluntary termination. However, the Compensation Committee may determine in special circumstances that providing such severance payments and benefits is warranted in order to attract a potential executive or for other business considerations.

Change-In-Control and Retention Agreements: We have entered into change-in-control and retention agreements with our executives. These agreements provide for change-in-control severance benefits and payments in the event the executive's employment is terminated in connection with a change in control of the Company. They are "double trigger" agreements which means the executives will only be eligible for payments under the agreements if both a change-in-control of the Company occurs and the executive's employment is terminated without cause (or by the executive for good reason) within 24 months of the change-in-control.

The Compensation Committee believes these agreements are necessary to attract and retain executive talent and to neutralize the personal interests of our executives when making decisions related to potentially beneficial corporate transactions. Each year, the Compensation Committee reviews the provisions of the change-in-control agreements with FW Cook and makes adjustments as necessary to ensure alignment of executives' interests with stockholders' interests. No changes were made to the existing agreements in 2016 as FW Cook advised the Compensation Committee that they were in line with best practices which include double trigger benefits, severance multiples less than or equal to 2x base salary and target bonus and the lack of a tax-gross up provision. Additional details about these agreements, including potential payments, may be found in the "Potential Payments Upon Termination or Change-in-Control" section and the "Termination and Change-in-Control Benefit Estimates as of December 31, 2016" table.

Risk Assessment: In 2016, we performed a comprehensive assessment of our compensation policies and program design to determine whether risks arising under them would be likely to have a material adverse effect on the Company. We considered each element of our compensation programs and policies in our enterprise-wide risk assessment and determined that none of our compensation policies and programs creates a risk that is reasonably likely to have a material adverse effect on the Company.

Tax Treatment of Executive Compensation: Section 162(m) of the Internal Revenue Code of 1986 limits the amount of compensation in excess of \$1,000,000 that the Company may deduct in any one year with respect to its CEO and three other most highly compensated officers (excluding the CFO) serving at the end of the fiscal year as disclosed in the annual Proxy Statement. There are exceptions to this deduction limit if the compensation is "performance-based" under Section 162(m). The Company does not limit compensation as a result of Section 162(m) but does try to structure its executive compensation program to maximize the amount of compensation that may be deducted. While base salaries and time-vesting RSUs are subject to the deduction limitation, our performance-based awards, including annual incentive bonus and PSUs, are designed to allow for qualification as performance-based compensation under Section 162(m).

In order to try to ensure that annual incentive bonuses paid to certain executives are considered performance-based compensation under Section 162(m), in 2015, stockholders approved the Annual Incentive Compensation Plan ("AICP"). The AICP is the vehicle under which certain of our executives' bonuses, determined as described above, are paid.

For 2016, assuming the performance goal was met, each such executive could be awarded a maximum bonus of 300% of his or her target bonus (but no more than \$5 million), subject to the Compensation Committee's discretion to award bonuses in lesser amounts. The Compensation Committee exercised its discretion to award bonuses in lesser amounts and primarily based the AICP payments on the funding results of the VPP annual bonus program of 143%.

The performance goal for the AICP was approved by the Compensation Committee at its February 17, 2016 meeting and provided that the Company must achieve non-GAAP operating income in excess of \$50 million before a bonus could be paid. This target was achieved.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. Based on the review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

This report is submitted by the Compensation Committee
 Louis A. Simpson (Chairperson)
 Jamie S. Gorelick
 Timothy Tomlinson

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during 2016 were Louis A. Simpson, Jamie S. Gorelick and Timothy Tomlinson. All of the members of the Compensation Committee during 2016 were independent directors, and none of the members of the Compensation Committee during 2016 were employees or officers or former officers of Verisign. No executive officer of Verisign has served on the Compensation Committee (or other board committee performing equivalent functions, if any) or the board of directors of another entity, one of whose executive officers served as a member of the Compensation Committee of Verisign during 2016; and no executive officer of Verisign has served on the Compensation Committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a member of the Board during 2016.

Summary Compensation Table

The following table sets forth certain summary information concerning the compensation received by each person who served as our principal executive officer and principal financial officer during fiscal 2016 and our NEOs.

SUMMARY COMPENSATION TABLE

Named Executive Officer and Principal Position	Year	Salary (\$)(1)	Stock Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
D. James Bidzos	2016	792,308	8,477,344	1,430,000	720	10,700,372
Executive Chairman, President and Chief Executive Officer	2015	750,000	8,499,901	877,500	20,421 (5)	10,147,822
	2014	750,000	5,999,948	885,000	15,032 (5)	7,649,980
Todd B. Strubbe.....	2016	550,000	2,759,852	613,800	30,317 (6)	3,953,969
Executive Vice President and Chief Operating Officer	2015	370,192	6,559,970	350,000	222,764 (6)	7,502,926
George E. Kilguss, III	2016	467,308	2,555,373	509,438	8,872	3,540,991
Executive Vice President, Chief Financial Officer	2015	422,692	2,499,895	350,000	8,807	3,281,394
	2014	410,000	1,699,956	350,000	8,480	2,468,436
Thomas C. Indelicarto	2016	413,462	1,855,392	485,000	594	2,754,448
Executive Vice President, General Counsel and Secretary	2015	346,923	1,599,966	300,000	499	2,247,388
	2014	274,171	829,600	140,267	515	1,244,553

- (1) Includes, where applicable, amounts electively contributed by each Named Executive Officer under our 401(k) Plan.
- (2) Amounts shown represent the aggregate grant date fair value, which is based on the closing share price on the date of the grant. Stock Awards consist of RSUs granted in 2016, 2015, and 2014, respectively. Amounts shown in "Stock Awards" include the value of awards subject to performance and market conditions based upon the probable outcome of the performance conditions as of the grant date of the award, excluding the effect of estimated forfeitures. Grant date fair value for PSUs included in "Stock Awards" were as follows: Mr. Bidzos, \$3,599,927 (2016), \$3,499,991 (2015), \$3,499,951 (2014); Mr. Strubbe, \$1,379,926 (2016), \$1,380,000 (2015); Mr. Kilguss, \$1,049,972 (2016), \$999,954 (2015), \$849,978 (2014); and Mr. Indelicarto, \$699,981 (2016), \$549,990 (2015). Grant date fair value for PSUs granted in 2016, 2015, and 2014, at the maximum achievement level (i.e., 200% payout) would be 152%, 163%, and 153%, respectively, of the amounts for each executive, calculated using a Monte Carlo simulation model. Grant date fair value for special PSUs included in "Stock Awards" for 2016 includes \$2,277,452 for Mr. Bidzos and \$455,429 each for Mr. Kilguss and Mr. Indelicarto calculated using a Monte Carlo simulation model. Grant date fair value for these special PSUs reflects the possible range of achievement levels that may occur and will not change regardless of actual outcome. The PSUs granted in 2014 vested in February 2017 at the maximum achievement level, resulting in 200% payout.
- (3) Amounts shown are for non-equity incentive plan compensation earned during the year indicated, but paid in the following year.
- (4) Except as otherwise indicated, amounts in "All Other Compensation" for fiscal 2016, fiscal 2015, and fiscal 2014 include, where applicable, matching contributions made by the Company to the VeriSign, Inc. 401(k) Plan, wellness incentive payment, life insurance and accidental death and dismemberment insurance payments.
- (5) Includes \$11,450 (2015) and \$14,204 (2014) in payments for a leased automobile. As of 2016 Mr. Bidzos no longer leased an automobile.
- (6) Includes \$20,418 (2016) and \$222,284 (2015) in relocation payments for Mr. Strubbe, who was hired April 20, 2015.

Grants of Plan-Based Awards for Fiscal 2016

The following table shows all plan-based awards granted to the Named Executive Officers during fiscal 2016 under annual and long-term plans.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2016⁽¹⁾

Named Executive Officer	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)(2)	Target (#)(2)	Maximum (#)(2)		
D. James Bidzos.....	1/4/2016				0	29,779	59,558		2,277,452
	2/17/2016	0	1,000,000	3,000,000	0	44,198	88,396		3,599,927
	2/17/2016							31,921	2,599,965
Todd B. Strubbe	2/17/2016	0	440,000	1,320,000	0	16,942	33,884		1,379,926
	2/17/2016							16,942	1,379,926
George E. Kilguss, III.....	1/4/2016				0	5,955	11,910		455,429
	2/17/2016	0	356,250	1,068,750	0	12,891	25,782		1,049,972
	2/17/2016							12,891	1,049,972
Thomas C. Indelicarto	1/4/2016				0	5,955	11,910		455,429
	2/17/2016	0	318,750	956,250	0	8,594	17,188		699,981
	2/17/2016							8,594	699,981

- (1) Named Executive Officers are eligible to receive an annual cash bonus under the annual incentive program and long-term incentive compensation under our 2006 Plan as described in "Compensation Discussion and Analysis" elsewhere in this Proxy Statement.
- (2) The Named Executive Officers were awarded PSUs on February 17, 2016, to be earned based on Company performance and subject to a relative TSR achievement threshold in fiscal year 2018 and determination to be made after the end of fiscal year 2018. Messrs. Bidzos, Kilguss and Indelicarto were awarded PSUs on January 4, 2016, to be earned on relative TSR achievement during the years 2016 through 2019, and determination to be made after the end of fiscal year 2019.
- (3) The RSU awards vest 25% of the total award on the first anniversary of the date of grant and then vest 6.25% of the total award each quarter thereafter, until fully vested.

Outstanding Equity Awards at 2016 Fiscal Year-End

The following table shows all outstanding equity awards held by the Named Executive Officers at the end of fiscal 2016 granted under the 2006 Plan.

OUTSTANDING EQUITY AWARDS AT 2016 FISCAL YEAR-END

Named Executive Officer	Grant Date	Stock Awards			
		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)
D. James Bidzos	02/26/2013	13,957 (2)	1,061,709		
	02/19/2014	22,628 (2)	1,721,312		
	02/19/2014			126,718 (4)	9,639,438
	02/10/2015	30,798 (2)	2,342,804		
	02/10/2015			114,980 (5)	8,746,529
	10/20/2015	24,738 (3)	1,881,820		
	01/04/2016			29,779 (6)	2,265,289
	02/17/2016	31,921 (3)	2,428,230		
Todd B. Strubbe.....	04/20/2015	15,566 (2)	1,184,106		
	04/20/2015	28,575 (9)	2,173,700		
	04/20/2015			41,510 (5)	3,157,666
	02/17/2016	16,942 (3)	1,288,778		
George E. Kilguss, III.....	02/26/2013	4,745 (2)	360,952		
	02/19/2014	7,693 (2)	585,207		
	02/19/2014			30,774 (4)	2,340,978
	02/10/2015	12,318 (2)	937,030		
	02/10/2015			32,850 (5)	2,498,900
	10/20/2015	4,947 (3)	376,318		
	01/04/2016			5,955 (6)	452,997
	02/17/2016	12,891 (3)	980,618		
Thomas C. Indelicarto (8)....	02/26/2013	1,660 (2)	126,276		
	04/15/2013	250 (2)	19,018		
	01/15/2014	500 (2)	38,035		
	02/19/2014	2,000 (2)	152,140		
	11/14/2014	4,500 (2)	342,315		
	02/10/2015	6,775 (2)	515,374		
	02/10/2015			18,068 (5)	1,374,433
	10/20/2015	4,947 (3)	376,318		
	01/04/2016			5,955 (6)	452,997
	02/17/2016	8,594 (3)	653,746		
	02/17/2016			8,594 (7)	653,746

- (1) The market value is calculated by multiplying the number of shares by the closing price of our common stock on December 31, 2016, which was \$76.07.
- (2) The RSU award vests 25% of the total award on each anniversary of the date of grant until fully vested.
- (3) The RSU award vests 25% of the total award on the first anniversary of the date of grant and then vests 6.25% of the total award each quarter thereafter until fully vested.
- (4) Awards of PSUs were granted on February 19, 2014, to be earned based on Company performance in fiscal years 2014, 2015 and 2016. Performance criteria were achieved at the maximum level and as such, these PSUs vested on the date the Company received an unqualified signed opinion on the Company's financial statements from its independent registered public accounting firm, February 17, 2017.
- (5) Awards of PSUs were granted on February 10, 2015 (on April 20, 2015 to Mr. Strubbe), to be earned based on Company performance in fiscal years 2015, 2016 and 2017 and determination to be made after the end of fiscal year 2017. The number of shares shown reflects achievement of the maximum performance level based on Company performance and relative TSR of Verisign stock compared to the TSR of the S&P 500 for 2015 and 2016.
- (6) Awards of PSUs were granted on January 4, 2016, to be earned based on achievement of specified levels of TSR of Verisign stock compared to the TSR of the S&P 500 over a four-year performance period.
- (7) Awards of PSUs were granted on February 17, 2016, to be earned based on Company performance in fiscal years 2016, 2017, and 2018 and determination to be made after the end of fiscal year 2018. The number of shares shown reflects achievement of the target performance level based on Company performance and relative TSR of Verisign stock compared to the TSR of the S&P 500 for 2016.
- (8) Includes awards granted prior to promotion and appointment as NEO and Section 16 Officer.
- (9) The RSU award vested 25% of the total award on June 30, 2015 and then 25% of the total award on each anniversary of the date of grant until fully vested.

Option Exercises and Stock Vested for Fiscal 2016

The following table shows all stock options exercised and the value realized upon exercise, and all stock awards vested and the value realized upon vesting, by our Named Executive Officers during fiscal 2016.

OPTION EXERCISES AND STOCK VESTED FOR FISCAL 2016

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
D. James Bidzos	150,456	12,136,896
Todd B. Strubbe	19,477	1,739,101
George E. Kilguss, III	52,244	4,285,449
Thomas C. Indelicarto	11,319	895,646

Potential Payments Upon Termination or Change-in-Control

Except as described below, the Company has no formal severance program for its NEOs, each of whom may be terminated at any time at the discretion of the Board.

Treatment of Equity Upon Death or Disability

On February 26, 2013, the Compensation Committee approved modifications to the form of Employee Restricted Stock Unit Agreements to allow for full acceleration of unvested equity for grants made on or after February 26, 2013 in the event of termination due to death or disability as follows:

- Time-Based RSUs – unvested RSUs shall accelerate in full according to the terms in the “Employee Restricted Stock Unit Agreement;” and
- PSUs – If such termination occurs during the applicable performance period and before the conclusion of such performance period, then such PSUs will accelerate based on the target achievement level; if such termination occurs after the conclusion of the applicable performance period but before the award for such performance period has been paid, then the PSUs will fully accelerate based upon the actual achievement level.

Change in Control Agreements

Each of our executives is party to a change in control and retention agreement (the “CIC Agreements”). Under the CIC Agreements, each of the executives is entitled to receive severance benefits if, within the twenty-four months following a “change-in-control” (or under certain circumstances, during the six-month period preceding a change-in-control), the executive’s employment is terminated by the Company or its successor without “cause” or by the executive for “good reason” (referred to as a “qualified termination”). The terms and conditions of the CIC Agreements are described below.

Under the CIC Agreements, “*change-in-control*” means:

(a) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities of the Company under an employee benefit plan of the Company or its subsidiaries, becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly (excluding, for purposes of this Section, securities acquired directly from the Company), of securities of the Company representing at least thirty-five percent (35%) of (A) the then-outstanding shares of common stock of the Company or (B) the combined voting power of the Company’s then-outstanding securities;

(b) the consummation of a merger or consolidation, or series of related transactions, which results in the voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), directly or indirectly, at least fifty (50%) percent of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(c) a change in the composition of the Board occurring within a 24-month period, as a result of which fewer than a majority of the directors are incumbent directors;

(d) the sale or disposition of all or substantially all of the Company’s assets (or consummation of any transaction, or series of related transactions, having similar effect); or

(e) stockholder approval of the dissolution or liquidation of the Company.

Under the CIC Agreements, “*cause*” means:

- (a) an executive’s willful and continued failure to substantially perform the executive’s duties after written notice providing the executive with ninety (90) days from the date of the executive’s receipt of such notice in which to cure;
- (b) conviction of (or plea of guilty or no contest to) the executive for a felony involving moral turpitude;
- (c) an executive’s willful misconduct or gross negligence resulting in material harm to the Company; or
- (d) an executive’s willful violation of the Company’s policies resulting in material harm to the Company.

Under the CIC Agreements, “*good reason*” means:

- (a) a change in the executive’s authority, duties or responsibilities that is inconsistent in any material and adverse respect from the executive’s authority, duties and responsibilities immediately preceding the change-in-control;
- (b) a reduction in the executive’s base salary compared to the executive’s base salary immediately preceding the change-in-control, except for an across-the-board reduction of not more than ten percent (10%) of base salary applicable to all senior executives of the Company;
- (c) a reduction in the executive’s bonus opportunity of five percent (5%) or more from the executive’s bonus opportunity immediately preceding the change-in-control, except for an across-the-board reduction applicable to all senior executives of the Company;
- (d) a failure to provide the executive with long-term incentive opportunities that in the aggregate are at least comparable to the long-term incentives provided to other senior executives at the Company;
- (e) a reduction of at least 5% in aggregate benefits that the executive is entitled to receive under all employee benefit plans of the Company following a change-in-control compared to the aggregate benefits the executive was eligible to receive under all employee benefit plans maintained by the Company immediately preceding the change-in-control;
- (f) a requirement that the executive be based at any office location more than 40 miles from the executive’s primary office location immediately preceding the change-in-control, if such relocation increases the executive’s commute by more than ten (10) miles from the executive’s principal residence immediately preceding the change-in-control; or
- (g) the failure of the Company to obtain the assumption of the agreement from any successor as provided in the agreement.

Under the CIC Agreements, “*incumbent director*” means: directors who either (i) are directors as of the date of the CIC Agreement, or (ii) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the incumbent directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

If a change-in-control occurs and the executive officer experiences a qualifying termination and timely delivers a general release agreement, the CIC Agreements provide that Verisign will make the following payments and provide the following benefits to the executive officer (subject to a six month delay if and to the extent required by the deferred compensation rules set forth in and promulgated under Section 409A of the Code):

- a lump sum equal to the pro rata target bonus for the year in which the executive officer was terminated;
- a lump sum equal to a specified multiple of the sum of (i) the executive officer’s annual base salary plus (ii) the average of the executive officer’s target annual bonus amount for the last three full fiscal years prior to a change-in-control, or, if the executive officer was employed by the Company for fewer than three full fiscal years preceding the fiscal year in which the change-in-control occurs, the average target bonus for the number of full fiscal years the executive officer was employed by the Company before the change-in-control or the target bonus for the fiscal year in which the change-in-control occurs if the executive officer was not eligible to receive a bonus from the Company during any of the prior three fiscal years; the applicable multiples are 200% of the annual base salary and bonus for the CEO and 100% of the annual base salary and bonus for other executive officer participants;
- if the executive elects to continue medical coverage under COBRA, reimbursement of the executive’s premium, for 24 months for the CEO and for 12 months for all other executives;
- immediate acceleration of vesting of all of the executive officer’s unvested stock options and RSUs; however, if the consideration to be received by stockholders of the Company in connection with the change-in-control consists of substantially all cash or if the stock options and RSUs held by the executive officer are not assumed in the change-in-control, then all of the executive officer’s then-unvested and outstanding stock options and RSUs shall vest immediately prior to the change-in-control regardless of whether or not there is a termination of employment in connection therewith; and

- if performance shares are accelerated, and the performance period has not been completed, the amount payable is computed as if the performance has been satisfied at the target level.

In addition, the CIC Agreements include the following terms and conditions:

- to the extent any change-in-control payments or benefits are characterized as excess parachute payments within the meaning of Section 4999 of the Code, and such characterization would subject the executive officer to a federal excise tax due to that characterization, the executive officer's termination benefits will be reduced to an amount so that none of the amounts payable constitute excess parachute payments if this would result in the executive officer's receipt, on an after-tax basis, of the greatest amount of termination and other benefits, after taking into account applicable federal, state and local taxes, including the excise tax under Section 4999 of the Code;
- an initial term ending on August 24, 2012 and automatic renewal for one-year periods thereafter unless the Board terminates the CIC Agreement at least 90 days before the end of the then-current term, provided that such termination shall not be effective until the last day of the then-current term; and
- the executive officer is prohibited from soliciting employees of Verisign or competing against Verisign for a period of twelve months following termination.

The following table shows the value of RSUs that would have vested for our Named Executive Officers as of December 31, 2016, as well as the additional cash compensation payable, if any, under the change-in-control and termination scenarios described above. The value of the accelerated RSUs is based on the market value of our common stock as of December 31, 2016, which was \$76.07.

Termination and Change-in-Control Benefit Estimates as of December 31, 2016

Named Executive Officer	Value of Cash and Continued Health Benefits \$(1)	Value of Accelerated Stock Awards (\$)
	Change-in-Control plus Qualifying Termination	Death, Disability or Change-in-Control plus Qualifying Termination(2)
D. James Bidzos	4,277,554	29,076,008
Todd B. Strubbe.....	1,449,098	7,514,195
George E. Kilguss, III.....	1,163,932	8,264,169
Thomas C. Indelicarto	1,005,099	4,017,181

- (1) To the extent any payments made or benefits provided upon termination of an executive officer's employment constitute deferred compensation subject to Section 409A of the Code, payment of such amounts or provision of such benefits will be delayed for six months after the executive officer's separation from service if and to the extent required under Section 409A.
- (2) If the equity awards held by the executive are not assumed upon a change-in-control or the consideration to be received by stockholders consists of substantially all cash, then all such equity awards shall have their vesting and exercisability accelerated in full immediately prior to the change-in-control regardless of whether there is a qualifying termination.

Equity Compensation Plan Information

The following table sets forth information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2016.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Equity Compensation Plan Information		
	(A)	(B)	(C)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by stockholders (2)	1,845,454	\$ 0.00	10,705,678 (3)
Equity compensation plans not approved by stockholders.....	—	\$ —	—
Total	1,845,454	\$ 0.00	10,705,678

- (1) Only includes shares subject to RSUs outstanding as of December 31, 2016 that were issued under the 2006 Plan. Excludes purchase rights accruing under the 2007 Employee Stock Purchase Plan (the “2007 Purchase Plan”), which has a remaining stockholder-approved reserve of 1,171,126 shares as of December 31, 2016. There are no outstanding options or warrants.
- (2) Includes the 2006 Plan, and the 2007 Purchase Plan.
- (3) Consists of shares available for future issuance under the 2006 Plan and the 2007 Purchase Plan. As of December 31, 2016, an aggregate of 9,534,552 shares and 1,171,126 shares of common stock were available for issuance under the 2006 Plan and the 2007 Purchase Plan, respectively, including 137,933 shares purchased under the 2007 Purchase Plan in January 2017. In addition to options and RSUs, shares can be granted under the 2006 Plan pursuant to stock appreciation rights, restricted stock awards, stock bonuses and performance shares.

POLICIES AND PROCEDURES WITH RESPECT TO TRANSACTIONS WITH RELATED PERSONS

Verisign’s Audit Committee approved a written *Policy for Entering into Transactions with Related Persons* (the “Related Person Transaction Policy”) which sets forth the requirements for review, approval or ratification of transactions between Verisign and “related persons,” as such term is defined under Item 404 of Regulation S-K.

Pursuant to the terms of the Related Person Transaction Policy, the Audit Committee shall review, approve or ratify the terms of any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (i) Verisign was or is to be a participant and (ii) a related person has or will have a direct or indirect material interest (“Related Person Transaction”), *except* for those transactions, arrangements or relationships specifically listed in the Related Person Transaction Policy that do not require approval or ratification. In determining whether to approve or ratify a Related Person Transaction, the Audit Committee will take into account, among factors it deems appropriate, whether the Related Person Transaction terms are no more favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the materiality of the related person’s direct or indirect interest in the transaction.

Prior approval of the Audit Committee shall be required for the following Related Person Transactions:

- Any Related Person Transaction to which a related person is a named party to the underlying agreement or arrangement; *provided, however*, certain agreements or arrangements between Verisign and a related person concerning employment and any compensation solely resulting from employment or concerning compensation as a member of the Board that have, in each case, been entered into or approved in accordance with policies of Verisign shall not be subject to prior approval of the Audit Committee;
- Any Related Person Transaction involving an indirect material interest of a related person where the terms of the agreement or arrangement are not negotiated on an arm’s length basis or where the Related Person Transaction is not a transaction in the ordinary course of business; and
- Any Related Person Transaction where the total transaction value exceeds \$1,000,000.

On a quarterly basis, the Audit Committee shall review and, if determined by the Audit Committee to be appropriate, ratify any Related Person Transactions not requiring prior approval of the Audit Committee pursuant to the Related Person Transaction Policy.

In the event Verisign proposes to enter into a transaction with a related person who is a member of the Audit Committee or an immediate family member of a member of the Audit Committee, prior approval by a majority of the disinterested members of the

Board shall be required and no such member of the Audit Committee for which he or she or an immediate family member is a related person shall participate in any discussion or approval of such transaction, except to provide all material information concerning the Related Person Transaction.

The following Related Person Transactions shall not require approval or ratification by the Audit Committee:

- Payment of compensation to executive officers in connection with their employment with Verisign; *provided* that such compensation has been approved in accordance with policies of Verisign.
- Remuneration to directors in connection with their service as a member of the Board; *provided* that such remuneration has been approved in accordance with policies of Verisign.
- Reimbursement of expenses incurred in exercising duties as an officer or director of Verisign; *provided* that such reimbursement has been approved in accordance with policies of Verisign.
- Any transaction with another company at which a related person's only relationship is as a director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed \$1,000,000.
- Any transaction with a related person involving services as a bank depositary of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.
- Any transaction involving a related person where the rates or charges involved are determined by competitive bids, or the transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
- Any transaction where the related person's interest arises solely from the ownership of Verisign's common stock and all holders of Verisign's common stock received the same benefit on a pro rata basis (e.g., dividends).

There are no transactions required to be reported under Item 404(a) of Regulation S-K where the Related Person Transaction Policy did not require review, approval or ratification, or where the Related Person Transaction Policy was not followed during fiscal 2016.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since January 1, 2016, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we or any of our subsidiaries are or were to be a party in which the amount involved exceeded or will exceed \$120,000 and in which any director, executive officer or beneficial holder of more than 5% of the common stock of Verisign or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

PROPOSAL NO. 3
TO APPROVE, ON A NON-BINDING ADVISORY BASIS, THE FREQUENCY OF THE EXECUTIVE COMPENSATION VOTE

In accordance with Section 951 of the Dodd-Frank Act and the corresponding Securities and Exchange Commission rules, Verisign is seeking a non-binding advisory vote as to the frequency with which the approval of executive compensation vote be included as a proposal in the Proxy Statement and an agenda item at the Annual Meeting. Stockholders may cast a vote for every one, two or three years, or abstain from voting on this proposal.

Verisign believes that an annual vote is most appropriate. The compensation of our Named Executive Officers is reviewed, adjusted and approved on an annual basis. The Board believes that its stockholders should likewise have the opportunity to provide their direct input on executive compensation on an annual basis. Accordingly, our Board recommends that the advisory vote to approve executive compensation be held every year.

You may elect to have the vote held annually, every two years or every three years, or you may abstain. You are not voting to approve or disapprove the Board's recommendation but for one of the four specified choices. The vote is advisory and non-binding. The Compensation Committee will consider the outcome of the vote, along with other relevant factors, in recommending a voting frequency to the Board for its adoption.

The Board Recommends a Vote “FOR” an annual non-binding stockholder advisory vote to approve executive compensation.

PROPOSAL NO. 4

APPROVAL OF THE AMENDED AND RESTATED 2007 EMPLOYEE STOCK PURCHASE PLAN

The Board has determined that it is in the best interests of Verisign and its stockholders to seek stockholder approval of an amendment to our 2007 Employee Stock Purchase Plan, which has been renamed as the Amended and Restated 2007 Employee Stock Purchase Plan (ESPP). The ESPP was originally adopted upon approval by our stockholders in 2007. In March 2017, the Board of Directors approved changes to the ESPP, subject to stockholder approval, which will:

- Increase the number of shares of Verisign common stock authorized and reserved for issuance under the ESPP by an additional 2,500,000 shares; and
- Extend the term of the ESPP for an additional ten years, until March 29, 2027.

As of March 31, 2017, 1,033,193 shares remained available for issuance under the ESPP. The increase of 2,500,000 shares which we are seeking stockholder approval for represents approximately 2.45% of the Company's outstanding shares of common stock as of March 31, 2017.

We believe that the ESPP is in the best interest of stockholders, as it enhances broad-based employee stock ownership; enables the Company to attract, motivate and retain the best employees with a market-competitive benefit; and does so at a reasonable cost to stockholders. We are proposing an increase in the number of shares authorized and reserved for issuance under the ESPP to enable us to continue providing this benefit to new and current employees. Our Board of Directors believes that the Company's interests are best advanced by aligning stockholder and employee interests. The ESPP is intended to provide the Company's and its subsidiaries' eligible employees with an opportunity to participate in the Company's success by permitting them to acquire an ownership interest in the Company through periodic payroll deductions that will be applied towards the purchase of shares of our common stock at a discount from the market price.

The proposed additional 2,500,000 shares being requested under this proposal represents potential dilution of approximately 2.4% as of December 31, 2016 (potential dilution for this purpose is determined by dividing the 2,500,000 additional shares by the total number of common stock outstanding as of December 31, 2016). The dilution attributable to the ESPP for fiscal 2016 was 0.2% (which was determined by dividing the number of shares issued under the ESPP during fiscal 2016 by the total number of common stock outstanding as of December 31, 2016). The Board of Directors believes that this is a reasonable amount of potential dilution and generally in line with that of our peer companies.

We monitor our long-term dilution as a result of the ESPP by tracking the number of shares actually purchased and issued under the ESPP on an annual basis, expressed as a percentage of total shares outstanding and referred to as burn rate. Burn rate is another measure of dilution that shows how rapidly a company is depleting its shares reserved for equity compensation plans. Our burn rate for fiscal 2016 was 0.65%.

Based upon the typical levels of participation in the ESPP over the last several years, we expect the additional 2,500,000 shares will be sufficient to cover purchases under the plan for at least the next 10 years. In approving the increase to the share pool under the ESPP, the Board of Directors determined that reserving shares sufficient for approximately 10 years of new purchases at historical rates is in line with the practice of our public peer companies.

The following is a summary of the principal provisions of the ESPP. This summary is qualified in its entirety by reference to the full marked text of the ESPP which is attached as [Appendix A](#).

ESPP Background

Each offering under the ESPP will be for a period of 24 months and will consist of consecutive purchase periods of approximately six months in length. Offering periods begin on February 1 and August 1. Each participant will be granted an option on the first day of the offering period and the option will be automatically exercised on the last day of each purchase period during the offering period using the contributions the participant has made for this purpose. The purchase price for the common stock purchased under the ESPP is 85% of the lesser of the fair market value of the common stock on the first business day of the applicable offering period and on the last business day of the applicable purchase period. The Compensation Committee has the power to change the duration of offering periods and purchase periods.

Shares Subject to the ESPP

Subject to the adjustments as provided below, if this proposal is approved by stockholders, a maximum of 2,500,000 additional shares will be available for issuance under the ESPP.

Administration

The Compensation Committee, the members of which are appointed by the Board of Directors, administers the ESPP. All of the current members of the Compensation Committee have no material relationships with the Company, its employees or its affiliates.

The Compensation Committee has the authority to construe and interpret any of the provisions of the ESPP.

Eligibility

Employees generally are eligible to participate in the ESPP if they are customarily employed by Verisign or by a participating subsidiary for more than 20 hours per week. Verisign or a participating subsidiary also must have employed the employee at least ten days prior to the beginning of the offering period. Eligible employees may select a rate of payroll deduction between 2% and 25% of their compensation and are subject to certain maximum purchase limitations.

As of December 31, 2016, 986 employees, including all of our executive officers, were eligible to participate in the ESPP.

Special Limitations

The ESPP imposes certain limitations upon a participant's rights to acquire common stock, including the following limitations:

Purchase rights may not be granted to any individual who owns stock, including stock purchasable under any outstanding purchase rights, possessing 5% or more of the total combined voting power or value of all classes of stock of VeriSign or any of its affiliates.

Purchase rights granted to a participant may not permit the individual to accrue the right to purchase our common stock at an annual rate of more than \$25,000, valued at the time each purchase right is granted.

If on a purchase date the fair market value of a share of our common stock is less than half of 85% of the fair market value of a share of our common stock on the offering date, then on such purchase date no participant may purchase more than the number of shares determined by dividing 85% of the fair market value of a share of our common stock on the offering date into 50% of such participant's compensation to be paid during the applicable offering period.

Termination of Purchase Rights

A purchase right will terminate upon the participant's election to withdraw from the ESPP. Any payroll deductions that the participant may have made with respect to the terminated purchase right will be refunded to the participant if the election to withdraw from the ESPP is received by Verisign at least 15 days prior to the end of an offering period. If the participant's election to withdraw is received by Verisign less than 15 days prior to the end of an offering period, the participant's payroll deductions will be used to purchase shares on the purchase date and his/her participation will end at the beginning of the next purchase period or offering period. A participant's election to withdraw from the ESPP is irrevocable, and the participant may not rejoin the purchase period or offering period for which the terminated purchase right was granted.

A purchase right will also terminate upon the participant's termination of employment. Any payroll deductions that the participant may have made during the purchase period in which the termination occurs will be refunded to the participant.

In addition, Verisign has specifically reserved the right, exercisable in the sole discretion of the Board of Directors, to terminate the ESPP, or any offering period thereunder, at any time. In such an event, all outstanding purchase rights will be canceled and the payroll deductions returned to participants.

Stockholder Rights

No participant will have any stockholder rights with respect to the shares covered by his or her purchase rights until the shares are actually purchased on the participant's behalf. No adjustment will be made for dividends, distributions or other rights for which the record date is prior to the date of the purchase.

Assignability

No purchase rights will be assignable or transferable by the participant, except by will or the laws of inheritance following the participant's death. Each purchase right will, during the lifetime of the participant, be exercisable only by the participant.

Mergers, Consolidations and Change of Control

The ESPP provides that, in the event of the proposed dissolution or liquidation of VeriSign, Inc., the offering period will terminate immediately prior to the consummation of the proposed action, provided that the Compensation Committee may, in its sole discretion, fix a different date for termination of the ESPP and give each participant the opportunity to purchase shares under the ESPP prior to the termination.

The ESPP provides that, in the event of certain change-in-control transactions, as discussed in Section 14(b) of the ESPP, the ESPP will, subject to the discretion of the Compensation Committee, either (i) continue for all offering periods that began prior to the transaction and shares will be purchased based on the fair market value of the surviving corporation's stock on each purchase date, or (ii) terminate immediately prior to the closing of the change-in-control transaction.

Amendment of the Plan

The Board has the authority to amend, terminate or extend the term of the ESPP, except that no action may adversely affect any outstanding options previously granted under the ESPP and stockholder approval is required to (i) increase the number of shares that may be issued or change the terms of eligibility under the ESPP, (ii) materially increase benefits to participants (including a repricing, reducing the exercise price, or extending the term of the ESPP), (iii) materially change the designation of employees eligible for participation, and (iv) expand the types of awards offered under the ESPP.

The ESPP will terminate in 2027, on the tenth anniversary of the date of its adoption by our Board, unless terminated earlier under the terms of the ESPP. The effect of termination is that no new offering periods will commence under the ESPP, but outstanding offering periods will continue according to their terms.

Federal Tax Consequences

The ESPP is intended to be an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code. Under such a plan, no taxable income will be reportable by a participant, and no deductions will be allowable to Verisign, as a result of the grant or exercise of the purchase rights issued under the ESPP. Taxable income will not be recognized until there is a sale or other disposition of the shares acquired under the ESPP or in the event the participant should die while still owning the purchased shares.

If the participant sells or otherwise disposes of the purchased shares within two years after commencement of the offering period during which those shares were purchased or within one year of the date of purchase, the participant will recognize ordinary income in the year of sale or disposition equal to the amount by which the fair market value of the shares on the purchase date exceeded the purchase price paid for those shares. If the participant sells or disposes of the purchased shares more than two years after the commencement of the offering period in which those shares were purchased and more than one year from the date of purchase, then the participant will recognize ordinary income in the year of sale or disposition equal to the lesser of the amount by which the fair market value of the shares on the sale or disposition date exceeded the purchase price paid for those shares or 15% of the fair market value of the shares on the date of commencement of such offering period. Any additional gain upon the disposition will be taxed as a capital gain.

If the participant still owns the purchased shares at the time of death, the lesser of the amount by which the fair market value of the shares on the date of death exceeds the purchase price or 15% of the fair market value of the shares on the date of commencement of the offering period during which those shares were purchased will constitute ordinary income in the year of death.

If the purchased shares are sold or otherwise disposed of within two years after commencement of the offering period during which those shares were purchased or within one year after the date of purchase, then Verisign will be entitled to an income tax deduction in the year of sale or disposition equal to the amount of ordinary income recognized by the participant as a result of such sale or disposition. No deduction will be allowed in any other case.

New Benefits Under the ESPP

Because awards to employees under the ESPP are based on voluntary contributions in amounts determined by the participant, the benefits and amounts that will be received or allocated under the ESPP are not determinable at this time. Therefore, we have not included a table reflecting such benefits or awards.

Based on their shareholdings as of December 31, 2016, (determined in accordance with Section 423 of the Code) all of our Named Executive Officers will be eligible to participate in our ESPP, except employees of the China subsidiary. None of our non-employee directors will be eligible to participate in the ESPP.

The Board of Directors Recommends a Vote “FOR” Approval of the Amended and Restated 2007 Employee Stock Purchase Plan.

The Board Recommends a Vote “FOR” the Approval of the Amendment to Verisign’s 2007 Employee Stock Purchase Plan.

PROPOSAL NO. 5

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected KPMG LLP as our independent registered public accounting firm to perform the audit of our consolidated financial statements for the year ending December 31, 2017, and, as a matter of good corporate governance, our stockholders are being asked to ratify this selection. Representatives of KPMG LLP, expected to be present at the Meeting, will have the opportunity to make a statement at the Meeting if they desire to do so and are expected to be available to respond to appropriate questions.

The Board Recommends a Vote “FOR” the Ratification of the Selection of KPMG LLP as our Independent Registered Public Accounting Firm.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents fees billed for professional services rendered by KPMG LLP for the audit of our annual consolidated financial statements for the years ended December 31, 2016 and December 31, 2015, and fees billed for other services provided by KPMG LLP, in each of the last two completed fiscal years.

	<u>2016 Fees</u>	<u>2015 Fees</u>
Audit Fees (including quarterly reviews):		
Consolidated Integrated Audit	\$ 1,408,515	\$ 1,349,000
Statutory Audits.....	210,012	203,128
Comfort Letters and Consent on SEC filing	—	234,720
Total Audit Fees.....	<u>1,618,527</u>	<u>1,786,848</u>
Audit-Related Fees (1).....	—	255,000
Tax Fees (2)	1,260	85,000
All Other Fees.....	—	—
Total Fees.....	<u>1,619,787</u>	<u>2,126,848</u>

(1) Audit-Related Fees consist principally of reporting on Service Organization Controls (SOC 2 and 3 reports).

(2) Tax Fees consist principally of technical tax advice.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

Per the Audit Committee's Charter, the Audit Committee, or a designated member of the Audit Committee, pre-approved all audit and permissible non-audit services provided by the independent registered public accounting firm. These services included audit services, audit-related services, tax services and other services. Any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date.

OTHER INFORMATION

2018 Stockholder Proposals or Nominations

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended, some stockholder proposals may be eligible for inclusion in our 2018 Proxy Statement. These stockholder proposals must be submitted, along with proof of ownership of our stock in accordance with Rule 14a-8, to our principal executive offices in care of our Secretary by the means discussed below in the “Communicating with Verisign” section of this Proxy Statement. Failure to deliver a proposal in accordance with this procedure may result in the proposal not being deemed timely received. We must receive all submissions no later than 6:00 p.m. Eastern Time on December 13, 2017.

We strongly encourage any stockholder interested in submitting a proposal to contact our Secretary in advance of this deadline to discuss the proposal, and stockholders may find it helpful to consult knowledgeable counsel with regard to the detailed requirements of applicable securities laws. Submitting a stockholder proposal does not guarantee that we will include it in our Proxy Statement. Our Corporate Governance and Nominating Committee reviews all stockholder proposals and makes recommendations to the Board for action on such proposals. For information on recommending individuals for consideration as director nominees, see the “Corporate Governance and Nominating Committee” section of this Proxy Statement.

Verisign engages in a continuous quality improvement approach to corporate governance practices. We monitor and evaluate trends and events in corporate governance and compare and evaluate new developments against our current practices; we understand that corporate governance is not in a static state with regard to numerous topic areas. We seek and receive input from stockholders and other commentators on our practices and policies, and our Board and the Board’s Corporate Governance and Nominating Committee consider this input when reviewing proposals to change practices or policies.

In addition, under our Bylaws, any stockholder who intends to nominate a candidate for election to the Board or propose any business at our 2018 annual meeting (other than precatory (non-binding) proposals presented under Rule 14a-8), pursuant to the advance notice provisions of the Bylaws, must be received by our Secretary no earlier than 6:00 p.m. Eastern Time on January 25, 2018 and no later than 6:00 p.m. Eastern Time on February 24, 2018. Notice of proxy access director nominees must be received by our Secretary no earlier than 6:00 p.m. Eastern Time on November 13, 2017 and no later than 6:00 p.m. Eastern Time on December 13, 2017. In each case, the notice must include the information specified in our Bylaws, including information concerning the nominee or proposal, as the case may be, and information about the stockholder’s ownership of and agreements related to our stock. If the 2018 annual meeting is held more than 30 days before or more than 60 days after the anniversary of the 2017 Annual Meeting of Stockholders, a stockholder seeking to nominate a candidate for election to the Board or propose any business at our 2018 annual meeting, pursuant to the advance notice provisions of the Bylaws, must submit notice of any such nomination no earlier than 6:00 p.m. Eastern Time on the 120th day prior to such annual meeting and no later than 6:00 p.m. Eastern Time on the later of the 90th day prior to such annual meeting or the 10th day following the day on which the date of such meeting is first publicly announced by Verisign. If the 2018 annual meeting is held more than 30 days from the anniversary of the 2017 Annual Meeting of Stockholders, a stockholder seeking to nominate a candidate for election to the Board pursuant to the proxy access provisions of the Bylaws must submit notice of any such nomination no earlier than 6:00 p.m. Eastern Time on the 150th day prior to such annual meeting and no later than 6:00 p.m. Eastern Time on the later of the 120th day prior to such annual meeting or the 10th day following the day on which the date of such meeting is first publicly announced by Verisign.

Other Business

The Board does not presently intend to bring any other business before the Meeting, and, so far as is known to the Board, no matters are to be brought before the Meeting except as specified in the Notice of the Meeting. As to any business that may properly come before the Meeting, however, it is intended that proxies will be voted in respect thereof in accordance with the judgment of the persons voting such proxies.

Whether or not you expect to attend the Meeting, please complete the proxy electronically as described on the Notice of Internet Availability of Proxy Materials and under “Internet and Telephone Voting” in this Proxy Statement, or alternatively, if you have requested paper copies of the proxy soliciting materials, please complete, date, sign and promptly return the proxy in the enclosed postage paid envelope or cast your vote by phone so that your shares may be represented at the Meeting.

Communicating With Verisign

We have from time-to-time received calls from stockholders inquiring about the available means of communication with Verisign. We thought that it would be helpful to describe those arrangements that are available for your use.

- If you would like to receive information about Verisign, you may use one of these convenient methods:
 1. To have information such as our latest Annual Report on Form 10-K or Quarterly Report on Form 10-Q mailed to you, please email our Investor Relations Department at ir@verisign.com, and specify your mailing address, or call our Investor Relations Department at 1-800-922-4917 (U.S.) or 1-703-948-3447 (international).
 2. To view our website on the internet, use our internet address: www.verisign.com. Our home page gives you access to product, marketing and financial data, and an on-line version of this Proxy Statement, our Annual Report on Form 10-K and other filings with the SEC. The information available on, or accessible through, this website is not incorporated herein by reference.
- If you would like to write to us, please send your correspondence to the following address:

VeriSign, Inc.
Attention: Investor Relations
12061 Bluemont Way
Reston, Virginia 20190

or via email at ir@verisign.com.
- If you would like to inquire about stock transfer requirements, lost certificates and change of stockholder address, please call our transfer agent, Computershare Inc. at 1-877-255-1918. Foreign stockholders please call 1-201-680-6578. You may also visit their website at <http://www.computershare.com/investor> for step-by-step transfer instructions.

WE WILL PROVIDE, WITHOUT CHARGE, ON THE WRITTEN REQUEST OF ANY STOCKHOLDER, A COPY OF OUR 2016 ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENT SCHEDULES REQUIRED TO BE FILED WITH THE SEC PURSUANT TO RULE 13A-1. STOCKHOLDERS SHOULD DIRECT SUCH REQUESTS TO INVESTOR RELATIONS AT 12061 BLUEMONT WAY, RESTON, VIRGINIA, OR BY EMAIL AT IR@VERISIGN.COM.

Amended and Restated 2007 Employee Stock Purchase Plan

As Adopted August 30, 2007,
and amended May 25, 2017

1. ESTABLISHMENT OF PLAN. VeriSign, Inc. (the “*Company*”) proposes to grant options for purchase of the Company’s Common Stock to eligible employees of the Company and its Participating Subsidiaries (as hereinafter defined) pursuant to this Employee Stock Purchase Plan (this “*Plan*”). For purposes of this Plan, “*Parent Corporation*” and “*Subsidiary*” (collectively, “*Participating Subsidiaries*”) shall have the same meanings as “parent corporation” and “subsidiary corporation” in Sections 424(e) and 424(f), respectively, of the Internal Revenue Code of 1986, as amended (the “*Code*”). “*Participating Subsidiaries*” are Parent Corporations or Subsidiaries that the Board of Directors of the Company (the “*Board*”) designates from time to time as corporations that shall participate in this Plan. The Company intends this Plan to qualify as an “employee stock purchase plan” under Section 423 of the Code (including any amendments to or replacements of such Section), and this Plan shall be so construed. Any term not expressly defined in this Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. A total of 68,500,000 shares of the Company’s Common Stock is reserved for issuance under this Plan. Such number shall be subject to adjustments effected in accordance with Section 14 of this Plan.

2. PURPOSE. The purpose of this Plan is to provide eligible employees of the Company and Participating Subsidiaries with a convenient means of acquiring an equity interest in the Company through payroll deductions, to enhance such employees’ sense of participation in the affairs of the Company and Participating Subsidiaries, and to provide an incentive for continued employment.

3. ADMINISTRATION. This Plan shall be administered by the Compensation Committee of the Board (the “*Committee*”). Subject to the provisions of this Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of this Plan shall be determined by the Committee and its decisions shall be final and binding upon all participants. Members of the Committee shall receive no compensation for their services in connection with the administration of this Plan, other than standard fees as established from time to time by the Board for services rendered by Board members serving on Board committees. All expenses incurred in connection with the administration of this Plan shall be paid by the Company.

4. ELIGIBILITY. Any employee of the Company or the Participating Subsidiaries is eligible to participate in an Offering Period (as hereinafter defined) under this Plan except the following:

(a) employees who are not employed by the Company or Participating Subsidiaries ten (10) days before the beginning of such Offering Period;

(b) employees who are customarily employed for twenty (20) hours or less per week;

(c) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Participating Subsidiaries or who, as a result of being granted an option under this Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or any of its Participating Subsidiaries; and

(d) individuals who provide services to the Company or any of its Participating Subsidiaries as independent contractors who are reclassified as common law employees for any reason *except for* federal income and employment tax purposes.

5. OFFERING PERIODS. The offering periods of this Plan (each, an “*Offering Period*”) shall be of twenty-four (24) months duration commencing on February 1 and August 1 of each year and ending on January 31 and July 31 of each year; ~~provided, however, that the first such Offering Period shall commence on August 1, 2007 (the “*First Offering Date*”) and shall end on July 31, 2009.~~ Each Offering Period shall consist of four (4) six-month purchase periods (individually, a “*Purchase Period*”) during which payroll deductions of the participants are accumulated under this Plan. Unless determined otherwise by the Committee with respect to a particular Offering Period, each Purchase Period shall run from February 1 or August 1 to the next succeeding July 31 or January 31 as the case may be. If the Committee determines that purchases shall not be made on a Purchase Date, then the Committee may, but need not, modify the length of subsequent Purchase Periods and/or add additional Purchase Periods as it may determine in its discretion. The first business day of each Offering Period is referred to as the “*Offering Date*”. The last business day of each Purchase Period is referred to as the “*Purchase Date*”. The Committee shall have the power to

change the duration of Offering Periods or Purchase Periods as it may deem necessary or desirable in its sole discretion.

6. PARTICIPATION IN THIS PLAN. Eligible employees may become participants in an Offering Period under this Plan on the first Offering Date after satisfying the eligibility requirements by delivering a subscription agreement in the form specified by the Company not later than such Offering Date unless a later time for filing the subscription agreement authorizing payroll deductions is set by the Committee for all eligible employees with respect to a given Offering Period. An eligible employee who does not deliver a subscription agreement by such date after becoming eligible to participate in such Offering Period shall not participate in that Offering Period and shall only be permitted to participate in any subsequent Offering Period by delivering such a subscription agreement not later than the Offering Date of such subsequent Offering Period. ~~Notwithstanding the foregoing, participants in any offering period under the Company's 1998 Employee Stock Purchase Plan (the "1998 Plan") shall, on termination of such offering period under the 1998 Plan (including for this purpose, a termination due to the operation of Section 11 (e) of the 1998 Plan), automatically be enrolled in the first Offering Period to commence thereafter at the same contribution levels as respectively last elected under the 1998 Plan.~~ Once an employee becomes a participant in an Offering Period, such employee will automatically participate in the Offering Period commencing immediately following the last day of the prior Offering Period unless the employee withdraws or is deemed to withdraw from this Plan or terminates further participation in the Offering Period as set forth in Section 11 below. Such participant is not required to file any additional subscription agreement in order to continue participation in this Plan.

7. GRANT OF OPTION ON ENROLLMENT. Enrollment by an eligible employee in this Plan with respect to an Offering Period will constitute the grant (as of the Offering Date) by the Company to such employee of an option to purchase on the Purchase Date up to that number of shares of Common Stock of the Company determined by dividing (a) the amount accumulated in such employee's payroll deduction account during such Purchase Period by (b) the lower of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date (but in no event less than the par value of a share of the Company's Common Stock), or (ii) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Purchase Date (but in no event less than the par value of a share of the Company's Common Stock), *provided, however*, that the number of shares of the Company's Common Stock subject to any option granted pursuant to this Plan shall not exceed the lesser of (a) the maximum number of shares set by the Committee pursuant to Section 10(c) below with respect to the applicable Purchase Date, or (b) the maximum number of shares which may be purchased pursuant to Section 10(b) below with respect to the applicable Purchase Date. The fair market value of a share of the Company's Common Stock shall be determined as provided in Section 8 hereof.

8. PURCHASE PRICE. The purchase price per share at which a share of Common Stock will be sold in any Offering Period shall be eighty-five percent (85%) of the lesser of:

- (a) The Fair Market Value on the Offering Date; or
- (b) The Fair Market Value on the Purchase Date.

For purposes of this Plan, the term "*Fair Market Value*" means, as of any date, the value of a share of the Company's Common Stock determined as follows:

- (i) if such Common Stock is publicly traded and is then listed on a national securities exchange (for example, the Nasdaq Global Market), its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal*;
- (ii) if such Common Stock is publicly traded but is not listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal*; or
- (iii) if none of the foregoing is applicable, by the Board in good faith.

9. PAYMENT OF PURCHASE PRICE; CHANGES IN PAYROLL DEDUCTIONS; ISSUANCE OF SHARES.

(a) The purchase price of the shares may be accumulated by regular payroll deductions made during each Offering Period or, when authorized by the Committee, the purchase price of the shares may be paid by a lump sum payment. The deductions are made as a percentage of the participant's compensation in one percent (1%) increments not less than two percent (2%) nor greater than twenty-five percent (25%) or such higher or lower limit set by the Committee. Compensation shall mean base salary, commissions, bonuses, incentive compensation and shift premiums; provided, however, that for purposes of determining a participant's compensation, any election by such participant to reduce his or her regular cash remuneration under Sections 125 or 401(k) of the Code shall be treated as if the participant did not make such election. Payroll deductions shall commence on the first payday of the Offering Period and shall continue to the end of the Offering Period unless sooner altered or terminated as provided in this Plan.

(b) A participant may decrease or increase the rate of payroll deductions during an Offering Period by delivering a new authorization for payroll deductions, in the form specified by the Company, in which case the new rate shall become effective for the next payroll period commencing more than fifteen (15) days after the Company's receipt of the authorization and shall continue for the remainder of the Offering Period unless changed as described below. Such change in the rate of payroll deductions may be made at any time during an Offering Period, but not more than two (2) changes may be made effective during any Purchase Period. A participant may increase or decrease the rate of payroll deductions for any subsequent Offering Period by delivering a new authorization, in the form specified by the Company, for payroll deductions not later than fifteen (15) days before the beginning of such Offering Period.

(c) All payroll deductions made for a participant are credited to his or her account under this Plan and are deposited with the general funds of the Company. No interest accrues on the payroll deductions. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

(d) On each Purchase Date of an Offering Period, so long as this Plan remains in effect, and provided that the participant has not withdrawn from that Offering Period, then unless the Committee has previously notified participants that no purchase of Common Stock shall occur on such Purchase Date, the Company shall apply the funds then in the participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The purchase price per share shall be as specified in Section 8 of this Plan. Any cash remaining in a participant's account after such purchase of shares shall be refunded to such participant in cash, without interest; provided, however that any amount remaining in such participant's account on a Purchase Date which is less than the amount necessary to purchase a full share of Common Stock of the Company shall be carried forward, without interest, into the next Purchase Period or Offering Period, as the case may be. In the event that this Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date shall be returned to the participant, without interest. No Common Stock shall be purchased on a Purchase Date on behalf of any employee whose participation in this Plan has terminated prior to such Purchase Date.

(e) As promptly as practicable after the Purchase Date, the Company shall issue shares for the participant's benefit representing the shares purchased upon exercise of his or her option.

(f) During a participant's lifetime, such participant's option to purchase shares hereunder is exercisable only by him or her. The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

10. LIMITATIONS ON SHARES TO BE PURCHASED.

(a) No participant shall be entitled to accrue the right to purchase stock under this Plan at a rate which, when aggregated with his or her rights to purchase stock under all other employee stock purchase plans of the Company or any Subsidiary, exceeds \$25,000 in fair market value, determined as of the Offering Date (or such other limit as may be imposed by the Code) for each calendar year in which the employee participates in this Plan. The Company shall automatically suspend the payroll deductions of any participant as necessary to enforce such limit provided that when the Company automatically resumes such payroll deductions, the Company must apply the rate in effect immediately prior to such suspension.

(b) If the Fair Market Value of a share on a Purchase Date is less than half of eighty-five percent (85%) of the Fair Market Value of a share on the Offering Date then the maximum number of shares that may be purchased by any employee on such Purchase Date shall not exceed the number (the "*Maximum Share Amount*") obtained by dividing eighty-five percent (85%) of the Fair Market Value of a share on the Offering Date into fifty percent (50%) of such participant's eligible compensation to be paid during the Offering Period (as determined on the Offering Date). Prior to the commencement of any Offering Period, the Committee may, in its sole discretion, set a new maximum number of shares which may be purchased by any employee at any single Purchase Date and such number shall be the Maximum Share Amount for all Offering Periods to which it is to apply.

(c) No participant shall be entitled to purchase shares on a Purchase Date if the Committee determines there shall be no purchase of shares on such Purchase Date (whether due to the requirements of Section 23 of the Plan or as the Committee may otherwise deem necessary or desirable). If the Committee makes such a determination, then contributions accumulated during the Purchase Period ending on such Purchase Date shall be refunded (without interest unless otherwise determined by the Committee) to participants, but such participants, notwithstanding the provisions of Section 11(b), shall continue to be participants in the Offering Period of which such Purchase Period is a part unless the automatic enrollment provisions of Section 11(c) are otherwise applicable.

(d) If the number of shares to be purchased on a Purchase Date by all employees participating in this Plan exceeds the number of shares then available for issuance under this Plan, then the Company will make a pro rata allocation of the remaining shares in as uniform a manner as shall be reasonably practicable and as the Committee shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased

under a participant's option to each participant affected thereby.

(e) Any payroll deductions accumulated in a participant's account which are not used to purchase stock due to the limitations in this Section 10 shall be returned to the participant as soon as practicable after the end of the applicable Purchase Period, without interest unless otherwise determined by the Committee.

11. WITHDRAWAL.

(a) Each participant may withdraw from an Offering Period under this Plan by signing and delivering a written notice to that effect on a form specified by the Company. Such withdrawal may be elected at any time at least fifteen (15) days prior to the end of an Offering Period.

(b) Upon withdrawal from this Plan, the accumulated payroll deductions shall be returned to the withdrawn participant, without interest, and his or her interest in this Plan shall terminate. In the event a participant voluntarily elects to withdraw from this Plan, he or she may not resume his or her participation in this Plan during the same Offering Period, but he or she may participate in any Offering Period under this Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth above for initial participation in this Plan.

(c) If the purchase price on the first day of any current Offering Period in which a participant is enrolled is higher than the purchase price on the first day of any subsequent Offering Period, the Company will automatically enroll such participant in the subsequent Offering Period. Except with respect to the first Offering Period, any funds accumulated in a participant's account prior to the first day of such subsequent Offering Period will be applied to the purchase of shares on the Purchase Date immediately prior to the first day of such subsequent Offering Period. With respect to the first Offering Period, any funds accumulated in a participant's account prior to the first day of such subsequent Offering Period will be applied to the purchase of shares on the Purchase Date next following the first day of such subsequent Offering Period. A participant does not need to file any forms with the Company to automatically be enrolled in the subsequent Offering Period.

12. TERMINATION OF EMPLOYMENT. Termination of a participant's employment for any reason, including retirement, death or the failure of a participant to remain an eligible employee of the Company or of a Participating Subsidiary, immediately terminates his or her participation in this Plan. In such event, the payroll deductions credited to the participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest. For purposes of this Section 12, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company or of a Participating Subsidiary in the case of sick leave, military leave, or any other leave of absence approved by the Board; *provided* that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

13. RETURN OF PAYROLL DEDUCTIONS. In the event a participant's interest in this Plan is terminated by withdrawal, termination of employment or otherwise, or in the event this Plan is terminated by the Board, the Company shall promptly deliver to the participant all payroll deductions credited to such participant's account. No interest shall accrue on the payroll deductions of a participant in this Plan.

14. CAPITAL CHANGES.

(a) Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each option under this Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under this Plan but have not yet been placed under option (collectively, the "*Reserves*"), as well as the price per share of Common Stock covered by each option under this Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock of the Company resulting from a stock split or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of issued and outstanding shares of Common Stock effected without receipt of any consideration by the Company; *provided, however*, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Committee, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. The Committee may, in the exercise of its sole discretion in such instances, declare that this Plan shall terminate as of a date fixed by the Committee and give each participant the right to purchase shares under this Plan prior to such termination. In the event of (i) a merger or consolidation in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the options under this Plan are

assumed, converted or replaced by the successor corporation, which assumption will be binding on all participants), (ii) a merger in which the Company is the surviving corporation but after which the stockholders of the Company immediately prior to such merger (other than any stockholder that merges, or which owns or controls another corporation that merges, with the Company in such merger) cease to own their shares or other equity interest in the Company, (iii) the sale of substantially all of the assets of the Company or (iv) the acquisition, sale, or transfer of more than 50% of the outstanding shares of the Company by tender offer or similar transaction, the Plan shall either: (i) continue for all Offering Periods which began prior to the closing of such transaction and terminate for all subsequent Offering Periods and shares will be purchased based on the fair market value of the surviving corporation's stock on each Purchase Date (taking into account the exchange ratio, where necessary); or (ii) terminate immediately prior to the consummation of such transaction. The Committee will, in the exercise of its sole discretion in such instance, determine which of the two foregoing options will occur. In the event that a merger or consolidation with a wholly-owned subsidiary, a reincorporation of the Company in a different jurisdiction, or other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings and the options under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all participants, the Plan will continue as it did prior to the consummation of such transaction.

(c) The Committee may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, or in the event of the Company being consolidated with or merged into any other corporation.

15. NONASSIGNABILITY. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under this Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be void and without effect.

16. REPORTS. Individual accounts will be maintained for each participant in this Plan. Each participant shall receive promptly after the end of each Purchase Period a report of his or her account setting forth the total payroll deductions accumulated, the number of shares purchased, the per share price thereof and the remaining cash balance, if any, carried forward to the next Purchase Period or Offering Period, as the case may be.

17. NOTICE OF DISPOSITION. Each participant shall notify the Company if the participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two (2) years from the Offering Date or within one (1) year from the Purchase Date on which such shares were purchased (the "**Notice Period**"). Unless such participant is disposing of any of such shares during the Notice Period, such participant shall keep the certificates representing such shares in his or her name (and not in the name of a nominee) during the Notice Period. The Company may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to this Plan requesting the Company's transfer agent to notify the Company of any transfer of the shares. The obligation of the participant to provide such notice shall continue notwithstanding the placement of any such legend on the certificates.

18. NO RIGHTS TO CONTINUED EMPLOYMENT. Neither this Plan nor the grant of any option hereunder shall confer any right on any employee to remain in the employ of the Company or any Participating Subsidiary, or restrict the right of the Company or any Participating Subsidiary to terminate such employee's employment.

19. EQUAL RIGHTS AND PRIVILEGES. All eligible employees shall have equal rights and privileges with respect to this Plan so that this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 or any successor provision of the Code and the related regulations. Any provision of this Plan which is inconsistent with Section 423 or any successor provision of the Code shall, without further act or amendment by the Company, the Committee or the Board, be reformed to comply with the requirements of Section 423. This Section 19 shall take precedence over all other provisions in this Plan.

20. NOTICES. All notices or other communications by a participant to the Company under or in connection with this Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. TERM; STOCKHOLDER APPROVAL. ~~After this Plan is adopted by the Board, this Plan will become~~effective on the date that is the First Offering Date (as defined above) August 1, 2007. This Plan shall be approved by the stockholders of the Company, in any manner permitted by applicable corporate law, within twelve (12) months before or after the date this Amended and Restated Plan is adopted by the Board. No purchase of shares pursuant to this Plan shall occur prior to such stockholder approval. This Plan shall continue until the earlier to occur of (a) termination of this Plan by the Board (which termination may be effected by the Board at any time), (b) issuance of all of the shares of Common Stock reserved for issuance

under this Plan, or (c) ten (10) years from the adoption of this Amended and Restated Plan by the Board.

22. DESIGNATION OF BENEFICIARY.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under this Plan in the event of such participant's death subsequent to the end of a Purchase Period but prior to delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under this Plan in the event of such participant's death prior to a Purchase Date.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under this Plan who is living at the time of such participant's death, the Company shall deliver such shares or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

23. CONDITIONS UPON ISSUANCE OF SHARES; LIMITATION ON SALE OF SHARES. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act, the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

24. APPLICABLE LAW. The Plan shall be governed by the substantive laws (excluding the conflict of laws rules) of the State of California.

25. AMENDMENT OR TERMINATION OF THIS PLAN. The Board may at any time amend, terminate or extend the term of this Plan, except that any such termination cannot affect options previously granted under this Plan, nor may any amendment make any change in an option previously granted which would adversely affect the right of any participant, nor may any amendment be made without approval of the stockholders of the Company obtained in accordance with Section 21 hereof within twelve (12) months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would result in: (a) a material increase in the number of shares that may be issued under this Plan (other than pursuant to Section 14); ~~or~~(b) a material increase in benefits to participants, including any material change to: (i) permit a repricing (or decrease in exercise price) of outstanding options, (ii) reduce the price at which shares or options to purchase shares may be offered, or (iii) extend the duration of the Plan; ~~(b)~~ (c) a material change in the designation of the employees (or class of employees) eligible for participation in this Plan; or (d) any expansion in the types of options or awards provided under the Plan.

BOARD OF DIRECTORS

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Executive Chairman,
President and Chief Executive Officer
VeriSign, Inc.

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Partner
Wilmer Cutler Pickering Hale and Dorr LLP

Timothy Tomlinson

Former General Counsel
Portola Minerals Company

Kathleen A. Cote

Former Chief Executive Officer
Worldport Communications Company

Roger H. Moore

Former President and Chief Executive Officer
Illuminet Holdings, Inc.

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Chief Financial Officer

Todd B. Strubbe

Executive Vice President,
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Executive Vice President,
General Counsel and Secretary

INVESTOR INFO

Quarterly earnings releases, corporate news releases, and Securities and Exchange Commission filings are available by contacting Verisign Investor Relations or through our website at <https://investor.verisign.com>. **A copy of Verisign's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, containing additional information of possible interest to stockholders will be sent without charge to any stockholder who requests it. Please direct your request to Verisign Investor Relations at the address at right.**

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If you have questions concerning stock certificates, change of address, consolidation of accounts, transfer of ownership, or other stock account matters, please contact Verisign's transfer agent:

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STOCK EXCHANGE LISTING

NASDAQ Stock Market
Ticker Symbol: VRSN

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Verisign, a global leader in domain names and internet security, enables internet navigation for many of the world's most recognized domain names and provides protection for websites and enterprises around the world. Verisign ensures the security, stability and resiliency of key internet infrastructure and services, including the .com and .net domains and two of the internet's root servers, as well as performs the root-zone maintainer function for the core of the internet's Domain Name System (DNS). Verisign's Security Services include intelligence-driven Distributed Denial of Service Protection and Managed DNS. To learn more about what it means to be Powered by Verisign, please visit Verisign.com.

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